



Social Responsibility Report 2004

Coca-Cola HBC



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Introduction

2004 Highlights and 2005 Goals	6
A Message from the Board	8
Our Business	10
Social Responsibility	12
Mission and Core Values	13
Engaging with Our Stakeholders	14
Managing Our Impacts	15
Reporting and Assurance	16

Governance and Management

The Board of Directors	20
The Human Resources Committee	21
The Audit Committee	21
The Social Responsibility Committee	23
Codes and Policies	24
Code of Business Conduct	25

Workplace

The Coca-Cola System Shared Commitment	28
Committed to Human Rights	29
Promoting Equality of Opportunity	30
Respecting Diversity	31
Occupational Health and Safety System	32
HIV/AIDS and Other Diseases	34
Creating a High Performance Culture	36
Developing Employee Engagement	37
Employee and Industrial Relations	40
Recognising and Rewarding Performance	41
Goals for 2005	41

Environment

The Coca-Cola System Shared Commitment	44
Environmental Governance	45
Environmental Performance	46
Improving Water Efficiency	48
Reducing Energy Consumption	50
Atmospheric Emissions	53
Raw Materials	54

Ingredients	54
Packaging Materials	55
Solid Waste	56
Ecological Analysis	58
Biodiversity	60
Goals for 2005	61
Environmental Data Table 2004	62

Marketplace

The Coca-Cola System Shared Commitment	66
Committed to Quality	68
Quality Control and Auditing	69
The Coca-Cola Quality System	69
Product and Marketing Responsibility	70
Addressing Obesity	70
Engaging with our Consumers	73
Adding Value for Customers	73
Fair Commercial Policy	74
Working with Suppliers	76
Supplier Guiding Principles	77
Goals for 2005	77

Community

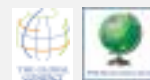
The Coca-Cola System Shared Commitment	80
Economic Impact: Creating Value	80
Community Development: Enriching Lives	81
Youth Development	82
Sport and Physical Activity	85
Water and the Environment	87
HIV/AIDS	90
Emergency Relief	91
Sustainable Development: Partnering for Progress	91
Goals for 2005	95

Auditors' Statement	96
----------------------------	-----------

GRI Content Index	98
--------------------------	-----------

Glossary of Terms	102
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2004 Highlights



- ❑ Social Responsibility Committee of the Board of Directors fully operational
- ❑ Signed commitment to UN Global Compact
- ❑ Maintained FTSE4Good listing since index launch
- ❑ Launched CAP Gap survey* benchmarking CSR performance against 17 key external standards; completed in 10 countries to date
- ❑ Formalised policies on human rights, equality, HIV/AIDS, health and safety, quality and environment, as well as supplier guiding principles
- ❑ Launched occupational health and safety initiative to achieve OHSAS 18001 certification of all plants by 2007
- ❑ Invested €12 million in training and development
- ❑ Recognised by American Productivity and Quality Centre (APQC) for innovative talent management
- ❑ Achieved ISO 9001:2000 certification in 52 of 53 European carbonated soft drink (CSD) plants
- ❑ Achieved ISO 14001 in 52 of 53 European CSD plants
- ❑ Reduced water use in our plants by 4%
- ❑ Reduced energy use in our plants by 5%
- ❑ Increased solid waste recycling in our plants by 5%
- ❑ Received Russia's highest environment award for eco-efficiency
- ❑ Named most respected food and beverage company in Greece and 4th most respected company overall**
- ❑ Received awards in Romania and Northern Ireland for community programmes
- ❑ Prepared 2004 Social Responsibility Report in accordance with the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI)

*The Future 500 CAP Gap Audit is provided by the Future 500 and Global Futures Foundation (www.future500.org)

**The World's Most Respected Companies 2004 survey is published by the PriceWaterhouseCoopers and the Financial Times

2005 Goals

Priorities for 2005 are discussed in detail throughout this report. A summary of our main commitments is as follows:

- ❑ Roll out revised Code of Business Conduct to employees in every country
- ❑ Complete baseline CAP Gap survey of CSR performance in remaining 16 countries
- ❑ Ensure implementation of Coca-Cola HBC Human Rights and Equality Policies throughout operations
- ❑ Undertake external pre-certification audits of 20 sites as part of occupational health and safety initiative
- ❑ Extend HIV/AIDS programmes where appropriate
- ❑ Implement Roll Back Malaria programme throughout all Nigerian plants
- ❑ Improve water, energy and solid waste recycling ratios by 2% and reduce generation of solid waste by 5% in our plants
- ❑ Build social accountability capabilities in terms of awareness, programme implementation, monitoring, reporting and auditing
- ❑ Measure cash value added and community investment programmes
- ❑ Launch pilot water conservation initiatives in Nigeria and Danube River water basin

A Message from the Board


This second Coca-Cola HBC social responsibility report details the progress we have made in all aspects of our corporate social responsibility performance during 2004.

In this report, we restate our commitment to conducting our business in a responsible and sustainable manner and discuss the policies, programmes and resources we have put behind this commitment. We also track our performance against key indicators, outline our approach to certain issues and identify future priorities.

In 2004, our Board-level Social Responsibility Committee became fully operational, meeting quarterly to review and guide our work. During the year, we made a series of further commitments. We became a participant in the UN Global Compact and pledged to support the ten principles with respect to human rights, labour standards, protection of the environment and anti-corruption.

We also formalised Coca-Cola HBC policies for human rights, occupational health and safety, quality and the environment. We are now working to embed these policies throughout our business. This means clearly defining accountability, setting priorities and performance targets, measuring and auditing our progress. For example, we launched a major three-year initiative to achieve the occupational health and safety certification OHSAS 18001 by 2007.

Coca-Cola HBC is delighted to have been listed on the FTSE4Good index since its formation and to have maintained our listing as criteria become ever more stringent. The company is also honoured to receive recognition of our progress for workplace, community and environment programmes in 2004.



We still have a way to go in other areas. We narrowly missed two of our targets for 2004. We achieved ISO 9001:2000 and ISO 14001 certification in 52 rather than all 53 of our European carbonated soft drink plants. Similarly, we reduced water consumption in our facilities by 4% rather than the targeted 5%. We are implementing corrective action and will report on progress next year.

At the Group level, we must work to ensure that our policies and standards are implemented throughout our operations and, over time, our supply chain. We must also measure the effectiveness of programmes and report on our progress. For example, we will institute more accurate measurement of our economic impact in the communities where we operate, as well as of the community investment programmes we support.

Sustainability is our goal. We must ensure the sustainable growth of our business and contribute to the sustainable development of our communities – without compromising the ability of future generations to meet their own needs.

Our objective in compiling this report has been to be as accurate, complete and honest as we can be about how Coca-Cola HBC performs. We aim to report our performance in a way that is meaningful to our stakeholders – and useful to us as we strive to improve our performance.

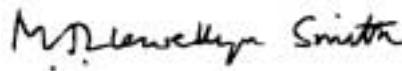
This report has been prepared in accordance with the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). It represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance.



George David
Chairman



Doros Constantinou
Managing Director



Sir Michael Llewellyn Smith
Chairman
Social Responsibility Committee



Our Business

Coca-Cola Hellenic Bottling Company S.A., also known as Coca-Cola HBC, is one of the world's leading providers of non-alcoholic beverages, and one of the largest bottlers of products of The Coca-Cola Company.

Headquartered in Athens, Coca-Cola HBC serves a population of more than 500 million people in 26 countries. Of these countries, 25 are in Europe and 14 are members of the European Union (EU). The company is listed on the Athens, London, New York and Sydney stock exchanges.

A relatively young company, Coca-Cola HBC was formed through the merger in 2000 of the Hellenic Bottling Company of Athens and Coca-Cola Beverages plc of London. Since then, the company has grown and now employs over 37,000 people and operates 78 bottling plants.

Coca-Cola HBC's product portfolio includes carbonated soft drinks, juice drinks, water, sports and energy drinks, and ready-to-drink teas and coffees. The majority of sales, approximately 77%, are carbonated soft

Coca-Cola Light is the fastest growing carbonated soft drink in the company's range



drinks from The Coca-Cola Company and four of these brands – Coca-Cola, Coca-Cola Light, Fanta and Sprite – are among the world's top five carbonated soft drinks brands.

Our partnership with The Coca-Cola Company is known as the Coca-Cola System. Under licensing agreements, Coca-Cola HBC produces, distributes and sells specific beverages of The Coca-Cola Company, principally Coca-Cola, Coca-Cola Light, Fanta, Sprite, Minute Maid, BonAqua and Lift. The Coca-Cola Company is largely responsible for consumer marketing.

Coca-Cola HBC manufactures over 145 carbonated and 240 non-carbonated beverages. In 2004, our net sales were €4,248 million. Becoming a more diverse alcohol-free beverage company is a strategic priority for Coca-Cola HBC, and we plan to achieve this through the acquisition of complementary businesses and product innovation. In 2004, for example, Coca-Cola HBC acquired the Croatian mineral water company Gotalka as part of this diversification strategy.

With a geographical range that stretches from the Republic of Ireland to the eastern-most parts of Russia, and from Estonia to Nigeria, Coca-Cola HBC is focused on meeting the demands and local tastes and cultures of all of its markets.

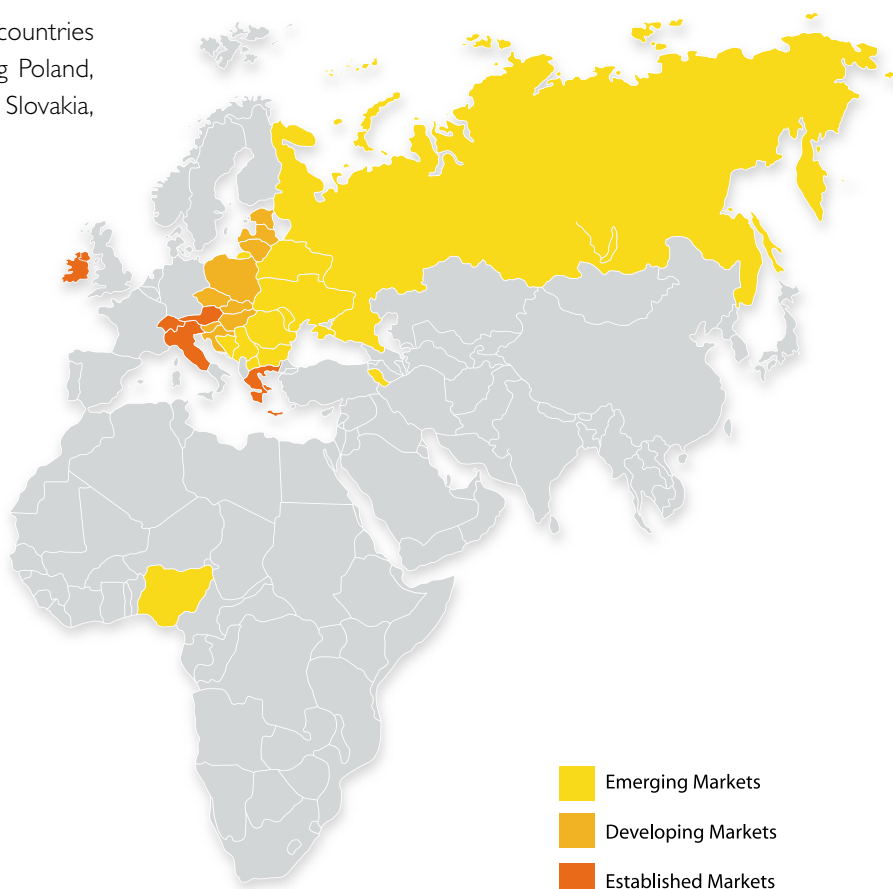
In order to do so, the company divides the territories in which it operates into three regions, "established", "developing" and "emerging". These groupings reflect the development of the company's operations as well as levels of political and economic stability and development, regulatory environments, growth opportunities, customers and distribution infrastructures.

□ The "established" region comprises Coca-Cola HBC's six territories in western Europe: Italy, Greece, the Republic of Ireland, Northern Ireland, Austria and Switzerland.



- ❑ The "developing" region comprises nine countries in central and eastern Europe, including Poland, Hungary, the Czech Republic, Croatia, Slovakia, Slovenia, as well as the Baltic republics of Lithuania, Estonia and Latvia.
- ❑ The "emerging" region consists of 11 countries, ranging from Nigeria, our only African territory, to Russia, Romania, Bulgaria, Ukraine, Serbia & Montenegro, Bosnia & Herzegovina, FYROM (Former Yugoslav Republic of Macedonia), Belarus, Armenia and Moldova.

Further detail about our business and operations can be found in the 2004 Annual Report on the Coca-Cola HBC website (www.coca-colahbc.com).



- Emerging Markets
- Developing Markets
- Established Markets



Social Responsibility

Coca-Cola HBC strives to be commercially successful and to be ethical, socially responsible and environmentally sound in the way that it achieves business success.

This commitment to social responsibility is underpinned by **Citizenship@Coca-Cola** – the joint statement of commitment and operating principles signed by The Coca-Cola Company, Coca-Cola HBC and other key Coca-Cola bottlers (see below). These commitments and principles form the basis of this report and the company's actions. The company strives to meet – even exceed – these commitments.

Social responsibility is also embedded in the company's **mission** and **values** (see opposite).

Indeed, business is not sustainable in the longer term without being socially responsible today. If we do not invest in training and development of our employees, for example, our organisation will not be competitive. If we do not support water conservation, our most important ingredient is jeopardised. If we do not help stop the spread of HIV/AIDS, our consumer and employee bases are threatened.

We have a responsibility to make our business sustainable. In addition, we must make available our skills, resources and influence to contribute to broader sustainability challenges.

Citizenship@Coca-Cola

The **Citizenship@Coca-Cola** platform is built on four key areas: **Workplace, Marketplace, Environment and Community**. The key commitments in each area are outlined below – the detailed principles and practices of each can be found in the relevant chapters of this report.



Workplace
To foster an open and inclusive environment, where a highly motivated, productive and committed workforce drives business success through superior execution



Marketplace
To provide products and services that meet the beverage needs of our consumers, thereby providing sound and rewarding business opportunities and benefits for our customers, suppliers, distributors and local communities



Environment
To conduct our business in ways that protect and preserve the environment, and to integrate principles of environmental stewardship and sustainable development into our business decisions and processes



Community
To invest time, expertise and resources to provide economic opportunity, improve the quality of life and foster goodwill in our communities through locally relevant initiatives

Coca-Cola HBC supports the principles enshrined in the UN Universal Declaration of Human Rights and is a participant of the UN Global Compact.

As a relatively young entity, Coca-Cola HBC is working to integrate its commitment to social responsibility throughout its business. This involves:

- ☐ Liaising with key stakeholders
- ☐ Understanding and managing impacts
- ☐ Developing Group-wide policies and strategy
- ☐ Ensuring management structures, capabilities and accountabilities
- ☐ Developing and implementing programmes throughout all territories
- ☐ Setting targets and measuring performance
- ☐ Seeking independent assurance of data, systems and performance
- ☐ Reporting performance to stakeholders

In 2004, the company adopted the Future 500 CAP Gap survey to informally benchmark its performance against 17 major global accountability and social reporting standards. This survey was undertaken in 10 countries in 2004 and will be completed in the remaining 16 countries in 2005 as part of creating a baseline for future programmes.

Coca-Cola HBC operations in different countries are developing at differing paces in line with local economic and social conditions. In addition, when the company acquires new business operations, embedding company values, ethics and commitments is a gradual and evolving process.

Although the pace of progress will vary from country to country, Coca-Cola HBC is determined to meet its stated commitments throughout its operations. On its journey to sustainability, Coca-Cola HBC has committed itself to the principle of continuous improvement – as it does in every aspect of its business.

Mission and Core Values

Mission Statement

We, the people of Coca-Cola HBC, will:

- ☐ Refresh our consumers
- ☐ Partner with our customers
- ☐ Reward our stakeholders
- ☐ And enrich the lives of the communities we serve

Core Values

Commitment

To stretch ourselves to deliver outstanding performance.

Teamwork

To effectively share best practice, support our colleagues to achieve both country and group-wide goals, and to draw from the best resources available within the Group.

Accountability

To be individually and transparently accountable for delivering agreed targets and goals.

People

To focus on creating an environment in which a group of highly skilled and motivated people are exceptionally well trained, developed, challenged and respected.

Quality

To be committed, in each part of the business, to total quality of product, customer service, operations, execution in marketplace and people.

Integrity

We will conduct our business openly and honestly to the highest ethical business standards.



Engaging with Our Stakeholders

To meet its commitments, Coca-Cola HBC must also meet the expectations and needs of its stakeholders. The company must inform and involve them, learning from them in return. We aim to build trust and work towards common goals.

Coca-Cola HBC consults widely but has identified nine stakeholder groups as being most impacted by its business. Their needs and concerns are key to the way the company manages its business and its social responsibility programmes.

These stakeholders are outlined below, along with some of the ways the company engages with them.

Some engagement is formal and regular; other forms are ad hoc and issue-specific. Throughout this report, we discuss how we engage with stakeholders and respond to specific concerns.

At Board level, accountability for stakeholder relationships lies with the Chairman of the Social Responsibility Committee. This responsibility is fulfilled through the Social Responsibility Council and country functions across the company's 26 operations.

This report itself is also part of the company's ongoing dialogue with stakeholders and we welcome readers' feedback (email: social.responsibility@cchbc.com).

Our Stakeholders

- ❑ **Consumers – Consumer Response Information Service (CRIS) hotlines, research, surveys, focus groups, local websites, plant tours**
- ❑ **Customers – Regular visits, dedicated account management teams, surveys, newsletters in certain countries**
- ❑ **Employees – Surveys, workshops, conferences, meetings with management, Employee Works Council, intranet, employee communications**
- ❑ **Communities – Plant visits, community meetings, partnership on issues of common concern, sponsorship activities, lectures at universities**
- ❑ **Governments and regulatory authorities – Informal and formal discussions, industry groups, foreign investment advisory councils, chambers of commerce**
- ❑ **Suppliers – Membership of packaging associations, joint projects, meetings**
- ❑ **Non-profit organisations – Informal dialogues, partnerships on common issues, memberships of business and industry associations**
- ❑ **Shareholders and analysts – Annual shareholders' meeting, quarterly roadshows, ongoing dialogue with analysts, quarterly results briefings and webcasts with shareholder and analyst participation. Shareholders can raise questions through the website and those holding 5% or more of shares have a right to convene a general meeting of shareholders.**
- ❑ **The Coca-Cola Company – Daily interaction as business partners, joint projects, functional work groups on key strategic issues, "Top-to-Top" senior management forum**

Managing Our Impacts

Coca-Cola HBC has identified and prioritised the key impacts of its business in order to manage them effectively. This is done by reviewing the commitments the company has undertaken to its stakeholders, the concerns these stakeholders raise, as well as the business goals, certifications and performance standards to which the company has committed itself.

The impacts caused directly by our operations are those for which we have greatest responsibility and over which we have greatest control. They are therefore the impacts that we have prioritised in the short term. Nevertheless, we recognise that we have responsibility to exert influence over our indirect impacts – impacts caused by businesses up and down our value chain – and we endeavour to do so.

The Coca-Cola System continues to explore new technologies for cold drink equipment



We group these impacts into the areas Workplace, Environment, Marketplace and Community as below. It should be noted that all four areas are governed by the Coca-Cola HBC Code of Conduct and Citizenship@Coca-Cola.

Workplace

- ❑ Protecting human rights – p. 29
- ❑ Equal opportunity and diversity – p. 30
- ❑ Occupational health and safety – p. 31
- ❑ HIV/AIDS – p. 34
- ❑ Training and development – p. 37
- ❑ Employee engagement – p. 40
- ❑ Employee and industrial relations – p. 40
- ❑ Rewarding performance – p. 41

Environment

- ❑ Improving water efficiency – p. 48
- ❑ Reducing energy use – p. 50
- ❑ Reducing emissions – p. 53
- ❑ Increasing recycling – p. 54
- ❑ Reducing solid waste – p. 56
- ❑ Supporting post-consumer waste recovery and recycling – p. 56
- ❑ Protecting biodiversity – p. 60

Marketplace

- ❑ Ensuring product quality and safety – p. 68
- ❑ Product and marketing responsibility – p. 70
- ❑ Engaging with consumers – p. 73
- ❑ Adding value to retail customers – p. 73
- ❑ Working with suppliers – p. 76

Community

- ❑ Creating value in communities – p. 80
- ❑ Promoting youth development – p. 82
- ❑ Promoting sport and physical activity – p. 85
- ❑ Supporting environmental conservation – p. 87
- ❑ Providing emergency relief – p. 91
- ❑ Memberships and multi-sector partnerships – p. 91



Information and data collection are key elements of performance management

Reporting and Assurance

This report covers the calendar year 2004. Information in this report refers to all 26 countries and territories in which Coca-Cola HBC conducts activities unless otherwise stated. The scope of the report includes all alcohol-free beverages produced and distributed by the company.

This report does not include investments and distribution contracts in brewing interests held in FYROM and Bulgaria, Ireland and Hungary which represent approximately 1 % of net sales revenue. Neither does the report include investments held in the Greek snacks company Tsakiris.

Some initiatives discussed in this report are joint programmes of Coca-Cola HBC and The Coca-Cola Company, our business partner. These programmes are referred to as those of the Coca-Cola System.

Performance Indicators

Coca-Cola HBC measures its progress against indicators based on internal and external indicators and certification standards to which it aspires.

The company is tracking and reporting on an increased number of indicators since last year's report. These include the core indicators in the Global Reporting Initiative's (GRI) 2002 Sustainability Reporting Guidelines (see **GRI Content Index**).

The Coca-Cola HBC occupational health and safety system launched in 2004 also entails new indicators that are tracked in this year's report. Environmental reporting was extended and a new analysis evaluates the ecological impacts resulting from Coca-Cola HBC's activities (see **Environment**).

Assurance

Following implementation of policies, programmes and internal measurement systems, Coca-Cola HBC then seeks independent verification. This assurance process helps Coca-Cola HBC enhance its performance by improving its systems and data.

In 2004, Coca-Cola HBC received independent verification of key environmental, health and safety data in this report. The auditor's overview of findings can be found on p. 96 and the summary validation report can be found on the Coca-Cola HBC website. Coca-Cola HBC also included a sample validation of human rights policy and implementation in the assurance process in 2004. It is planned to audit 50 facilities before the year end.

Coca-Cola HBC has not pursued assurance of this report per se at this stage, believing it to be premature in the evolution of its programmes. In addition, external debate around assurance of reporting is still evolving. Coca-Cola HBC will monitor and review this in due course.



Aon Risk Consulting is an independent consultancy that provides Coca-Cola HBC with general risk management services. This includes an assurance audit programme in relation to:

- ☐ Property Loss Prevention
- ☐ Business Continuity Planning

- ❑ Fleet Safety Management
- ❑ Occupational Health and Safety Series (OHSAS) 18001
- ❑ Environmental Management Systems (ISO 14001)
- ❑ Additional internal programmes and management systems (ISO systems and internal standards linked to/by protocols of The Coca-Cola Company).

In 2005, Coca-Cola HBC extended the Aon brief to include a sample validation programme of key environmental, health and safety data that the company cites in this report.



Lloyd's Register Quality Assurance (LRQA) & Société Générale Surveillance (SGS) International are certification bodies who externally validate Coca-Cola HBC systems, procedures and practices

against international standards and management systems. These include:

- ❑ ISO 9001: 2000
- ❑ ISO 14001
- ❑ Occupational Health and Safety Series (OHSAS) 18001

Feedback

Coca-Cola HBC acknowledges that there is an ongoing debate about how companies can best report on their social and environmental performance. We welcome your views on our performance and our reporting.

Please contact us at:

social.responsibility@cchbc.com

or take part in our online survey at:

www.coca-colahbc.com

Feedback, challenge and open discussion are encouraged



Loca-C...BC

ISO 9001 -

ISO 14001 -

OHSAS 18001 -

Quality Management

Environment/Community

Health & Safety/Workplace



FTSE4Good



International Labour Organization

AON

Risk Management

The logo for SGS, consisting of the letters 'SGS' in a bold, sans-serif font, with a vertical line to the right.

Société Générale de Surveillance



LLOYD'S REGISTER QUALITY ASSURANCE



THE GLOBAL
COMPACT

The Global Compact's
ten principles in the areas
of human rights, the
environment and anti
corruption.

GRI - Global Reporting Initiative

The Global Reporting Initiative (GRI) is a multi-stakeholder process and independent institution which develops and disseminates globally applicable Reporting Guidelines.

Coca-Cola HBC has a strong and continuing
commitment to the highest standards
of corporate governance and business ethics.

We will achieve our business objectives in a manner
which is responsible and in accordance with high standards
of probity, transparency and accountability

governance & management



Coca-Cola HBC believes that strong corporate governance and ethics are essential to business success.

As part of this commitment, the company reviews its corporate governance standards and procedures to ensure compliance with international best practices in corporate governance. Below is a summary of the company's corporate governance systems and standards; further information can be found in the Annual Report which is available on the website www.coca-colahbc.com.

In light of recent developments in Europe and the United States, Coca-Cola HBC reviewed and amended its corporate governance systems in 2004 to ensure that they remain robust and appropriate:

- ❑ The Greek Law 3016/2002 contains provisions concerning corporate governance and board composition for Greek publicly listed companies. Coca-Cola HBC complies with all provisions of this law.
- ❑ The Public Company Accounting Reform and Investor Protection Act of 2002, also known as Sarbanes-Oxley Act of 2002, contains significant new rules on corporate governance for US and foreign companies reporting in the United States. Coca-Cola HBC complies with the requirements of the Sarbanes-Oxley Act of 2002 that apply currently to foreign private issuers.

The Board of Directors

The Coca-Cola HBC Board of Directors currently has eleven members of which only one, the Managing Director, is an executive of the company.

Coca-Cola HBC recognises the important role of independent non-executive directors in assuring continued high standards of corporate governance and has appointed four independent directors. The role of these directors is to provide a clear, independent, non-executive influence and perspective within the Board.

The non-executive members of the Board include representatives of major shareholder interests as agreed in a shareholders' agreement between the company's largest shareholders, the Kar-Tess Group and The Coca-Cola Company (Further details and Directors' biographies can be found in the Annual Report).

The Board and its committees meet at regular intervals. Certain matters are reserved for full consideration by the Board, including issues of policy, strategy and approval of the Chart of Authority and budgets.

The Board members are supplied on a timely basis with comprehensive information, which the Board believes is in a form and of a quality to enable it to discharge its duties and carry out its responsibilities.

All directors have access to the company's General Counsel, as well as independent professional advice at the expense of the company. All directors also have full access to the Managing Director, senior managers and external and internal auditors.

Appointment and Remuneration of Directors

The Board believes that the level of remuneration offered to directors should be sufficient to attract and retain high-calibre directors who will guide the company successfully. There is a formal procedure in place for appointments to the Board. The current term of the company's directors expires in 2005.

The remuneration of directors is subject to the approval of shareholders. Consistent with the approach for executive directors, in order to be competitive, Coca-Cola HBC has compared remuneration of non-executive directors against surveys of similar international businesses.

In accordance with international best practices in corporate governance and with the standards set by recently adopted rules in the United States, the company has adopted a **Code of Ethics** for directors and senior managers to prevent wrongdoing and promote honest and ethical conduct, full, fair, accurate, timely and understandable disclosure, and compliance with

applicable governmental rules and regulations. We also have in place a code of dealing in company securities, which applies to directors and senior managers.

Board-level Committees

The Board of Directors comprises three committees:

- ❑ Human Resources Committee
- ❑ Audit Committee
- ❑ Social Responsibility Committee

All three committees operate under written terms of reference that can be found on the Coca-Cola HBC website. The key responsibilities of each committee are listed below.

The Human Resources Committee

The Human Resources Committee comprises three non-executive directors. The Managing Director and Human Resources Director normally attend meetings, except when the discussions concern matters affecting them personally. The Human Resources Committee is responsible for:

- ❑ Establishing the principles governing human resources policy and the compensation policy
- ❑ Overseeing succession planning policy and approving the appointments and terminations of senior managers
- ❑ Overseeing the talent management framework to ensure continuous development of talent for key roles
- ❑ Establishing the compensation strategy and approving company-wide compensation and benefit plans and compensation for senior managers
- ❑ Making recommendations to the Board of Directors on compensation of the Managing Director
- ❑ Making recommendations to the Board of Directors concerning potential non-executive directors, drawing on the best available outside resources.

Remuneration policy

Coca-Cola HBC aims to provide total compensation for its staff that is fair and sufficient to employ people with the talents and skills necessary to conduct and grow the business and maximise shareholder value.

To achieve our operating objectives, we must attract, retain and motivate high-calibre executives for whom we recognise there is an international market. The Human Resources Committee aims to provide total compensation that is competitive by reference to other multinational companies similar in terms of size, geographic spread and complexity.

Directors' and Senior Managers' Compensation

In line with our commitment to maximise shareholder value, our policy is to link a significant proportion of remuneration for our senior managers to the performance of the business through incentives and stock option plans. All managers are set goals and objectives which are evaluated and comprise a proportion of remuneration in the bonus scheme.

Coca-Cola HBC considers total remuneration of executives measuring all components at the upper quartile against a comparative Group of similar international companies, thereby allowing the company to attract and retain the talent necessary to grow the business (Details are available in the Annual Report).

The Audit Committee

The Board acknowledges that it has ultimate responsibility for ensuring that the company has systems of financial control with respect to the various business environments in which it operates.

The Audit Committee comprises three non-executive directors. The Chief Financial Officer, General Counsel, Head of Internal Audit and external auditors normally attend meetings. The Committee also meets with the external auditors without others being pres-



ent. The Committee reviews reports from the external auditors prior to approving the accounts and discusses any issues. Before the audit commences, the Committee discusses with the external auditors the nature and scope of the audit.

The Audit Committee reviews the effectiveness of the company's corporate governance and internal control systems, including its Code of Business Conduct, Chart of Authority and treasury policies. In addition, the Audit Committee oversees the work of the Disclosure Committee and is in charge of administering and enforcing, in conjunction with the Board, the Code of Ethics for senior executives and directors (For more information, see the Annual Report).

Internal Audit

The Internal Audit function monitors the internal financial control system across all the countries in which Coca-Cola HBC operates and reports to management and the Audit Committee on its findings. The department reports directly to the Audit Committee. Its objective is to provide assurance to

the Board of Directors on internal controls across the Group. The Internal Audit department comprises 16 full-time staff covering a range of disciplines and business expertise.

The work of the internal auditors is focused on the areas of greatest risk to the company, determined using a risk management approach to audit planning. Audit reports and recommendations are prepared subsequent to each audit, and appropriate measures are taken to implement such recommendations. A summary of all significant recommendations and relevant measures is provided to the Audit Committee and Board of Directors.

The Disclosure Committee

The company has established a Disclosure Committee and adopted disclosure controls and procedures to ensure the accuracy and completeness of the company's public disclosures. The Disclosure Committee comprises the company's Chief Financial Officer, General Counsel, Corporate Controller and Director of Investor Relations.

Audit Type	Internal/ External	Risks Audited	Review by	Frequency
Quality	Internal & external	Social – e.g. product safety Environmental – e.g. water consumption, energy use	Audit Committee	Every meeting
Environmental	Internal & external	Environmental – e.g. emissions	Audit Committee	As required
Risk Management	Internal	Economic – e.g. competition Environmental – e.g. contamination Social – e.g. litigation	Audit Committee	Every meeting
Safety & Loss Prevention	External	Social – e.g. workplace accidents	Audit Committee	As required
Incident Management & Crisis Resolution	Internal	Social – e.g. consumer complaints	Audit Committee	Every meeting
CSR	Internal	Social – e.g. employment practices Economic – e.g. competition Environmental – e.g. waste management	Social Responsibility Committee	Every meeting
Internal Audit	Internal	Social – e.g. supply chain Economic – e.g. financial management	Audit Committee	Every meeting
External Audit	External	Social – as for internal audit Economic – financial controls and reporting	Audit Committee	Every meeting

Performance Reporting

Reports on the annual performance and prospects of Coca-Cola HBC are given in the Annual Report and the Form 20-F which is filed annually with the US Securities and Exchange Commission. Interim financial information is also released on a quarterly basis to the stock exchanges on which the company is listed and to the financial press.

The Board receives updates on performance at each Board meeting in addition to a monthly report on business and financial performance.

The Identification and Avoidance of Risk

Coca-Cola HBC uses an enterprise risk management approach for identification, prevention and management of risk.

As the panoply of risks that businesses face become more complex, the company's holistic risk management framework includes:

- ❑ Market and economic risk
- ❑ Broader social and environmental risk

Market risk to investors and analysts such as interest, credit, commodity price risks is managed by the Treasury Department and reported to the Audit Committee of the Board. Further detail of this can be found in the Annual Report. In addition, key market risks are outlined in the 20-F submission to the US Securities and Exchange Commission (available on www.coca-colahbc.com).

Social and environmental risk is managed by the Social Responsibility Council and reported to the Social Responsibility and Audit Committees of the Board. All operating units are required to designate a cross-functional management team that conducts regular assessments of environmental or social risk, developing and implementing appropriate management plans. Internal and external audit programmes ensure that risks are managed effectively and findings are reported to the appropriate Board committees (see opposite).

The Social Responsibility Committee

The Social Responsibility Committee comprises three non-executive directors: Sir Michael Llewellyn-Smith (Chairman), Mr George David and Mr Henry Schimberg. The Social Responsibility Committee takes responsibility for the development and supervision of procedures and systems to ensure the company's pursuit of its social and environmental goals. Its written terms of reference are available on www.coca-colahbc.com and cover the following areas:

- ❑ Establishing principles and policies governing corporate social responsibility
- ❑ Ensuring transparency and openness at all levels in the business conduct of Coca-Cola HBC
- ❑ Overseeing a Social Responsibility Council responsible for assessing and implementing appropriate policies and strategies, and for compliance
- ❑ Enhancing Group-wide capabilities to execute policies, strategies, regulatory requirements and corporate social responsibilities
- ❑ Ensuring regular communication of the company's status and progress in the implementation of policies, strategies, regulatory compliance and engagement with all stakeholders

The Social Responsibility Council

The Social Responsibility Committee is supported by the Social Responsibility Council. Established in 2004 and led by the Group Director of Public Affairs and Communications, the cross-functional team oversees the company's corporate social responsibility and includes the Group heads for Quality, Human Resources, Environment and Risk Management. The Council also includes participation by our business partner, The Coca-Cola Company.

The council's role is to establish principles and policies, and to ensure Group-wide capabilities and performance. Matters arising from Council meetings and action plans are shared with the Operating Committee and the Social Responsibility Commit-



Codes & Policies

tee. In addition, the Council is responsible for keeping the Social Responsibility Committee abreast of developments in the field of corporate social responsibility, sustainability and changing stakeholder expectations.

Accountability

Good governance requires not only a highly competent Board of Directors and a strong set of values, but also effective management systems with clearly delineated accountability.

The country is the basic unit for purposes of business performance and Coca-Cola HBC's policy is to maintain accountability at the country level. Head office functions focus on policy and Group issues and provide support functions and expertise where it is not practical or economic to provide these at a country level.

Codes and Policies

Coca-Cola HBC has always sought to conduct business in accordance with the laws and regulations to which it is subject, as well as to meet expectations held by stakeholders. Codes and policies are reviewed regularly to ensure that they continue to meet such expectations.

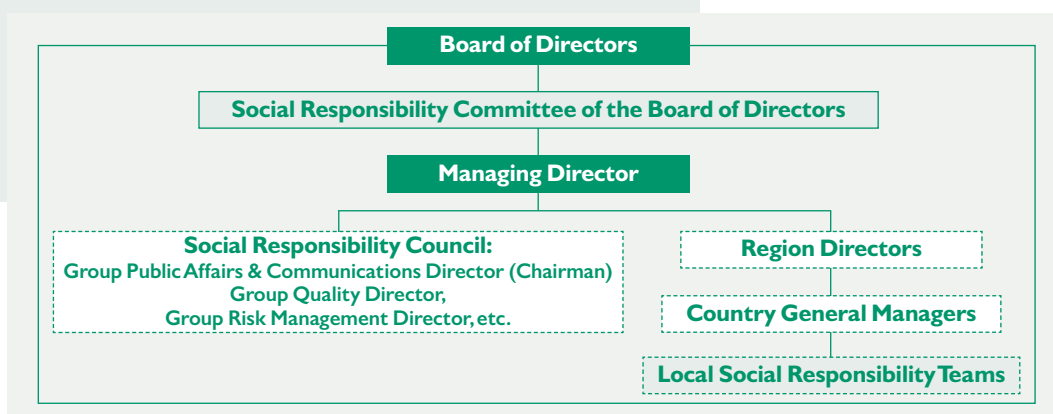
Coca-Cola HBC Codes & Policies (reviewed and revised)

Code of Business Conduct	2004
Code of Ethics	2004
Human Rights Policy	2004
Equality Policy	2004
Health & Safety Policy	2004
HIV/AIDS Policy	2004
Quality Policy	2004
Environment Policy	2004
Supplier Guiding Principles	2004

In addition to the Coca-Cola HBC **Code of Ethics**, to which the Board of Directors and Operating Committee must adhere, all employees of Coca-Cola HBC are required to adhere to the Coca-Cola HBC **Code of Business Conduct**.

Coca-Cola HBC codes and policies related to corporate social responsibility are approved and supported by the Board of Directors. At local level, the Country General Manager is accountable for their implementation.

Management of CSR



Code of Business Conduct

Coca-Cola HBC is committed to the clear ethical standards outlined in the company's Code of Business Conduct.

This code details the company's philosophy, its commitment to employees and includes the responsibilities of employees and the company in terms of compliance with the letter and spirit of laws, regulations and business ethics.

The Coca-Cola HBC Code of Business Conduct includes a clear prohibition of bribery, corruption and donations to any political party. It also covers such topics as conflicts of interest; giving and receiving of gifts, entertainment or favours; financial information, inside information and dealing in shares.

All employees are asked to certify in writing their understanding of and compliance with the Code. In the event of any violation, employees should go to their supervisor, Human Resources Director or General Manager. Suspected code violations involving senior managers should be reported directly to the Head of Internal Audit and General Counsel whose contact details are provided to all employees.

Coca-Cola HBC makes every reasonable effort to ensure confidentiality of those providing information. In no event will any action be taken against an employee for making a complaint or disclosing information in good faith.

Company senior management are held responsible for distribution of the Code of Business Conduct. Country General Managers are responsible for making sure that employees receive the Code and regular awareness presentations and for putting procedures in place to ensure compliance. They must also ensure all Code violations are promptly and adequately investigated, corrective action taken and discipline imposed – in conjunction with the Head of Internal Audit. Any Code violation must be reported to the Board of Directors.

Internal audit periodically reviews these procedures to ensure proper enforcement and administration of the Code. In 2004, the Code was reviewed and updated to ensure that it met Sarbanes-Oxley corporate governance requirements. Our plans for 2005 are to disseminate this updated code to employees across all operations. Our Code of Business Conduct is available on our website.







Our commitment is to foster an open
and inclusive environment, where a highly motivated,
productive and committed workforce
drives business success through superior execution

workplace



The Coca-Cola System Shared Commitment

We deliver this commitment through the consistent application of key principles and policies within each of the countries in which we operate:

- ☐ **Establishing a strong and direct relationship with our employees through open, honest communication**
- ☐ **Treating our employees with fairness, dignity, and respect**
- ☐ **Abiding by applicable local labour laws, including those that address working hours, compensation, discrimination, and representation by third parties**
- ☐ **Valuing diversity in its broadest sense**
- ☐ **Holding each other accountable for performance at the highest levels**
- ☐ **Rewarding our employees commensurate with performance, wherever possible**
- ☐ **Providing opportunities for employees to develop personally and professionally**
- ☐ **Ensuring, with our employees, the safety of the workplace**

We follow policies and practices that support these principles:

- ☐ **We pay competitively within each market where we operate**
- ☐ **We do not hire anyone below the local legal working age, and in no circumstance hire anyone below 15 years of age**
- ☐ **We ensure our management and supervisory teams are trained in and held accountable for effective and fair management practices**
- ☐ **We provide appropriate training so that our employees have the opportunity to perform their jobs effectively**
- ☐ **We work proactively to avoid violations of our principles**
- ☐ **We investigate and address any alleged violations**

To reach its business goals, Coca-Cola HBC strives to ensure that its workforce reflects the diversity of its 500 million consumers. The company seeks to develop, motivate and involve its employees, fostering both their career and personal development. In return for helping to achieve our challenging business goals, we reward employees competitively, and strive to provide a safe and healthy workplace that is free of all forms of discrimination, harassment or abuse.

Coca-Cola HBC employs over 37,000 people (see opposite) across 26 countries, widely differing cultures and levels of economic development. Of these, over 19,000 people are employed in our emerging markets.

In 2004, 1,378 new positions were created across Coca-Cola HBC operations. After taking into account jobs eliminated in the same period, the company was a net employment creator of 644 positions during the year.

In 2004, the company took initiatives to consolidate its manufacturing network through rationalising sites, relocating manufacturing lines and streamlining warehouses. These initiatives focused primarily on the Republic of Ireland and Northern Ireland, Greece, Italy and Austria.

Three production facilities in Greece and Italy were converted into sales and distribution centres, resulting in 734 redundancies. Coca-Cola HBC provided

appropriate support to affected employees to mitigate the loss of employment and ensure future employability.

Aggregate group employee turnover was 13% in 2004. This tends to be lower in established territories and higher in developing and emerging territories where the pool of trained talent is relatively small and mobile. All of our countries monitor this indicator with a view to maintaining turnover at manageable levels.

While the seasonable nature of our business has been reduced to some degree by the use of strategic sales promotions, the need to recruit employees for seasonal demand is reflected in the fact that almost 11% of our workforce is temporary.

Workplace Policies

In 2004, Coca-Cola HBC formalised and extended its commitments to its employees through the adoption of new policies. These new policies include:

- ☐ Human Rights
- ☐ Equality of Opportunity
- ☐ Health & Safety
- ☐ HIV/AIDS

In 2005, we will roll out these new policies in our countries and assist implementation through the education of managers and employees to ensure compliance across operations. At the Group level, the Managing Director is responsible for these policies and the company's compliance. Coca-Cola HBC workplace policies are available on our website and to employees via the company's intranet.

Committed to Human Rights

The Coca-Cola HBC Human Rights Policy makes explicit and public our commitment to human rights in the workplace. Adopted in 2004, this policy upholds the UN Universal Declaration of Human Rights and the principles of the Global Compact, of which the company is a signatory.

The Coca-Cola HBC Human Rights Policy is a formal statement of our long-held approach to creating a positive work environment while recognising our commitment to the wider communities in which we operate.

The policy states Coca-Cola HBC's commitment to promoting equality of opportunity, providing a positive working environment, ensuring dignity at work, recognising the freedom of association and collective bargaining, while continuing to develop employee engagement through open and direct communications with all of our employees.

Specific prohibitions include the hire of any person below the local legal working age and anyone below the age of fifteen years in any circumstances. In addition, the policy prohibits the use of forced or compulsory labour in any of the company's operations. The

Coca-Cola HBC Employees by Territory

	Permanent	Temporary	Total
Established Countries	8,093	828	8,921
Developing Countries	6,531	378	6,909
Emerging Countries	19,018	2,819	21,837
All Coca-Cola HBC Regions	33,642	4,025	37,667



Holding each other accountable for performance is key to personal and professional development



policy also reiterates the company's mission, core values and Code of Business Conduct.

The policy also extends Coca-Cola HBC responsibilities for human rights beyond the workplace, seeking to ensure that business operations do not contribute directly or indirectly to human rights abuses. The Coca-Cola HBC Human Rights Policy can be found at www.coca-colahbc.com.

Respect for the human rights of employees of our suppliers is enshrined in the Coca-Cola HBC Supplier Guiding Principles (see **Marketplace**).

Training in the Coca-Cola HBC Human Rights Policy began in 2004. Human Resources Managers and senior management were educated in the policy, and will be responsible not only for compliance but also for awareness-building in their local operations.

Monitoring of Coca-Cola HBC human rights performance has to date been done through the annual Coca-Cola HBC Employee Relations Survey. This self-assessment tool is completed annually by Human Resources departments in every Coca-Cola HBC operation.



In 2004, the Future 500 Corporate Accountability Practices (CAP) Gap Audit provided an additional self-assessment tool to monitor the level of country compliance with Group workplace policies. AON, the compa-

Employees are provided appropriate training to enable them to perform their jobs effectively



ny's external auditors, also conducted sample verification of Human Rights Policy and practice in Coca-Cola HBC operations in 2004.

Promoting Equality of Opportunity

Equality of Opportunity is enshrined in the Coca-Cola HBC Human Rights Policy and the Equality of Opportunity Policy, both adopted in 2004.

Coca-Cola HBC is committed to providing equal opportunities for all employees and not to discriminate in any aspect of employment on the grounds of race, religion, colour, ethnic or national origin, age, disability, sexual orientation, political opinion, gender or marital status.

In all aspects of employment, recruitment, compensation and benefits, training, promotion, transfer and termination, the Coca-Cola HBC policy is to treat individuals justly, according to the requirements and standards of their role. The company seeks to ensure that no employee is subject to physical, sexual, racial, psychological, verbal, or any other form of harassment or abuse.

In every country, the company ensures that it complies with all applicable equality legislation, and that employees have recourse to formal, non-retaliatory grievance procedures for reporting any breaches of this policy. As part of the company's commitment to promoting equal opportunities, Coca-Cola HBC monitors its performance and is committed to reporting the results.

The Coca-Cola HBC Employee Relations Survey 2004 found that all operations are in compliance with local equality legislation. This self-assessment survey indicates that over 50% of our countries have adopted and implemented the Coca-Cola HBC Equality Policy – while the remainder plan to comply in 2005. In 2004, there were no cases of discrimination brought against Coca-Cola HBC.

As with human rights, Coca-Cola HBC's commitment to promoting non-discrimination extends beyond the workplace (see **Community**).

Respecting Diversity

Coca-Cola HBC is a highly diverse organisation in terms of the range of countries and cultures that it serves. Reflecting that diversity in the workforce provides the creativity, innovation and sensitivity essential to the company's economic well-being.

Indeed, diversity is an explicit core value of Coca-Cola HBC rather than just a goal to be met. The Board of Directors and Operating Committee comprise seven different nationalities. The company's central office in Athens employs people of over 20 different nationalities, the majority of whom hold managerial grades. Each business unit is staffed by local people and, for the most part, managed by local executives.

Coca-Cola HBC seeks to ensure that it will not discriminate in any aspect of employment on the grounds of race, religion, colour, ethnic or national origin, age, disability, sexual orientation, political opinion, gender or marital status. Coca-Cola HBC respects the uniqueness of employees as individuals, while seeking to harness and share the synergies presented by teamwork – another core Coca-Cola HBC value.

Women account for 21% of managers in Coca-Cola HBC – higher than their overall representation in the company's workforce, which stands at 15%. In the Athens central office, 38% of employees and 22% of managers are female.

In our manufacturing and distribution workforce, the physical nature of the work, combined with local cultural norms, has tended to result in greater participation by men.

There are currently no women members on our Board or among our Country/Region General Managers.



Equality of opportunity is enshrined in the company's Human Rights Policy as well as its Equality Policy

A Safe and Positive Workplace

The health, safety and welfare of our employees are paramount and Coca-Cola HBC is committed to achieving the most stringent standards of workplace safety and health.

In 2004 Coca-Cola HBC adopted a new Occupational Health & Safety Policy (see www.coca-colahbc.com) and launched a three-year Group-wide initiative to introduce the Occupational Health and Safety Assessment Standard (OHSAS) 18001 across all territories by 2007.

The Occupational Health & Safety Policy is a commitment by the Managing Director and Board of Directors to put in place resources and systems to monitor and protect the health and safety of employees and those who may be affected by the company's operations. Implementing the independently certificated OHSAS 18001 system will enhance performance and conformance across the Group. At country level, compliance with national occupational health and safety standards remains our minimum requirement.

In 2004, Coca-Cola HBC developed Group technical standards to meet the enhanced requirements of OHSAS 18001. The company also completed gap assessments at all manufacturing locations which indi-



The launch of the OHSAS 18001 training programme

cated a baseline average of 37% compliance against these new standards.

During 2004 Coca-Cola HBC operations in Switzerland, Greece and Italy all achieved locally validated OHSAS 18001 certification. Our aim is to incorporate these country systems into the Coca-Cola HBC Corporate OHSAS 18001 standard by the end of 2007.

A Group-wide training and development programme in occupational health and safety was conducted in 2004. This included:

- ❑ The appointment of three regional coordinators who achieved the International Certificates in Occupational Health & Safety Management awarded by the National Examination Board for Occupational Safety & Health (NEBOSH)
- ❑ The training of 16 cross-border OHSAS 18001 auditors who completed OHSAS 18001 Internal Auditor and Foundation Training by Lloyds Register Quality Assurance Standards Institute
- ❑ The formal OHSAS 18001 training for over 200 employees, supervisors and managers

All operations are moving towards implementing an integrated management system incorporating employee occupational health and safety committees and employee consultation. This will ensure that management-workforce safety committees are introduced to all facilities by the end of 2006. It is not our intention to formalise such practices as standalone agreements with trade unions, but to implement consultation with employees as part of the OHSAS 18001 Health and Safety Committees.

Reporting Health and Safety

Each country operation reports cases of occupational accidents, diseases and fatalities associated with workplace activities in line with national and local authority requirements.

Occupational Health and Safety System

The new OHSAS 18001 programme and system is integrated into the Coca-Cola HBC quality management system and is fully aligned with ISO 9001:2000 and ISO 14001.

It has been independently validated to ensure compliance with the OHSAS 18001 standard, the European Union (EU) Occupational Health and Safety Framework Directives and it conforms to the International Labour Organisation (ILO) Guidelines on Occupational Health and Safety Management Systems.

In 2004, we introduced health and safety performance indicators collated at Group level. These are:

❑ **Fatalities** – Occupational accidents resulting in employee fatalities:

- ❑ Road traffic accidents directly related to travelling to or from work (as is a state requirement in some territories)
- ❑ Road traffic accidents associated with logistics and distribution services
- ❑ Workplace industrial accidents

❑ **Accident Incidence Rate (AIR)** – The total number of occupational accidents resulting in three or more days of absence multiplied by 1,000 and divided by the average number of full-time equivalent employees employed through the year.

❑ **Accident Frequency Rate (AFR)** – The total number of occupational accidents resulting in one or more days of absence from work multiplied by 100,000 and divided by the total days worked by employees.

❑ **Sickness Absence Rate (SAR)** – The total number of days of absence from work multiplied by 100 and divided by the total days available including all sickness (but excluding authorised leave) regardless of the reason for absence (i.e. work-related versus non work-related illness).

As expected with the rollout of any new programme across such diverse territories, a number of inconsistencies have arisen due to incompatibility with national legislative standards and recording systems. This issue is currently being addressed as each country is validated.



Regional Health and Safety coordinators with their certificates issued by NEBOSH and presented in July 2004 at Ploiesti, Romania

The first full-year results show a combined total of 1,103 lost-time accidents resulting in more than one day of absence in manufacturing and distribution operations during 2004. This equates to an accident frequency rate of 12.56. As the OHSAS programme progresses, the company intends to benchmark results against peer industries.

It is with regret that we report the deaths of eleven employees and two contractors among these accidents. One of these fatalities resulted from an industrial accident at a plant in Russia. The remaining deaths resulted from road accidents in Russia, Nigeria and Bulgaria, all emerging markets. Road infrastructure and driver safety are issues in such countries, and the company is exploring how to improve the safety of employees beyond the workplace. Zero fatalities is the only acceptable target.

Accident Incidence Rate '000			Accident Frequency Rate			Sickness Absence Rate		
Accidents	Average employees	AIR	Accidents	Days	AFR	Absence days	Average days	SAR
936	36,854	25.40	1,103	8,780,121	12.56	215,786	9,161,896	2.36



HIV/AIDS and Other Diseases

Over 39 million people were living with HIV/AIDS in 2004, according to UNAIDS, the Joint United Nations Programme on HIV/AIDS.

Aside from the enormous human tragedy and suffering, the epidemic also threatens socio-economic development. This is particularly true for Sub-Saharan Africa, the worst affected region in the world, with over 25 million people living with the disease.

HIV/AIDS is also a business issue since the disease disproportionately affects people during their most productive years. This raises the cost of doing business as well as decreasing productivity.

In 2004 Coca-Cola HBC formalised its HIV/AIDS Policy. This was developed in accordance with the Joint UN Programme on HIV/AIDS, the ILO Code of Practice on HIV/AIDS, the Coca-Cola Company Africa Corporate Guidelines and the Global Business Coalition on HIV/AIDS.

Prevention, care and support programme in Nigeria



This policy commits Coca-Cola HBC to a two-pronged approach. Firstly, the company must strive to reduce the risk of infection to employees and their families through education and counselling. Secondly, the company commits to working with governments, appropriate help organisations and The Coca-Cola Company to contribute to the provision of anti-retroviral drugs to employees, their spouses and families in countries of high HIV/AIDS incidence where treatment is not readily available.

Confidentiality, non-discrimination and reasonable accommodation are the guiding principles that Coca-Cola HBC operations are required to follow. The company's HIV/AIDS Policy is available on www.coca-colahbc.com.

Coca-Cola HBC is a member of the Global Business Coalition on HIV/AIDS, and since 2003 the company has been exploring appropriate steps in each of its business territories.

Nigeria is the only African operation of Coca-Cola HBC, but the country accounts for 20% of the African population. Given the scale of the HIV/AIDS pandemic across Africa and its impact on the Coca-Cola System, it has been imperative for Coca-Cola HBC to first focus on responding to the needs of Nigerian employees.

Coca-Cola HBC has also embarked on HIV/AIDS awareness programmes in its operations in Russia and Ukraine. Although there have not been any reported instances of HIV/AIDS within company workforces other than in Nigeria, there is a general lack of data in these countries about the wider extent of the disease. The company will continue to develop awareness and education programmes to ensure that the dangers of HIV/AIDS are understood by employees.

HIV/AIDS Programmes in Nigeria

Since 2002, the Coca-Cola System has conducted the most extensive employee healthcare programme for HIV/AIDS-related conditions in Africa. The programme enables the continent's Coca-Cola bottlers

to offer comprehensive HIV/AIDS awareness, prevention and treatment, including anti-retroviral drugs, to all employees, their spouses and children. Enrolment in the programme has now reached 100% of Africa's Coca-Cola bottlers and their employees - 60,000 people in over 54 countries who are eligible to receive benefits.

The Nigerian Bottling Company (NBC), a subsidiary of Coca-Cola HBC, has participated in this programme since its inception. The company seeks to reduce the impact of HIV/AIDS on staff, their families and the company through effective workplace programmes and community involvement. More importantly, it guarantees job security irrespective of HIV status and respects employees' rights to privacy while encouraging voluntary disclosure and behavioural changes.

To achieve the latter, peer educators were chosen and trained by the Society for Family Health, a non-profit organisation, to reach out to other associates. Weekly education sessions take place at plants and staff are encouraged to verify their HIV status. Voluntary counselling and testing (VCT) facilities are available at all plant clinics and hospitals. By the end of 2004, over 15% of employees – more than 1,200 people – have taken advantage of VCT services offered by NBC.

During National Health Week in March 2004, NBC launched a new awareness-building campaign across all 16 plants and 82 depots to help prevent the spread of HIV/AIDS among the workforce and community. Under the theme "I Choose Life", the weeklong event featured plays, shows and discussion groups as well as talks by people living with HIV.

Roll Back Malaria

In addition to HIV/AIDS programmes, Coca-Cola HBC operations in Nigeria also launched a Roll Back Malaria programme in 2004.

In Africa, malaria is the leading cause of death among young children, killing a child every 30 seconds. The

disease is almost as deadly as AIDS but it can be prevented and, more importantly, be cured.

In the company's operations, malaria is the leading cause of sickness, absenteeism and loss of man-hours. The company has therefore started to conduct awareness campaigns on malaria prevention and control, provide insecticide-treated nets (ITNs) to staff and dependants, and promote the use of ITNs and worksite malaria control practices. The provision of ITNs is a fundamental step in ensuring a barrier between mosquitoes carrying the parasite, and human lives.

The programme will be rolled out to all company operations in 2005. In addition to saving lives, the programme will promote economic and social development by protecting the workforce and increasing productivity. The target is to reduce malaria in company operations by 30% by 2007.

Roll Back Malaria launch demonstration on how to use insecticide-treated nets





A high performance culture is enshrined in Coca-Cola HBC's core values

Creating a High Performance Culture

Training, developing and challenging the company's employees is enshrined in the core values of Coca-Cola HBC (see **Introduction**). Indeed, the company cannot deliver its business goals without its employees being highly skilled, motivated and well-trained.

In 2004, the company invested over €12 million in training costs, and for 2005 has budgeted more than €15 million for the same purpose. We are investigating how we can report training days per employee in future reports.

All employees from team leader upwards have an annual assessment of their technical, professional, managerial and behavioural skills. This assessment forms the basis of an employee's development plan, which outlines learning objectives and identifies training programmes and development activities for the year. This process is designed to help employees not only excel in their current roles but also to develop their potential for career advancement.

Building Leadership Skills

In particular, the company has focused on building the management and leadership skills that are critical to growing its business. A customised Coca-Cola HBC **Core Development Curriculum** ensures that the company develops a high level of leadership talent throughout the organisation.

Coca-Cola HBC Core Development Curriculum 2001-2004

Total number of employees who participated in our core training programmes	
Future Leaders	23
Excell Programme	86
Foundation Marketplace Excellence Programme	428
Foundation Management I	1,370
Foundation Management 2	422
Situational Leadership	2,837
Managing Fast Change	380

An Innovative Approach to Talent Management

In 2004, Coca-Cola HBC was presented with an award in recognition of its innovative talent management. The award was from the American Productivity and Quality Centre (APQC), a non-profit organisation that researches and benchmarks best practices to help businesses adapt to rapidly changing environments and build new and better ways to work. As part of a recent study, "Talent Management: From Competencies to Organisational Performance", the APQC researched how major businesses around the world develop talent and maximise the performance of their workforces. Coca-Cola HBC was selected as one of five companies with particularly innovative and effective talent management practices. Areas highlighted as particularly strong included line manager commitment to developing people, assessing and calibrating potential senior managers, and action-oriented training based on case studies.



The award from APQC for innovative talent management

This comprehensive curriculum extends to all levels of supervision and management. In addition, there is a separate functional curriculum in areas such as sales, technical operations, human resources, finance and information services, that seeks to enhance specialist skills.

In 2004, in accordance with the core value of teamwork, the company also launched a major new cross-functional training programme in all aspects of corporate social responsibility. From the Future 500 CAP Gap Audit to new social and environmental risk management tools, we are training local teams in terms of new policies, processes and new expectations of corporate social responsibility. These programmes were conducted in 10 countries in 2004 – and will be conducted in the remaining 16 in 2005.

Developing Employee Engagement

Coca-Cola HBC believes that the more informed its employees are, the more passionate, productive and committed they will be to achieving business goals. In return, the more Coca-Cola HBC is informed of em-

ployee opinions, the more successful our business will be. To this end Coca-Cola HBC has developed – and continues to develop – two-way internal communications systems across all of its operations.

One of the main ways that the company seeks and measures employee attitudes about the business and its management is through an annual cultural survey across the Group. In 2004, Coca-Cola HBC conducted its third survey of employee attitudes. This confidential and anonymous survey was conducted in 20 countries by an independent agency. Participation is open to all employees on a voluntary basis, and 14,669 respondents took part in 2004, representing 54% of Coca-Cola HBC employees.

The survey gives employees an opportunity to voice their opinions on how the company is living its values. It explores their understanding and views of the company, its management and their own roles. The questions also explore how well Coca-Cola HBC is putting its core values into action. For example, employees are asked to what extent the company, its management and employees put quality first, create trust and behave with integrity. They also rate how



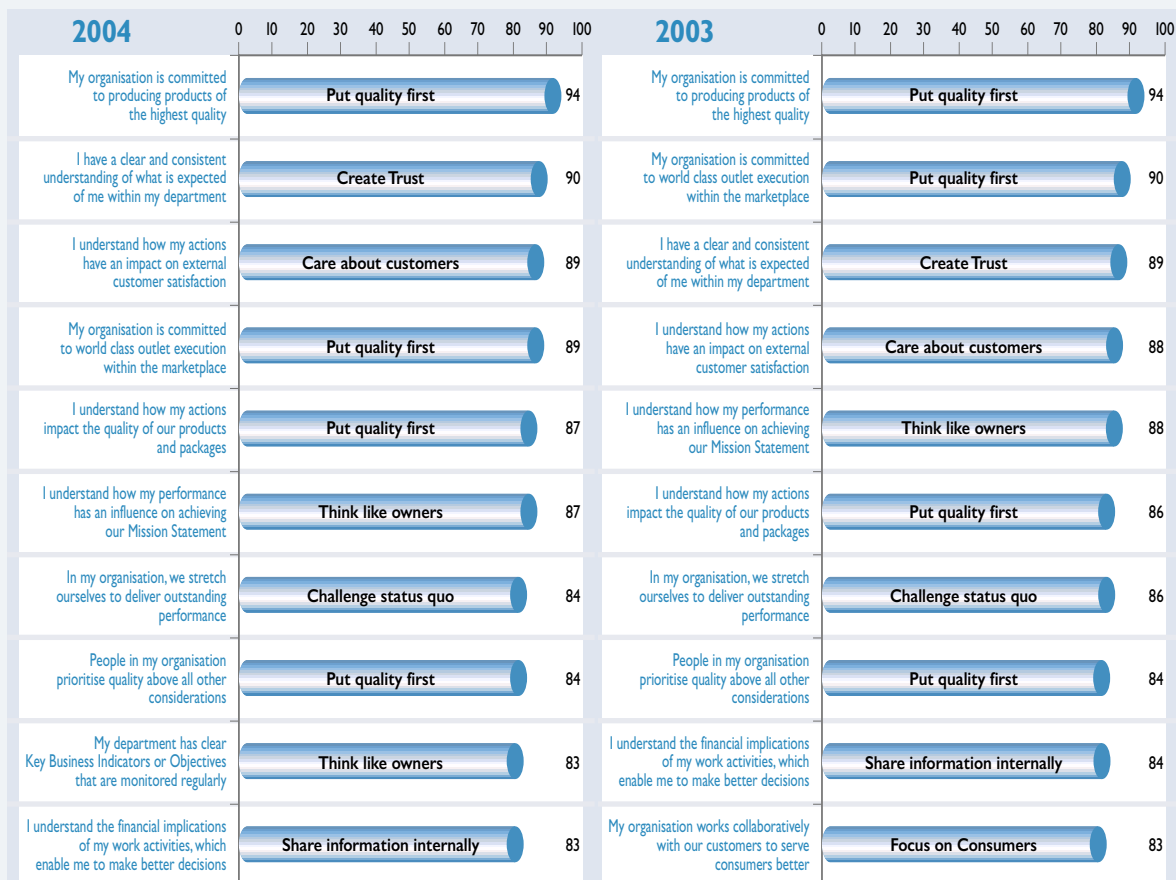
much the company values its people, cares about customers and focuses on consumers. Lastly, they are questioned on whether employees are encouraged to behave like owners, challenge the status quo, instigate innovation and share information internally.

The 2004 survey results were both reassuring and encouraging, consistently reflecting the core behaviours Coca-Cola HBC seeks to encourage within its business. The company uses the results of this survey to identify areas for improvement and implement corrective actions.

In addition to this annual attitude survey, Coca-Cola HBC also implements a comprehensive internal communications strategy at Group and country level to ensure that employees at every level are informed and involved.

The Coca-Cola HBC Employee Relations Survey monitors the company's performance in this regard. In 2004, it found that all country operations have direct communication systems, including open-door policies, cascading communication networks, employee forums, newsletters, confidential employee opinion surveys, 360 degree and other confidential feedback surveys.

Top 10 Items All Countries 2003-2004



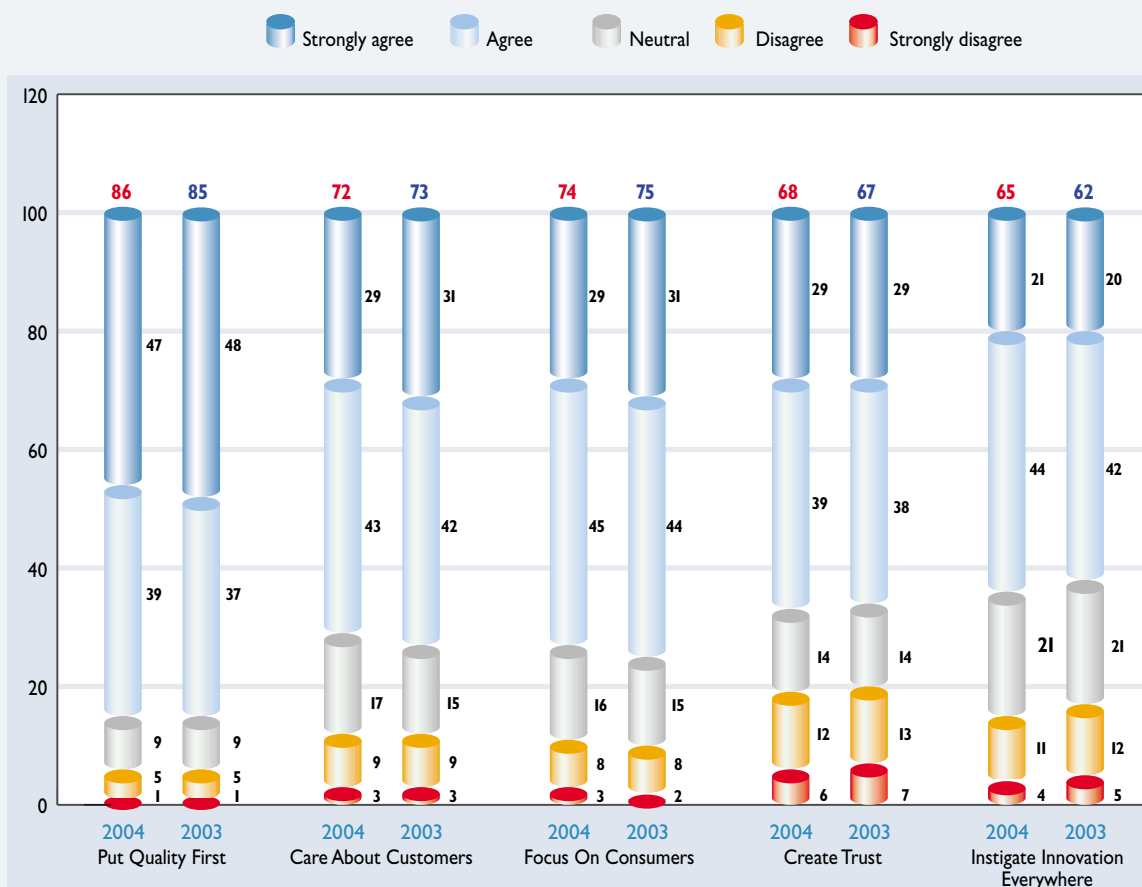
Strongly Agree & Agree (%)

CULTURE SURVEY



A selection of the employee quarterly newsletters published in local languages across the Group

Overall Perceptions - All Countries 2003-2004 (%)



CULTURE SURVEY



Employee Engagement in Poland

During 2004, a series of new opportunities for interaction between employees and management were introduced in Poland. These were set up to ensure broad participation at all levels – not only at managerial level or at the Warsaw head office.

Designed to facilitate two-way communication in an informal atmosphere, senior managers brief employees on business news and strategy, while employees are encouraged to challenge ideas and share opinions and suggestions.

Twice a month, for example, the entire management team visits a different depot to meet with the local team. Monthly pulse meetings with the Country General Manager are also held with randomly chosen small groups of employees, all holding non-managerial positions.

Feedback has been very positive to date, and participants underline that the atmosphere is conducive to asking questions, expressing doubts and presenting new ideas.

Senior managers regularly visit local operations to meet local teams



Employee and Industrial Relations

Coca-Cola HBC respects freedom of association in all of the territories in which it operates and recognises the right of employees to join or not to join trade unions, and to consult with management on issues of joint interest.

The Coca-Cola HBC Employee Relations Survey 2004 indicates that 34% of employees are members of the 36 independent trade unions operating in our business.

A further 60% of Coca-Cola HBC employees are covered by collective bargaining agreements. Typically, these agreements cover procedural and substantive issues including terms and conditions of employment, employment benefits, access to training, grievance and disciplinary procedures, right of appeal and health and safety in the workplace.

The company is committed to communicating directly with all employees, whether unionised or not, about major change initiatives. In the event of redundancies, consultation takes place with employees and their representatives on the reasons for the change, the impact and the implications for affected employees.

European Works Council

The Coca-Cola HBC European Works Council (EWC) was established in 2002 under the European Works Council Directive 94/45/EU. This forum previously comprised employee and management representatives from Austria, Greece, Italy, Northern Ireland and the Republic of Ireland. In 2005, representation was expanded to include Coca-Cola HBC operations in the countries that joined the European Union in 2004, namely the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

Coca-Cola HBC commitment to consulting on transnational issues was evidenced by an extraordinary meeting that the management called with the Select Committee of the Coca-Cola HBC European Works Council. This meeting was held in Vienna in 2004 to consult on a proposed restructuring involving the Republic of Ireland and Northern Ireland. The meeting resulted in the Coca-Cola EWC acknowledging the proactive nature of the consultation and requesting that consultation be further developed at local country level. Such consultation was facilitated by local management in keeping with Coca-Cola HBC's broader approach to employee relations.

Recognising and Rewarding Performance

Compensation is a key factor in ensuring that employees remain highly motivated. Coca-Cola HBC therefore benchmarks its Total Compensation Programmes against other comparable high-performing international companies to ensure that its salaries and benefits are competitive and that it can attract and retain the talent necessary to grow the business.

A consistent philosophy in the design, application, and administration of Total Compensation Programmes throughout Coca-Cola HBC ensures fair and equitable treatment for all employees. Where appropriate, employees have some proportion of compensation commensurate to business unit, team, or individual performance. This includes both financial and non-financial performance. Typically, the latter includes such non-financial targets as people development, quality and environmental performance.

Compensation practices may be customised as necessary by regions or countries to address specific, local business needs and local market conditions. Regardless of such variation, practices across all 26 countries must be consistent with the principles of the Coca-Cola HBC Total Compensation Programme.

In 2004, total payroll including benefits was €748 million.

Goals for 2005

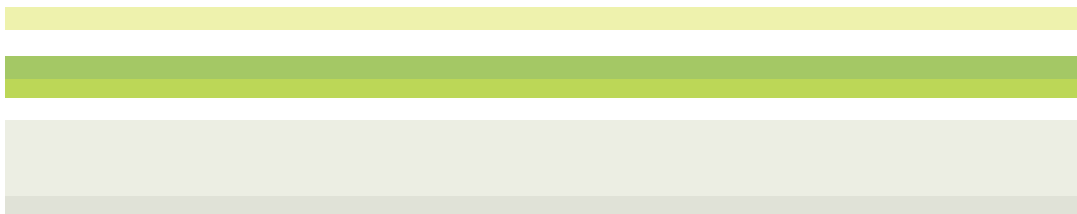
- ☐ Ensure implementation of Coca-Cola HBC Human Rights and Equality Policies throughout all operations
- ☐ Prior to OHSAS certification, undertake pre-certification audits of 20 sites in 2005; establish Health and Safety committees in all operations by end 2006
- ☐ Launch Roll Back Malaria programme in all Nigerian plants
- ☐ Develop HIV/AIDS awareness programmes in our territories where appropriate





Our commitment is to conduct our business
in ways that protect and preserve the environment,
and to integrate principles of environmental stewardship
and sustainable development into our business
decisions and processes

environment



The Coca-Cola System Shared Commitment

We deliver this commitment through the consistent applications of five key principles:

Commitment and Beyond

Our commitment to protect and preserve the environment extends throughout our organisations. Having an effective environmental management system requires the involvement of employees at all levels. Our officers, managers and employees take responsibility for daily implementation of our environmental management system.

Coca-Cola employees monitoring a water catchment area in the Carpathian Mountains, Romania



Compliance

We integrate sound environmental practices into our daily business operations. Even in the absence of specific regulatory requirements, we undertake to operate in an environmentally responsible manner in accordance with our environmental standards.

Minimise Impact, Maximise Opportunity

We use the results of research and new technology to minimise the environmental impact of our operations, equipment, products and packages, taking into account the associated cost or profit for each environmental benefit. We minimise the discharge of waste materials into the environment by employing responsible pollution prevention and control practices.

Accountability

We are accountable for our actions. We conduct audits of environmental performance and practices, document the findings and take necessary improvement actions. We are committed to continuously improving our environmental performance.

Engaging with Stakeholders

We establish mechanisms to communicate with employees, consumers, governments, share-owners and other stakeholders on environmental performance, including environmental reporting.

We will follow practices that support these principles, including:

- 1. We abide by applicable local environmental laws and regulations.**
- 2. We implement the Coca-Cola Quality System (TCCQS) and internationally recognised systems such as ISO 14001, to address our environmental issues and improve our environmental performance.**
- 3. We continuously examine our business for opportunities to reduce our consumption of resources, minimise the generation and disposal of waste, and maximise the amount of recycled content in our packaging and other materials.**
- 4. We follow the The Coca-Cola Company environmental standards (formerly known as Good Environmental Practices) for significant aspects of our operations such as energy management, ozone protection, wastewater quality, water resource management, hazardous materials, and fleet management, measuring and reporting environmental performance, auditing environmental and safety systems, environmental due diligence.**

Responsible environmental management is an essential element of Coca-Cola HBC business and its journey towards sustainability.

The Coca-Cola HBC Environmental Policy commits the company to conducting its business in a sustainable manner, seeking a steady improvement in environmental performance and minimising impacts on the local and global environment (The full policy is available on www.coca-colahbc.com).

Environmental Governance

Coca-Cola HBC is committed to developing and implementing an internationally recognised management system throughout its operations, and to including environmental considerations in its business planning process – setting goals for environmental performance, monitoring results and auditing processes. These considerations include not only the design, production and packaging of products, but extend also to their transportation and ultimate disposal.

Environmental Management System

Coca-Cola HBC has adopted the international environment management standard ISO 14001. By the end of 2004, 52 out of 53 European carbonated soft drink (CSD) facilities had achieved certification. This accounts for 70% of the company's bottling plants and 89% of production volume.

Although this is already a high rate relative to peer industries, Coca-Cola HBC remains committed to achieving 100% certification in all 78 CSD and mineral water plants. Recently acquired mineral water facilities in Austria, Switzerland, Croatia, Poland and Romania as well as the 16 bottling plants in Nigeria remain on schedule for certification by 2006. Following the updating of ISO 14001:1996 by the International Standards Organisation in late 2004, Coca-Cola HBC will update its systems to the new ISO 14001:2004 version during 2005.



As part of its bottling agreement with The Coca-Cola Company, Coca-Cola HBC also follows the environmental component of The Coca-Cola Quality System (TCCQS).

Auditing

Every Coca-Cola HBC bottling facility is audited annually against both ISO 14001 and TCCQS standards. In addition to independent third-party auditing, the company conducts local internal auditing and has a fully trained group of internal auditors who perform cross-country audits. Findings from each of these audits are reported to the local management team and the Social Responsibility Council. Corrective action plans are defined and implemented locally, and tracked at the Group level.

Accountability

Responsibility for Coca-Cola HBC environmental performance lies with the Social Responsibility Committee of the Board of Directors, chaired by Sir Michael Llewellyn Smith, and is managed day to day by the Social Responsibility Council. At country level, Country General Managers are accountable for environmental performance, supported by designated environmental coordinators at country level and in every bottling plant.

There is close coordination and cooperation on environmental matters between Coca-Cola HBC and The Coca-Cola Company. This takes place at a local level, as well as at a global level, with The Coca-Cola Company Environment Council. The Coca-Cola Company publishes a separate global environmental report describing its policies, standards and performance data that can be found on its website (www.coca-cola.com).

Training

Environmental coordinators are trained in ISO 14001 by an external body and participate in annual Group-wide training workshops on environmental management systems. Coca-Cola HBC also conducts regular training workshops on environmental legislation and

the implementation of waste and packaging waste recovery schemes for all countries.

Environmental Performance

Coca-Cola HBC identified the key environmental impacts of its operations through a combination of stakeholder dialogue, certification requirements and internal and external audits.

As a result, the company's top three environmental priorities for bottling operations were defined as follows:

- ❑ Reduce water use ratio (see p. 48)
- ❑ Reduce energy consumption ratio (see p. 50)
- ❑ Reduce solid waste ratio and increase waste recycling (see p. 56)

Specific targets on water, energy and solid waste are set annually and progress is reviewed quarterly. In 2004, the company's environmental targets were to

- ❑ Reduce water use ratio by 5%
- ❑ Reduce energy consumption ratio by 5%
- ❑ Reduce solid waste ratio by 5% and increase waste recycling by 5%

Coca-Cola HBC performance improved in all areas except waste generation, where there was an apparent 8% increase. This was the result of a one-off major housekeeping operation in certain plants.

The company met its 2004 targets for increasing waste recycling and reducing energy consumption. This was due to improvement projects in plants throughout the Group.

Although we significantly improved our water efficiency in 2004, we just missed our water-saving target, achieving a 4% reduction in our water use ratio rather than the targeted 5%. This is partly attributable to the increased production volume of non-carbonated soft drinks (non-CSDs), such as juices and teas, which require more washing and rinsing during production.

As consumers buy more non-CSDs, Coca-Cola HBC strives to compensate for the extra water and energy used in their production by improving bottling efficiency. The company has set targets for 2005 that it believes to be ambitious yet achievable: a 2% reduction in water and energy use and a 2% increase in solid waste recycling. A target of 5% improvement has been defined for solid waste reduction because there is greater room for improvement.

In addition to these three most important environmental key performance indicators, every bottling plant reports annually on a multitude of data including raw materials, fleet and transportation, cold drink equipment and legal compliance.

A summary of aggregated data is shown in the Environmental Data Table. All data in the environmental section of this report is from 75 of the 78 Coca-Cola HBC plants, accounting for 94% of production volume.

Understanding our Footprint

The environmental impacts reported to date are those of Coca-Cola HBC bottling operations, transportation and cold drink equipment, such as coolers and vending machines in the marketplace.

Coca-Cola HBC recognises that its environmental footprint also extends upstream to include suppliers of raw materials. These materials range from ingredients, such as sugar and carbon dioxide (CO₂) to bottles, cans and other packaging.

In 2004, Coca-Cola HBC conducted an ecological assessment of its business in order to better understand its environmental footprint and determine where its greatest environmental impacts are throughout its value chain (see p. 59) in order that they can be addressed. As a result, the company has identified its supply chain as a major area of focus starting in 2005.

The Coca-Cola HBC production facility in Hungary





Water

Global freshwater consumption has risen six-fold over the last century – more than twice the rate of population growth. Already one third of the global population lives in water-stressed conditions – and if present trends continue, two out of three people will live in water stressed conditions by 2025.

As a beverage manufacturer, Coca-Cola HBC is keenly aware that water is a vital resource that must be used responsibly. Efficient consumption of raw water and the responsible discharge of wastewater is a priority for Coca-Cola HBC.

Water is not only the primary ingredient of our products, but is also used in manufacturing processes – for cleaning, washing, rinsing, cooling and disinfecting. Water for Coca-Cola HBC operations comes primarily from municipal sources, wells and boreholes.

The performance indicator Coca-Cola HBC uses is the ratio of total water used to beverage produced (L/lpb). The average ratio for Coca-Cola HBC operations in 2004 was 2.95 litres of water per litre of produced beverage (L/lpb), a 4% improvement compared to 2003. Despite an 8% increase in reported production volume, increasingly complex product mixes and

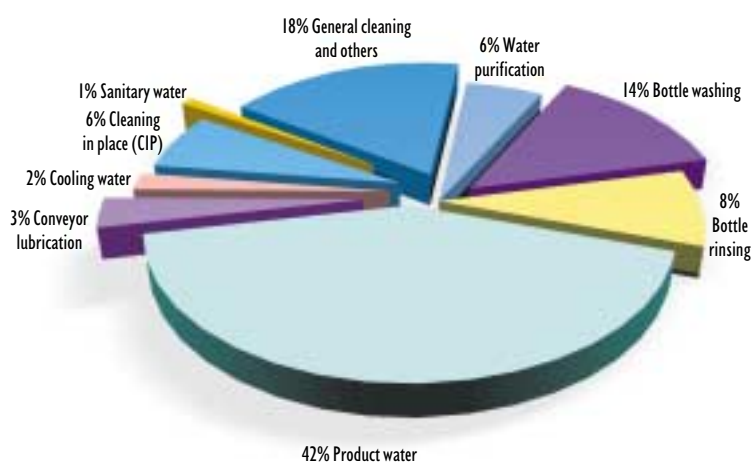
stricter cleaning standards requiring more water, Coca-Cola HBC water use has remained relatively stable. In 2004, operations used 22,000 million litres of water, compared to 21,000 million litres in 2003.

This improved water efficiency is due to water conservation and re-use programmes. For example, clean cooling water from pasteurisers or rinsing water has been recuperated and re-used in non-product applications such as truck washing and floor cleaning. There are projects for reducing water use, recovering water, or improving wastewater quality in most operations in 2005.

In particular, the Coca-Cola Water Savers Programme is on track to deliver substantial water savings in Coca-Cola HBC bottling facilities. This programme was started in 2002 by The Coca-Cola Company in Europe and 14 Coca-Cola HBC plants have taken part in pilots and testing to date. The Water Savers programme has led to a detailed understanding of how water is used in bottling operations and where savings can be made. Based on results from the Water Savers programme, the chart opposite shows how water is used in bottling plants with a high degree of control – and serves as a guide for improvement elsewhere. In 2005 this programme will be gradually rolled out to all Coca-Cola HBC bottling plants.

The target for 2005 is to reduce the average water use ratio by 2% compared to 2004.

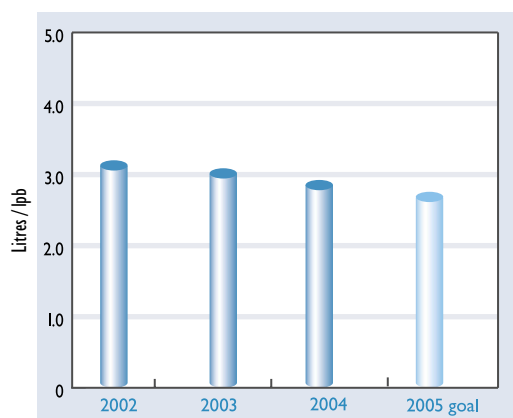
Water Use in the Different Bottling Processes based on Best Practice in Selected Bottling Plants



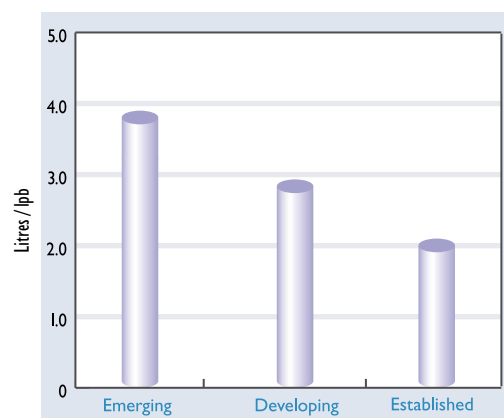
Wastewater

In addition to efficient use of raw water, Coca-Cola HBC strives to minimise the quantity of wastewater produced and to ensure that wastewater is treated before its release. All operations are required to comply with local regulations as well as The Coca-Cola Company Standard on Wastewater Quality.

The main substances emitted with wastewater from production process are residues of cleaning and disinfecting substances and, to a lesser extent beverage residues and sanitary (non-production) wastewater.



Plant Water Use Ratio



Plant Water Use Ratio per Market

Their nature is similar to household effluents and most are biodegradable when treated properly.

Before wastewater from its bottling plants reaches natural bodies of water, Coca-Cola HBC requires that it is first neutralised on-site, then treated or discharged into public or private sewage systems for treatment. Almost one third (30%) of Coca-Cola HBC bottling operations are connected to municipal systems that treat effluents. Where such facilities are not available, Coca-Cola HBC operations are required to construct an on-site wastewater treatment unit that includes secondary treatment. A further 60% of Coca-Cola HBC operations are equipped with such units.

The aim is to build wastewater treatment plants for the remaining 10% of plants by 2007. This includes constructing wastewater treatment plants in all Nigerian operations. The first was commissioned in 2003, three more were completed in 2004 and three will be commissioned in 2005.

Targets to reduce wastewater are not defined specifically but are linked to those for water use. Given the various forms of wastewater treatment of Coca-Cola HBC operations, the company has not identified a single indicator that can be collected and aggregated in a way that is useful for managing the issue.

In 2004, Coca-Cola HBC bottling plants discharged 15,500 million litres of wastewater. The ratio of wastewater discharged per litre of produced beverage was

reduced by 6.4% – from 2.19 litres of wastewater per litre of beverage to 2.05 litres.

Conserving Watersheds

Coca-Cola HBC supports conservation of watersheds and aquatic ecosystems in partnership with local authorities and NGOs. The company also recognises the critical nature of water to sustainable development. In Nigeria, the company also provides access to potable water to local communities. In 2005, the company is piloting two new water-themed sustainability projects: a water conservation programme in Nigeria and a regional initiative to protect the Danube River water basin (see **Community**).

Wastewater treatment and fish life at Hadzici Plant in Sarajevo, Bosnia & Herzegovina





Energy

Energy consumption is a major contributor to air pollution and other environmental problems. Not only does energy consumption deplete natural resources, such as coal, oil and gas, but their extraction, transport and use result in considerable environmental risks and impacts.

Like much of the world today, Coca-Cola HBC relies on fossil fuels. The company is a developing business in expanding markets and its energy requirements continue to grow. To minimise the adverse implications of this, Coca-Cola HBC endeavours to continuously improve its processes and thereby reduce relative energy use and air pollution. Where available and economically viable, it uses renewable sources of energy that reduce or eliminate these emissions. Over 6% of electricity consumption comes from renewable energy sources (mostly hydro-electrical).

Energy is used by Coca-Cola HBC in three main parts of its business:

- ❑ Bottling plants
- ❑ Transport and distribution
- ❑ Cold drink equipment, such as coolers, in the marketplace

Energy Consumption in Bottling Plants

In bottling operations, energy is required for manufacturing processes as well as for heating. Electricity powers the washing, pasteurising and sterilising of containers and equipment. It activates production lines, blowers, conveyors, rinsers, mixers, fillers, labellers, wrappers and palletisers, as well as utilities, lighting, ventilation and compressed air.

The key performance indicator used to track energy consumption in our bottling plants is the energy ratio, expressed in megajoules per litre of produced beverage (MJ/lpb). In 2004, the total energy consumed by production facilities was 5,900 million MJ, up 3% compared to 2003. During the same period, Coca-Cola HBC reported production rose 8%, so the company's energy effi-

ciency improved 5%, with an energy ratio of 0.78 MJ/lpb compared to 0.82 MJ/lpb in the previous year.

Of the total energy used (in megajoules), 37% is electricity, 30% natural gas, 20% light fuel oil, 10% heavy fuel oil and 3% is from other sources such as propane and steam. Alternative renewable energy sources are used wherever available and economically viable.

Energy-saving projects have been implemented by bottling plants and best practice is shared throughout Coca-Cola HBC operations. The efficiency of these measures and their effect on energy use are tracked quarterly and compared against targets. Recent projects include:

- ❑ Insulate hot water piping
- ❑ Heat exchangers at pasteurisers and other heat-intensive equipment
- ❑ Reduced ventilation during off-hours at weekends
- ❑ Re-capture of excess heat from polyethylene terephthalate (PET) bottle blowing machines to heat workspace during wintertime, or to pre-heat water for washing
- ❑ Energy-saving lighting in warehouses
- ❑ Reduced losses of hot air in shrink-wrap labelling machines
- ❑ Recharging of electrical forklift trucks staggered to lower peak electricity demand
- ❑ Frequency modulators fitted to compressors

The Kyoto Protocol, an important milestone in efforts to combat climate change, came into force in 2005. Kyoto-derived targets for CO₂ emissions are expected to drive further innovation and greater energy efficiency.

Energy Consumption in Transport and Distribution

Coca-Cola HBC owns and uses over 11,700 vehicles to transport salespersons and technicians as well as goods.

This figure includes:

- ❑ 4,000 haulage and delivery trucks (3,400 owned and 600 leased)

- ❑ 1,700 minibuses and vans for sales services
- ❑ 6,000 cars used mostly by sales representatives – reported for the first time

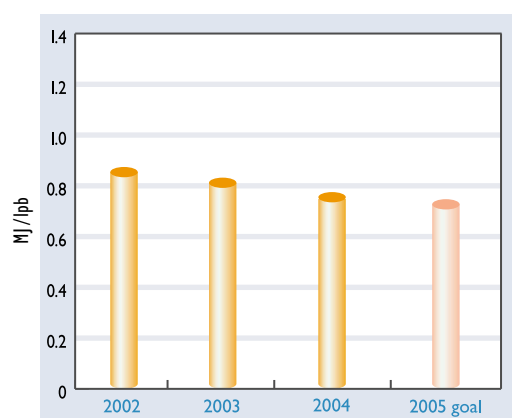
In 2004, the energy (petrol and diesel) used by these vehicles was estimated to be 2,520 million MJ. The calculated air emissions resulting from fuel consumption are shown in the Environmental Data Table.

Third-party carriers transport approximately half of Coca-Cola HBC products as well as other goods to and from warehouses. The fraction of their transported volume and fuel consumption attributable to Coca-Cola HBC is difficult to calculate precisely so for the time being reporting is limited to direct operations.

Given the large fleet of vehicles in the markets served, the company is aware of the environmental impact of noise, traffic and emissions from combustion engines. The Coca-Cola Company Standard on Fleet Management describes the practices that Coca-Cola HBC follows to reduce environmental impacts. Operations have implemented fuel-saving projects and activities to reduce these impacts, including:

- ❑ Vehicle maintenance and inspection programmes
- ❑ Driver training programmes which have led to 5-10% fuel savings among participants
- ❑ Software to plan and optimise journeys
- ❑ Provision of lower emission clean-burn engines

Plant Energy Use Ratio



Warm air being collected for alternative use, one way of increasing plant efficiency

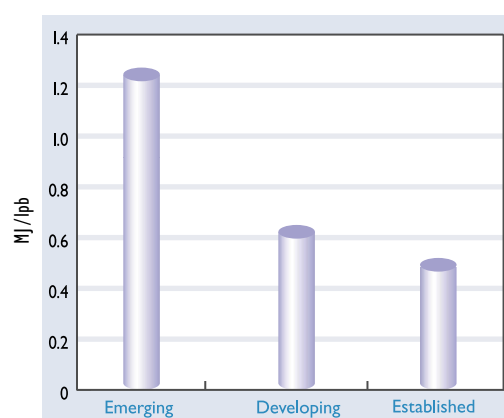
Coca-Cola HBC is undertaking an overall appraisal of the distribution transport system, recognising that this is an area where our environmental efforts can be enhanced and opportunities found to reduce fuel costs and environmental impacts.

The energy used in employee flights is evaluated at 60 million MJ, less than 1% of total energy expenditure.

Energy Consumption in Cold Drink Equipment

Coca-Cola HBC places cold drink equipment on customers' premises to offer chilled beverages to consumers. This cooling equipment comprises refrigera-

Plant Energy Use Ratio per Market





Cooling equipment located on customers premises keeping products chilled for consumers

tors, vending machines and fountains. In 2004, there were:

- ❑ 840,000 coolers
- ❑ 80,000 vending machines
- ❑ 64,000 fountains

As a major user of refrigeration equipment, the company recognises its responsibility to reduce their environmental impacts. These impacts are two-fold:

- ❑ Energy consumption during use
- ❑ Losses of greenhouse gases (see **Atmospheric Emissions**) during use

All cold drink equipment has a cooling unit with a compressor which consumes electrical energy. Since cold drink equipment is not located in Coca-Cola HBC operations but on customer premises in the marketplace, the company calculates energy con-

sumption based on technical specifications from manufacturers. In 2004, the total electricity used by this equipment was calculated to be 9,510 million MJ.

By 2010 The Coca-Cola System aims to have new coolers and vending machines that are as much as 40-50% more energy efficient than those bought in 2000. The system has initiated and taken part in the development of electricity saving technologies such as the Energy Management System. This device, designed to reduce cooler electricity consumption by up to 50%, has been piloted in six countries to date. Further details will be given in the 2005 report.

The Coca-Cola System continues to explore ways to reduce these levels yet further including the use of alternative power sources and various power-saving technologies.

Atmospheric Emissions

Emissions to the atmosphere can affect human health and the natural environment. Particulate matter has adverse effects on cardiorespiratory health for example, while acid rain damages soil, vegetation and water.

Additionally, the accumulation of greenhouse gases in the atmosphere has been linked to global warming and climate change. Carbon dioxide (CO₂) is the primary agent of climate change; other greenhouse gases including cooling agents such as chlorofluorocarbons (CFCs) and hydrofluorocarbons (HFCs).

Coca-Cola HBC strives to minimise air emissions into the environment. There are no significant emissions of toxic substances from Coca-Cola HBC operations.

Emissions to the atmosphere from Coca-Cola HBC operations can be divided into three types:

- ❑ Air emissions from the burning of fossil fuels
- ❑ Loss of ozone-depleting substances from some cold drink equipment
- ❑ Emissions of greenhouse gases from energy use and cold drink equipment

In 2004, total emissions of gases with a global warming potential were equivalent to less than 680,000 tonnes of CO₂, or 90 grammes per litre of produced beverage. This figure includes emissions from fossil fuels, CO₂ used in carbonation (the non-recycled fraction of the 82,000 tonnes used) and coolants emitted from cold drink equipment. These coolants are estimated at 1.1 tonnes of CFCs (R₁₂) and 7.8 tonnes of HCFCs (R_{134a}), equivalent to approximately 20,000 tonnes of CO₂.

Air Emissions from Fossil Fuels

Burning fossil fuels – such as heating oil, natural gas, petrol and diesel – to power Coca-Cola HBC manufacturing plants and transportation produces air emissions. Electricity consumption indirectly produces air

emissions since the emissions occur where the electricity is produced rather than where it is used.

Among these emissions, CO₂ results from the generation of electricity, steam and combustion of fuels. CO₂ emissions resulting from energy consumption were approximately 581,000 tonnes in 2004.

In addition, nitrogen oxide (NO_x) and sulphur dioxide (SO₂) are also produced. Nitrogen oxide contributes to acid rain, global warming, summer smog and water eutrophication (over-fertilisation of rivers and lakes), while sulphur dioxide is the principal contributor to acid rain (see Environmental Data Table for a breakdown).

Ozone Depleting Substances (ODS)

Ozone in the upper atmosphere – known as the ozone layer – shields the earth from harmful ultraviolet radiation emitted by the sun. Chlorofluorocarbons (CFCs) such as R₁₂ are substances that damage this ozone layer:

Under the Montreal Protocol, the introduction of new cold drink equipment containing CFCs is prohibited. By December 1994, Coca-Cola HBC, like the rest of the Coca-Cola System, had stopped buying equipment containing CFCs. Simultaneously, a robust capture and recovery programme for all refrigerants was implemented.

Coca-Cola HBC is phasing out CFC-containing units that are still in the marketplace with an equipment replacement programme. By 2004, only 9% (93,000) of coolers were CFC-containing units, down from 14% in 2003. We expect the phase-out to be completed by 2007 and will report progress in next year's report.

Greenhouse Gas Emissions

When the Montreal Protocol was first adopted, hydrofluorocarbons (HFCs) such as R_{134a} were deemed ozone-friendly replacements for CFCs. However, their global warming potential was subsequently found to be significantly greater than that of CO₂ and



New HFC-free technologies; a symbolic rollout at the Olympic Games in Athens

they were included in the list of greenhouse gases targeted under the Kyoto Protocol.

The Coca-Cola Company committed to move to HFC-free technologies wherever cost-efficient alternatives are commercially available. In 2004, after a three-year research and development programme to evaluate different technology options, The Coca-Cola Company announced that CO₂-based refrigeration is best suited for the needs of the Coca-Cola System (see **eKOfreshment** programme on www.coca-cola.com). Coca-Cola HBC has been actively participating in this programme with its suppliers.

At the 2004 Olympic Games in Athens, 600 hydrocarbon (HC) and 50 CO₂ vending machines, all HFC-free units, were installed, representing the symbolic start to the roll-out of new HFC-free technologies. A commercial test phase is taking place in 2005, after which the systematic installation of HFC-free units will be determined.

CO₂ coolers will also be used at the 2006 Olympic Games in Turin. These units have no ozone-depleting potential, a very low direct greenhouse impact, and in tests, have proven to provide the safest, most reliable and most energy efficient refrigeration.

Raw Materials

Natural resources are finite. Coca-Cola HBC strives to minimise its use of raw materials and to support recovery of resources from waste, whether through recycling or energy recovery.

Raw materials used by Coca-Cola HBC include ingredients for beverages, materials for packaging and auxiliary materials used in production processes. Most environmental impacts occur in the supply chain before these raw materials reach Coca-Cola HBC operations. In 2004, The Coca-Cola Company launched a formal process of collaboration with key suppliers (see The Coca-Cola Company Environment Report). Coca-Cola HBC is working together with these partners to reduce environmental impacts in the supply chain.

For example, by working closely with package suppliers, the company has continued to lightweight its packaging materials, thereby using fewer raw materials. In 2004, operations in Austria, Bosnia and Croatia reduced the weight of PET 2-litre bottles by 2g, while in Belarus, lightweighting programmes were conducted for transport packaging, reducing the use of shrink and stretch film.

Coca-Cola HBC also uses recycled materials where possible. For example, Switzerland PET preforms already contain up to 30% recycled content, while in Austria, tests have been conducted to introduce PET bottles with up to 30% recycled content. Many suppliers also deliver their goods in re-usable containers.

Ingredients

In addition to water, the main ingredients Coca-Cola HBC uses are concentrates, sugar and sweeteners, fruit juices and carbon dioxide. Most ingredients are natural substances extracted from plants or fruits.

The amount of key ingredients used by Coca-Cola HBC in 2004 – along with their main environmental impacts – is as follows:

❑ **Sugar and sweeteners** – Sugar, the main nutritive sweetener used in our beverages derives from sugar beet grown in Europe and, to a small extent, from cane sugar from overseas. In 2004, 530,000 tonnes of sugar were used. The main impacts are from the energy used in extracting, processing and refining the sugar. The impacts of agricultural practices have not yet been determined. Use of other sweeteners, such as glucose syrup, amounted to 110,000 tonnes.

❑ **Concentrates** – Beverages are manufactured from concentrates mainly supplied by The Coca-Cola Company. Depending on the product, these contain concentrated fruit juices, plant extracts, colourings and other components. Approximately 44,000 tonnes of concentrate, beverage bases, juices and flavourings were used by Coca-Cola HBC in 2004. Due to their high concentration, their overall impact per litre of produced beverage is thought to be small after dilution. As with sugar, the impacts of agricultural practices have not yet been determined. Details can be found in the environment report of The Coca-Cola Company (www.coca-cola.com).

❑ **Carbon dioxide (CO₂)** – In 2004, Coca-Cola HBC used 82,000 tonnes of CO₂ to carbonate beverages. Carbon dioxide is generated by burning fossil fuels, extracted from natural underground sources or recycled from industrial processes, which has fewer ecological impacts.

Coca-Cola HBC does not use ingredients which are genetically modified or derived from genetically modified organisms. Coca-Cola HBC supports the responsible use of modern biotechnology within the framework of science-based risk assessment, effective regulatory control and the provision of adequate information about its use. The use of such technology to improve food crops can bring important benefits to mankind and individual applications should be judged on their merits. However, the company acknowledges that the public's view of the use of genetically modified ingredients in foods is still evolving and that debate and public acceptance is at different stages in countries in Europe and the rest of the world.

Packaging Materials

Packaging materials are used to contain, transport and protect beverages. Most environmental impacts occur during the manufacturing of these materials. The impacts after their disposal – either as solid waste from Coca-Cola HBC plants or as post-consumer packaging waste in the form of used beverage containers – are much lower.

Coca-Cola HBC uses the following types of beverage containers. The quantities used are reported in the Environmental Data Table.

❑ **Glass bottles** are mostly re-used and recycled. Most environmental impacts occur in manufacture (glass melting), transport and washing.

❑ **Aluminium cans** are made of recyclable material. The actual recycling rate varies among countries. Environmental impacts occur mostly in metal extraction and fabrication.

❑ **PET bottles** have recycling rates of up to 75%, depending on a country's legal framework. Most envi-

Gathering PET bottles for recycling at a company plant





ronmental impacts occur in the manufacture of PET resin and bottle-blowing.

- ❑ **REF-PET** bottles are refillable plastic bottles made from PET. Impacts occur mostly in their manufacture and washing.
- ❑ **Beverage cartons** are made from paper, polyethylene film and aluminium foil. Recycling rates vary among countries.
- ❑ **Steel kegs** used for post-mix syrup are re-usable, refillable metal containers. Impacts occur mostly in washing.
- ❑ **Bag-in-box** is a multi-material plastic film inside a cardboard box. Since it contains beverage syrup, which is highly concentrated, its impacts per litre of finished beverage are relatively low.

Auxiliary Materials

Chemicals used for cleaning of installations and bottle washers are referred to as auxiliary materials. Three such materials are considered hazardous: hypochlorite, sulphuric acid and sodium hydroxide. In 2004, Coca-Cola HBC used:

- ❑ 2,400 tonnes of hypochlorite acid
- ❑ 650 tonnes of sulphuric acid
- ❑ 13,000 tonnes of sodium hydroxide

In addition, production water is disinfected using different forms of chlorine compounds. In 2004, Coca-Cola HBC used 1.8 million tonnes, most of which were the least harmful form of sodium hypochlorite.

The Coca-Cola Company Standard on Hazardous Materials sets strict rules on the storage and handling of chemicals, both from a safety and an ecological point of view. Furthermore, Coca-Cola HBC is optimising its management of chemicals by concentrating on only two suppliers, and standardising procedures, documentation and safe handling.

Solid Waste

Solid waste is a by-product of every industrial activity. It has a two-fold impact on the environment, in its disposal and in the raw materials and energy used to make new products.

In the beverage industry, solid waste is generated in two forms:

- ❑ **Waste from the manufacturing process** – ingredient containers and packaging, compostable material such as tea leaves in our bottling plants during manufacturing
- ❑ **Post-consumer packaging waste** – used beverage containers and packaging after people have consumed products

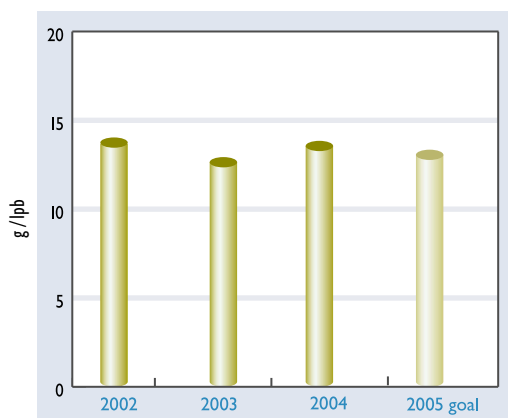
Solid waste data quoted here refers to waste generated during the manufacturing process, since it is at this point that Coca-Cola HBC has maximum influence. Post-consumer packaging waste is discussed below.

Waste can be disposed of in a variety of ways; landfill, incineration, hazardous waste disposal, energy recovery (incineration that recovers heat from the process for heating of homes or use in industry), recycling and composting.

Coca-Cola HBC has committed to reduce, recover, recycle and reuse on-site waste wherever practicable, and to dispose of unrecoverable waste safely and with minimum impact to the natural environment.

The company tracks the amount of solid waste produced in its manufacturing operations and the amount recycled. The key performance indicators used are the waste ratio, grammes of waste per litre of produced beverage (g/lpb); and the recycling percentage, the amount of waste recycled compared to the total amount of waste generated.

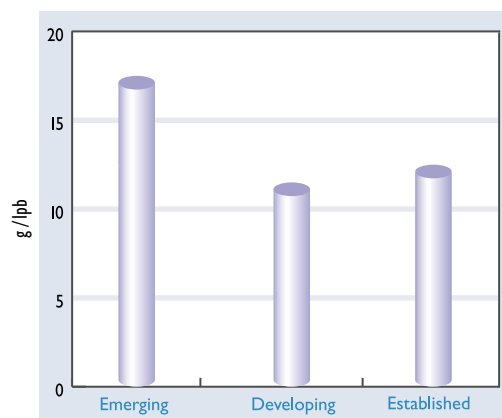
Plant Solid Waste Ratio



In 2004, the total amount of solid waste generated in our plants was 104,060 tonnes compared to 88,000 tonnes in 2003. On average, each litre of product generated 13.9 grammes per litre of produced beverage, an 8% increase over the previous year. As mentioned, this apparent increase was due to a major housekeeping operation in a number of plants during the year.

Coca-Cola HBC solid waste management has to date focused on waste separation and collection to maximise the amount of waste that can be recycled. The company now focuses on decreasing the total amount of waste generated, while increasing the recycling ratio. The goal for 2005 is to further reduce overall waste production by 5% compared with 2004.

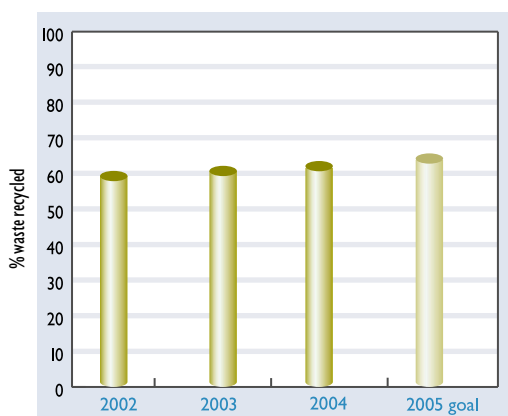
Plant Solid Waste Ratio per Market



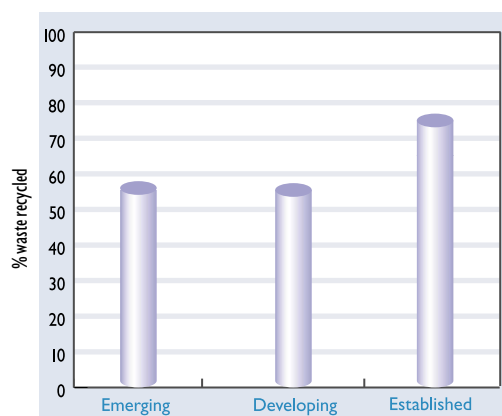
The average rate of recycling and recovery was 64%, up from 61% in 2003 (waste which is incinerated with heat recovery is included in this statistic for countries where facilities exist that re-use the generated heat). This is lower than the average 77% rate of recycling and recovery quoted in The Coca-Cola Company's Environment Report. This variance is a result of the less developed recycling capability and infrastructure for energy recovery in some Coca-Cola HBC territories.

Hazardous waste is dealt with by special legislation in most countries. Coca-Cola HBC additionally requires that the minimum internal Standard for Hazardous Waste is followed.

Plant Waste Recycling



Plant Waste Recycling per Market





Post-Consumer Packaging Waste

Packaging plays an important role in safeguarding public health, ensuring that food and beverages are delivered to consumers in the safest, most hygienic and tamper-proof conditions. In addition, consumers and retail customers increasingly demand convenience.

As a result, there has been an increased demand for non-refillable packages. For example, non-refillable PET bottles now account for approximately two thirds of the packaging mix of Coca-Cola HBC.

The company has long taken an active role in multi-stakeholder dialogue concerning the management of packaging waste, aiming to close the loop. Together with other companies, Coca-Cola HBC has set up packaging associations to work with local authorities.

In countries where the European Packaging Directive 94/62 has been incorporated into packaging legislation, national recycling and recovery organisations manage its implementation, fulfilling industry's "take-back" obligations. These organisations are responsible for meeting recycling and recovery targets for all types of packaging waste, as well as recording information on packaging in the marketplace and recycling and recovery rates.

Coca-Cola HBC actively participates in these recycling and recovery organisations and has been a founding member in many cases. For example, in Romania and Bulgaria the company assisted in the launch of new recovery schemes. In 2004, both systems signed licence contracts for use of the Green Dot, the European symbol of financial contribution to a recovery organisation established in accordance with the European Packaging Directive.

These organisations are funded by industry. In 2004, Coca-Cola HBC paid over €20 million to such organisations to ensure that its post-consumer packaging waste material was properly collected and recycled.

Data for recovery and recycling of post-consumer packaging waste is not reported here. This is because results vary greatly from country to country depending on legislation and because Coca-Cola HBC is one of many industry participants in such programmes. Further information on recovery and recycling in European Union (EU) countries can be found on the Association for the Sustainable Use and Recovery of Resources in Europe (ASSURRE) website (www.assurre.org).

Coca-Cola HBC also supports anti-littering initiatives. In addition to placing the Tidy Man and Recycle symbols on all products, the company sponsors environmental education initiatives, as well as community clean-up operations (see **Community**).

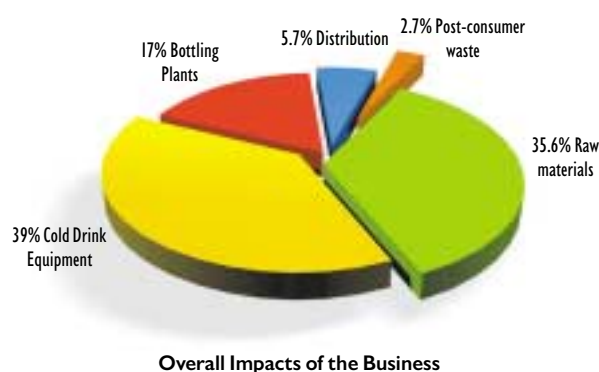
Ecological Analysis

To gain greater understanding of its environmental footprint, Coca-Cola HBC conducted an ecological analysis of its entire value chain in 2004. The company investigated the direct and indirect environmental impacts along the life cycle of its products, from the raw materials it uses to make and package beverages, to its bottling and distribution activities, through to cold drink equipment used in the marketplace and post-consumer waste.

Overall Impacts of the Business

The study found that Coca-Cola HBC's bottling plants account for only 17% of the company's total environmental load. By contrast, over a third (39%) results from the electricity used by cold drink equipment (coolant losses account for less than 0.1% of total impact). A further 36% of the load occurs in the production of the 1.2 million tonnes of raw materials that Coca-Cola HBC uses annually.

These findings affirm the importance of working with suppliers of raw materials and manufacturers of cold drink equipment in addition to addressing the impacts of the company's bottling operations. As a result, the



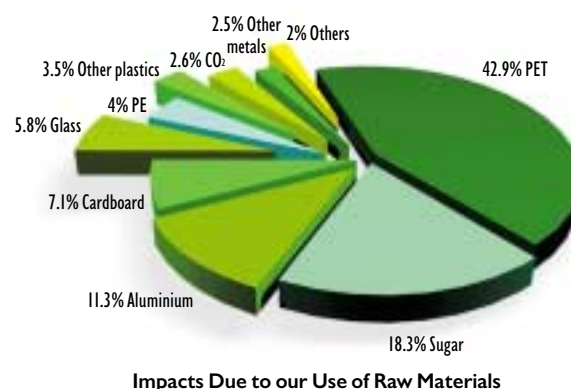
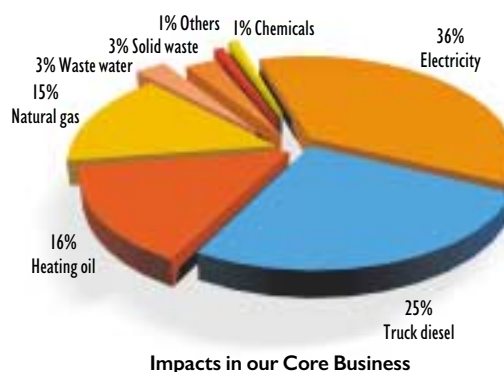
company is increasingly extending collaboration with suppliers to environmental issues and integrating environmental considerations into supplier evaluations.

Core Business Impacts

In Coca-Cola HBC bottling plants, the greatest part (36%) of the environmental load results from electricity use. The company's fleet of vehicles accounts for 25%, while 31% results from heating energy in plants. Improvement programmes underway include energy savings in plants, fuel savings in fleet, improved waste management and wastewater treatment.

Impacts of Raw Materials

In the company's supply chain, production of PET bottles (the packaging that represents 2/3 of beverage volume), accounts for 42.9% of environmental impacts. Sugar production accounts for 18.3%, while 11.3% results



from aluminium cans (25,000 tonnes or 8% of beverage volume), 7.1% from cardboard packaging and 5.8% from glass bottles (92,000 tonnes or 16% of beverage volume). Improvement programmes underway include lightweighting of beverage containers, increased use of recycled materials and cooperation with suppliers for improved environmental performance.

The Method Used in our Ecological Analysis

The Eco-indicator 99 method used here takes into account the impacts resulting from the extraction, manufacture, use and disposal of each substance used or emitted in our operations. Much of the data is reported in the 2004 Environmental Data Table.

Ecological load refers to the amount of pollutants and their effect on ecosystems (human toxicity, ecological toxicity, soil acidification, water eutrophication, photo-oxidant formation, climate change, ozone depletion, resource depletion). It includes direct and indirect effects (for example, the pollution resulting from generating electricity at the power plant).

The method does not consider whether resources such as water are being locally overstretched, nor impacts on biodiversity.



Biodiversity

Based on information available, Coca-Cola HBC believes that no IUCN (World Conservation Union) Red List species, Ramsar habitats, IUCN protected areas, world heritage sites or biosphere reserves are directly affected by its operations.

In 2004, Coca-Cola HBC conducted a survey that revealed 16 of its plants are located in or near biodiversity areas such as the Mediterranean eco-region or coastal regions of Nigeria. However, plants are generally not located within natural habitats but in industrial or mixed areas with no direct impact on sensitive habitats. The nature of the company's business means that Coca-Cola HBC plants operate on land and infrastructure already developed for human activities, rather than to exploit new habitats.

Coca-Cola HBC will investigate further possible indirect impacts from its operations and seek input from interested parties to help develop biodiversity indicators that are meaningful and useful to its business.

Coca-Cola HBC owns about 540 hectares of land used for its bottling and warehousing facilities, of which about 56% are hard surfaces impermeable to rain (mainly buildings, parking lots and access roads). Whilst the company recognises that impermeable surfaces do not allow rain water to penetrate the ground and replenish aquifers, it is difficult to operate otherwise. Future developments include feasibility studies for projects to make hard surfaces more permeable to rain water. The pilot community and watershed programmes starting in 2005 (see **Community**) will begin to address these issues.

The impacts on biodiversity in the Coca-Cola HBC supply chain have not yet been assessed.

At a local level, Coca-Cola HBC operations participate in conservation projects. For example, in Greece, Coca-Cola HBC supports a staff volunteer association called Alyssos, meaning "chain". This organisation partners with local businesses, NGOs and volunteer centres to undertake such environmental projects as a recent four-year reforestation project in Patras (For further examples, see **Community**).

Protecting the Hadejia-Nguru Wetlands in Nigeria

The Hadejia-Nguru Wetlands are a rich ecosystem, providing refuge to myriad wildfowl and sustaining the livelihoods of 1.2 million local people. It also includes an area around the Nguru Lake designated a Ramsar Site of international importance. For almost 20 years, the Hadejia-Nguru Wetlands Conservation Project has worked to successfully recreate the natural flooding regime and protect the area, the wildfowl refuge and the local communities that depend on the flooding for farming and fishing. The project is coordinated by the Nigerian Conservation Foundation with international partners and has been supported from the outset by Coca-Cola HBC's Nigerian operations.

Coca-Cola HBC wins Russia's National Environment Award for Eco-Efficiency

In 2004, Coca-Cola HBC Eurasia received Russia's highest environment award, the new National Environmental Award, in recognition of its eco-efficiency. One of only 14 recipients of the award from all industry sectors, Coca-Cola HBC Eurasia was the only food and beverage company among the winners.

The award was in recognition of eco-effective investments and support of environmental initiatives in Russia. The award was founded in 2004 by the Environment Committee of the Russian Parliament (Duma) and the Vernadsky Foundation, an environmental NGO in Special Consultative Status with the Economic and Social Council of the United Nations.

The objectives of the award are to foster a new business mentality toward more ecologically-oriented production, to facilitate environmentally efficient technological development, to encourage investment in environmentally sound technological processes and to encourage the involvement of the business community in the promotion of sustainability.

Environmental management systems have been implemented at all eleven bottling plants in Russia. Our plants have all received ISO 14001 certification, installed wastewater treatment facilities and achieved solid waste recycling rates of up to 90%. In addition, Coca-Cola HBC Eurasia has initiated social-environmental projects and supports nature protection initiatives. For example, it is a member of the World Wide Fund for Nature (WWF) Russia Corporate Club, supports fresh water conservation projects such as Clean Rivers - Living Banks; and organises an annual city clean-up activity with so-called Coca-Cola Green Teams of employees, family members and young people.

Goals for 2005

- ☐ Reduce water use ratio (l/lpb) in bottling plants by 2% vs. 2004
- ☐ Reduce energy consumption ratio (MJ/lpb) in bottling plants by 2% vs. 2004
- ☐ Reduce solid waste ratio (grams/lpb) in bottling plants by 5% vs. 2004
- ☐ Progress construction of wastewater treatment units: three new plants in Nigeria and one in Europe
- ☐ Increase percentage of waste recycled in bottling plants by 2% vs. 2004
- ☐ Progress ISO 14001 implementation to achieve certification in all operations by 2006
- ☐ Integrate environmental considerations into supplier evaluations and extend collaboration with suppliers on environmental issues
- ☐ Test new HFC-free equipment in market conditions and define future implementation strategy



Environmental Data Table 2004

The data below is based on 2004 reporting from 75 out of 78 carbonated soft drink (CSD) and mineral water plants across all 26 country operations. This represents about 94% of Coca-Cola HBC total production volume.

The indicators used are based on the Environmental Performance Indicators of the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). The absolute amount indicated corresponds to the sum for all operations. The relative amount indicated is normalised to the production volume [unit / litre produced beverage (lpb)].

Indicator	Absolute amount [unit]	Relative Amount [Unit/lpb]	Comment
PRODUCTION			
Total beverage production	7,502 million lpb		(94% of volume reported)
MATERIALS			
EN1 Material use other than water			
Sugar and other sweeteners	637,000 t	84.9 g/lpb	Sugar and HFS
Concentrates, beverage bases, juices and flavourings	44,000 t	5.9 g/lpb	
PET	162,700 t	21.7 g/lpb	PET & REF-PET bottles
Plastic	19,800 t	2.6 g/lpb	Labels and closure caps
PE	21,700 t	2.9 g/lpb	Wrapping film
Glass	92,000 t	12.3 g/lpb	Refillable glass bottles
Aluminium	24,800 t	3.3 g/lpb	Cans
Metal	11,600 t	1.5 g/lpb	Bottle crowns
Paper	2,400 t	0.3 g/lpb	Labels
Cardboard	32,800 t	4.4 g/lpb	Pads
Wood	40,700 t	5.4 g/lpb	Palettes
EN2 Percentage of materials that are wastes from external sources			
Recy-PET	Not available		Depends on country
Recycled Aluminium	Not available		recycling systems
Recycled Cardboard	Not available		
ENERGY			
EN3 Direct energy use			
Electricity	2,180 million MJ	0.29 MJ/lpb	In bottling plants
Light heating oil	1,150 million MJ	0.15 MJ/lpb	In bottling plants
Heavy heating oil	600 million MJ	0.08 MJ/lpb	In bottling plants
Natural gas	1,770 million MJ	0.24 MJ/lpb	In bottling plants
Coal	0	0	
Others in plants	190 million MJ	0.02 MJ/lpb	In bottling plants
Diesel	1,990 million MJ	0.27 MJ/lpb	In own fleet
Petrol	530 million MJ	0.07 MJ/lpb	In own fleet
EN4 Indirect energy use			Calculated
Electricity	8,500 million MJ	1.13 MJ/lpb	Factor used: 3.9
Fossil fuels	7,550 million MJ	1.01 MJ/lpb	Factor used: 1.25
ENI9 Indirect energy use (upstream/downstream)			
Cold Drink Equipment electricity use (total)	9,510 million MJ	1.27 MJ/lpb	
Coolers	8,390 million MJ	1.12 MJ/lpb	
Vendors	570 million MJ	0.76 MJ/lpb	
Fountains and others	540 million MJ	0.72 MJ/lpb	



WATER			
EN5 Total water use	22,100 million litres	2.95 l/lpb	
EN22 Total recycling and re-use of water	680 million litres	0.09 l/lpb	
BIODIVERSITY			
EN6 Land owned in biodiversity-rich habitats	140 ha		Bottling facilities located in eco-regions (Mediterranean, coastal Nigeria)
EN7 Major Impacts on biodiversity	None		No known major direct impacts on biodiversity
EMISSIONS, EFFLUENTS AND WASTE			
EN8 Greenhouse gas emissions			
CO ₂ emissions, direct (fuel + gas)	282,079 t	38 g/lpb	Calculated from fuel use
CO ₂ emissions, indirect (electricity)	298,710 t	40 g/lpb	Calculated from electricity use
EN9 Ozone-depleting substance emissions			
RI2	1.09 t	0.14 mg/lpb	
RI34a	7.8 t	1.04 mg/lpb	
EN10 Other significant air emissions			
NO _x	1,053 t	0.14 g/lpb	Calculated from energy use
SO ₂	2,821 t	0.38 g/lpb	Calculated from energy use
Particulate Matter	284 t	0.04 g/lpb	Calculated from energy use
EN11 Amount of solid waste			
Total amount	104,500 t	13.9 g/lpb	
Recycling and energy recovery	67,300 t	9.0 g/lpb	
EN31 Hazardous waste	2,000 t	0.27 g/lpb	Definition varies between countries
EN12 Discharges to water			
Volume of wastewater	15,500 million litres	2.05 litres/lpb	
Average COD	145 mg/l		
EN13 Spills of chemicals, oils, fuels	20 t	0.003 g/lpb	
PRODUCTS AND SERVICES			
EN14 Significant environmental impacts			
Water used and wastewater discharged			See pp 48-49
Energy used and air emissions			See pp 50-53
Materials used and waste produced			See pp 54-58
Upstream: Impacts due to sugar production			See analysis pp 58-59
Downstream: Littering			See analysis pp 58-59
EN15 Percentage reclaimable products			
Rate of returnable packaging	28% by volume		Includes volume refilled
Possible rate of packaging recycling	Not available		Depends on country recovery organisations
Achieved rate of packaging recycling	Not available		Depends on country recovery organisations
COMPLIANCE			
EN16 Incidents and fines	€85,013		5 notices of violations, 5 fines
TRANSPORT			
EN34 Environmental impacts of transport			
Number of vehicles	11,700		Energy use and emissions: see above
Fuel consumption	70 million litres	9.3 ml/lpb	





Our commitment is to provide products and services
that meet the beverage needs of our consumers.
In doing this, we provide sound and rewarding
business opportunities and benefits for our customers,
suppliers, distributors and local communities

marketplace



The Coca-Cola System Shared Commitment

We deliver this commitment through the consistent application of key principles which include:

- ❑ **Earning the trust of our consumers by providing safe, high quality, relevant products and services that satisfy their beverage needs and fit their lifestyles**
- ❑ **Supporting our business partners, both local and global, by building sustainable, reliable, consistent, mutually beneficial relationships**
- ❑ **Marketing and communicating, credibly and honestly, with respect for and across social, economic and cultural backgrounds**

We will follow practices that support these principles, including:

- ❑ **Implementing The Coca-Cola Quality System (TCCQS), ISO 9001:2000 and other principles such as the Coca-Cola HBC Code of Business Conduct, the Coca-Cola HBC Code of Ethics and the Coca-Cola HBC Supplier Guiding Principles**
- ❑ **We implement policies that guide our business conduct**
- ❑ **We ensure consumer access to information related to our products, our businesses, and our companies through a variety of communication vehicles**
- ❑ **We choose our suppliers in a manner consistent with our operating principles**
- ❑ **We support local suppliers where mutually beneficial**

Coca-Cola HBC produces, sells and distributes a broad range of beverages to meet the tastes and needs of its consumers across 26 countries. The company's non-alcoholic portfolio includes:

- ❑ **Carbonated soft drinks (CSDs)** such as Coca-Cola, Fanta and Sprite
- ❑ **Sugar-free CSDs** such as Coca-Cola Light, Fanta Light and Sprite Zero
- ❑ **Waters** including natural mineral, table and flavoured waters, both still and sparkling
- ❑ **Juices, nectars and juice drinks** such as Cappy, Cappy Ice Fruit, Minute Maid, 5 Alive, Fruice and Amita
- ❑ **Ready-to-drink teas and coffees** such as Nestea and Nescafé
- ❑ **Sports and energy drinks** such as Burn, POWERaDE and BPM

People's lifestyles and tastes are continuously evolving and Coca-Cola HBC strives to offer an increasingly

wide choice of beverages that meet those changing needs.

Growing categories to become a more diverse alcohol-free beverage company is a strategic priority for Coca-Cola HBC and in 2004, the company produced or distributed more than 360 different beverage flavours and products excluding packaging variations.

In 2004, Coca-Cola HBC sold over 8,000 million litres of non-alcoholic beverages, an increase of 4% over the previous year (see Annual Report for detail). Carbonated soft drinks still accounted for the largest proportion (77%) of sales volume in 2004. However, water, juice and other non-carbonated beverages represented 23% of sales – up from 10% in 2001 and 19% in 2003. Coca-Cola HBC expects this growth in non-carbonated drinks to continue and to account for almost half of sales volume by 2010.



In particular, the company has expanded its water portfolio to meet consumer demand. There is now a wide range of waters around the Group, including natural mineral, table and flavoured waters. In 2004, two new water brands were added – Bistra in Croatia and Matusov Pramen in Slovakia.

The beverages produced and distributed by Coca-Cola HBC include brands owned by The Coca-Cola Company, Schweppes Holding Ltd (a wholly owned subsidiary of The Coca-Cola Company) and Beverage

Partners Worldwide, a joint venture between The Coca-Cola Company and Nestle S.A..

In some countries Coca-Cola HBC owns its own brands, such as Amita juice beverages and Avra mineral water in Greece and Deep River Rock water in Ireland. Coca-Cola HBC also distributes a small number of beverages produced by companies unaffiliated with The Coca-Cola Company in some countries. A full list of beverages can be found on www.coca-colahbc.com.

Our Growing Water Business

One of the fastest growing beverage categories is water. Coca-Cola HBC has grown its water business to respond to increased consumer demand. Indeed, the company's water business trebled in volume between 2001 and 2004. Coca-Cola HBC now offers a range of waters including mineral, table, sparkling, still and flavoured. The top 5 by volume in 2004 were Bonaqua, Avra, Römerquelle, Dorna and Valser.





Ensuring quality standards

Committed to Quality

Ensuring the beverages produced and distributed by Coca-Cola HBC are safe and of high quality is critical to the sustainable growth of the business. Coca-Cola HBC is committed to continually enhancing the trust and reputation of the brands it produces through developing and implementing quality systems, standards and practices.

The company's goal is to provide products of the highest quality to its customers, and, in striving to do this, to meet or exceed all governmental requirements and standards for quality and food safety. In 2004, this commitment was formalised in the Coca-Cola HBC Quality Policy (available on www.coca-colahbc.com).

This policy also requires us to implement quality management systems that are compliant with ISO 9001:2000 and The Coca-Cola Quality System (TC-CQS) and to validate their effectiveness by internal and external audit processes recognised by international standards and The Coca-Cola Company.

To this end, Coca-Cola HBC has implemented an integrated management system certified against inter-

national standards ISO 9001:2000, ISO 14001, OHSAS 18001 as well as The Coca-Cola Quality System. This system is fully compliant with the requirements of the Global Food Safety Initiative (GFSI) and follows the Hazard Analysis and Critical Control Point (HACCP) system. Coca-Cola HBC ensures its system stays current with the most stringent, up-to-date global requirements governing food safety, environment and occupational health and safety.

ISO Certification

By the end of 2004, Coca-Cola HBC had achieved ISO 9001:2000 and ISO 14001 certification at 52 of its 53 European CSD plants. While this is a significant achievement, the target had been to achieve certification of all 53 plants. The European CSD plant still to be certified is in Yerevan, Armenia. The company's 16 facilities in Nigeria, are targeted for certification by 2006. These are challenging markets and Coca-Cola HBC is working to bring these operations up to its standards and achieve certification in Yerevan and in 35% of Nigerian operations by the end of 2005.

Coca-Cola HBC also owns nine mineral water plants. As previously stated, the target is to achieve certification of these plants in 2006 since most were recent

acquisitions. We will report on the status of certification of these plants in future reports.

As certification of bottling plants nears completion, the next target is to extend integrated management systems into other parts of the business, namely: cold drink equipment, distribution and marketplace activities as well as the supply chain. For these, the company intends to achieve certification of ISO 9001:2000 by 2007.

Quality Control and Auditing

Coca-Cola HBC continuously monitors the production process for compliance with these standards and has sophisticated control equipment and testing programmes for key stages of the process.

At each facility, a quality control laboratory tests raw materials, packaging and finished products to ensure that they comply with local regulatory requirements and quality standards stipulated by The Coca-Cola Company. Quality checks are regularly undertaken in the distribution channels to check compliance with package and product specifications. This process involves taking random samples of beverages from the various channels and testing them against quality criteria.

As part of continually enhancing its quality processes, the company will launch a programme to introduce electronic bottle inspection equipment on all refillable lines in 2005, implementing state-of-the art tech-

nology to further protect consumer safety and enhance satisfaction.

Internal and external audits are performed regularly to confirm that Coca-Cola HBC complies with standards, to assess how effective its integrated management system is and to assure that all key control points are independently validated. Annual auditing of compliance with The Coca-Cola Quality System is conducted by SGS and Lloyds.

In 2004, Coca-Cola HBC launched a new comprehensive cross-border internal audit process that includes quality and occupational health and safety. This programme complements the third-party validation process and provides further assurance of compliance with standards and legal requirements.

To ensure that Coca-Cola HBC continues to deliver products of the highest quality, the company conducts regular training programmes in quality management. In 2004, training in OHSAS 18000, ISO lead assessment, microbiological and environmental management was conducted. Group-wide training in HACCP was conducted in 2003 and repeat training is planned for 2005. In addition, new food safety risk management training will be conducted during the year.

Responsibility for product quality and the integrated management system lies with the Group Director of Quality.

The Coca-Cola Quality System



The Coca-Cola Quality System (TCCQS) is the global quality management system of The Coca-Cola Company, endorsed by key bottlers around the world. This third evolution of The Coca-Cola Quality System is an integrated approach to managing quality, the environment and health and safety. SGS (Société Générale de Surveillance) and LRQA (Lloyd's Register Quality Assurance) benchmarked TCCQS - Evolution 3 against ISO 9001:2000 (quality), ISO 14001 (environment) and OHSAS 18001 health and safety standards. They found TCCQS - Evolution 3 to meet the requirements of all three.



Coca-Cola HBC offers a broad beverage choice including sugar-free options

Product and Marketing Responsibility

Coca-Cola HBC policy is to comply with marketing and advertising regulations and codes in every country in which it operates. In addition, the company implements global policies of The Coca-Cola Company.

In marketing and selling its beverages, Coca-Cola HBC strives not only to be in compliance with the law, but also to meet duties and expectations beyond this. We have a duty of care to consumers and are particularly aware how our activities can affect families and young people. We are sensitive to stakeholder concerns and strive to ensure that our beverages and the way we make them available is deemed appropriate.

Addressing Obesity

Globally, the greatest concern to which the food and beverage industry must respond is the rise in obesity. In adults and children, obesity is growing at alarming rates, presenting a major public health challenge in developed and developing countries.

Obesity is a complex condition that affects virtually all age and socio-economic groups. There are no easy answers or quick fixes but researchers and scientists have linked the issue to sedentary lifestyle and lack of physical activity.

To have an impact on obesity rates requires moderation in diet and regular physical activity, teaching good nutrition and fitness habits at a young age and cooperation between public and private sectors to engage families, schools and communities in physical activity.

Coca-Cola HBC recognises that it has a role to play in addressing this societal issue and has adopted five key strategies to fulfil this role. These strategies are:

1. Offering a broad beverage choice
2. Responsible marketing
3. Providing nutritional information
4. Engaging in multi-sectoral partnerships
5. Supporting physical activity and sport

Offering a Broad Beverage Choice

Coca-Cola HBC produces an increasingly wide range of non-alcoholic beverages to meet the changing needs of consumers. From bottled waters to juice drinks, sugar-sweetened soft drinks to sugar-free options, our range of beverages offers choice. In particular, the company strives to meet increased demand for mineral water, juice beverages and low-calorie sugar-free soft drinks.

Although the company's portfolio is growing, carbonated soft drinks (CSDs) are still the largest part of the business. As refreshment beverages that make no nutritional claims, soft drinks can have a place in a well-balanced diet and active lifestyle – and have done so for over one hundred years. The bottom line is that people should consume a variety of foods and beverages, manage calories to maintain body weight, and be physically active every day.

To help people do this, Coca-Cola HBC offers beverages in a range of package and serving sizes. This allows consumers to tailor consumption to their needs and lifestyles. For example, in certain countries, the company has started to offer smaller 250ml cans of CSDs in addition to the usual 330ml cans.

Responsible Marketing

Coca-Cola HBC acknowledges that it has a duty to make its beverages available in a manner that its stakeholders deem to be responsible and trustworthy. At times, this may mean effectively regulating the company's operations in order to respect the right of teachers and parents to determine what children under their care should consume.

Marketing that targets children under the age of 12 has long been prohibited by a global policy of The Coca-Cola Company. This was recently updated to explicitly include the increasing number of non-carbonated beverages owned by The Coca-Cola Company.

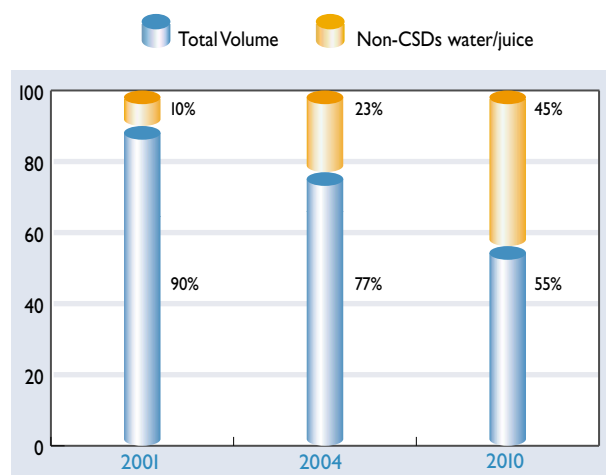
Coca-Cola HBC upholds this policy and extends it to include all beverages it manufactures and sells, including brands not owned by The Coca-Cola Company. The only exception is the Amita juice beverage which is enhanced with vitamins and packaged in small single-serve 200ml packages to be part of children's diets.

In conjunction with The Coca-Cola Company, Coca-Cola HBC has also reviewed and revised its code of practice for sales and marketing in schools. The code requires the company to manage and limit the sale of 100% sugar-sweetened carbonated soft drinks (CSDs) in schools.

In primary schools, the code bans operations from initiating sales and marketing of any beverages. In the event that primary schools request product sales, juice beverages, waters, sugar-free CSDs and non-carbonated beverages can be offered – provided that the school board is in agreement.

In secondary schools, operations may market and sell beverages, but must:

- ❑ Offer at least three types of beverages such as water, juices, sugar-free CSDs, teas or sports drinks. Where appropriate, discussions will be conducted with school authorities, parents' and teachers' associations about beverages to be made available



The growth of our non-CSD portfolio

- ❑ Liaise with school authorities to arrange the placement and emphasise availability of such alternative beverages
- ❑ Cease activities relating to commercial sponsorship connected to 100% sugar-sweetened CSDs
- ❑ Cease direct consumer promotional activities related to 100% sugar-sweetened CSDs
- ❑ Change the design of vending machines to be non-branded and to promote active lifestyles
- ❑ Reduce any Coca-Cola brand presence so that representation is minimal and discreet

This revised code remains to be finalised with stakeholders, principally schools counsellors, and will be implemented in 2005. Given the geographic and cultural diversity of Coca-Cola HBC territories, full implementation might take longer in some territories than in others. In such cases, the company will actively support the process to encourage the consumption of alternative beverages. Progress will be reported next year.

Providing Nutritional Information

For consumers to make educated choices about their diet and lifestyles, they need information about what they eat and drink. Coca-Cola HBC recognises that it has a responsibility to provide information about its products that is easily comprehensible and accessible.



Relevant and easy-to-understand nutritional information that follows local laws and European Union (EU) directives is produced for all products. Local operations publish ingredient leaflets and place nutritional information on local websites, while all Consumer Response Information Services (CRIS) are equipped to answer consumer enquiries.

Coca-Cola HBC also supports industry initiatives to make nutritional labelling as effective as possible. For example, in 2004 the company supported consumer research by the European Food Information Council (EUFIC) to determine consumer understanding and use of nutritional labelling and how this might be improved (www.eufic.org).

Engaging in Multi-Sectoral Partnerships

Coca-Cola HBC believes that only through a coordinated multi-stakeholder approach can obesity trends

be reversed. The company is determined to take an active role in the food and beverage industry on the issue.

Through membership of such bodies as the Union of European Soft Drinks Associations (UNESDA), the Confederation of International Soft Drinks Associations (CISDA) and the Confederation of the Food and Drink Industries of the EU (CIAA), Coca-Cola HBC engages with stakeholders on the issue. The company supported the establishment of an EU Multi-Stakeholder Platform which includes working groups on lifestyle and physical activity; consumer information, including nutrition education; and advertising and commercial communications.

At a national level, too, Coca-Cola HBC engages in such partnerships. In 2004, for example, the company was a founder member of the Nutrition and Health Foundation in Ireland. Forthcoming initiatives include a campaign to educate schoolchildren about the importance of healthy eating and physical exercise, a nutrition labelling campaign to provide detailed but simple to understand information on products and a website to provide further nutritional information.

Supporting Physical Activity and Sport

Appropriate daily physical activity is a major component in preventing obesity. Nevertheless, at least 60% of the global population fails to achieve the World Health Organisation's minimum recommendation of 30 minutes of moderate physical activity every day.

The Coca-Cola System has a longstanding commitment to supporting sport and physical activity around the world. Coca-Cola HBC supports a wide range of activities, including grassroots football, hiking, cycling and marathons (see **Community**). The company encourages people to exercise regardless of ability and promotes the importance of daily physical activity in a healthy lifestyle.

Clear nutritional information on labels for consumers



Engaging With Our Consumers

Consumers are at the centre of everything Coca-Cola HBC does. Understanding their needs, tastes, lifestyles – as well as their opinions about the company's products and business – is key to business success. As a result, the Coca-Cola System invests heavily in consumer research and engagement.

In addition, consumers are able to contact Coca-Cola HBC with queries, concerns and suggestions through the Consumer Response Information Service (CRIS). In almost every country in which it does business, Coca-Cola HBC maintains a hotline for consumers to discuss questions or concerns about the company's products and business.

In addition to providing information to consumers, the CRIS system incorporates consumer comments, questions and concerns into company information systems, facilitating corrective action plans and forming part of regular trends analyses reported to senior management.

CRIS is due to be completed in the Baltic republics in 2005, extending CRIS coverage to all Coca-Cola HBC territories. Also in 2005, all CRIS operations will be reviewed and enhanced, facilitating management access to non-personal data across the Group.

Respecting Privacy

While Coca-Cola HBC seeks to engage with its consumers and build long-term relationships with them, the company balances this with a respect for their privacy. Consumers are not contacted without their permission to do so, and any contact offers the opportunity to opt out of further communications. Coca-Cola HBC does not sell or trade consumer information.



The majority of Coca-Cola HBC customers are small traditional businesses like this kiosk in Greece

Adding Value for Customers

Coca-Cola HBC works with almost 1.4 million customers throughout its countries. These customers range from small, independent retailers to large international supermarkets and restaurant chains. The majority of Coca-Cola HBC customers – and the bulk of the company's sales volume – are small traditional businesses, such as the thousands of kiosks in Greece, Hungary and other countries.

The success of Coca-Cola HBC depends on the success of its customers. In addition to providing high-quality and well-marketed products, the company therefore strives to help customers grow their businesses. Beverages often contribute a high proportion of income for small retail outlets, and by providing them with marketing, merchandising and technical support and equipment, Coca-Cola HBC helps sustain these businesses, especially in rural areas in emerging markets.

The company's sales force regularly visit small businesses to determine their needs and opinions and to provide marketing and technical support to help grow their business. In 2004, for example, Coca-Cola HBC worked with small kiosks on the Hungarian housing estate of Gazdagrét to help increase their profitability. The team shared consumer insights and



market trends and improved the appearance of the kiosks, helping to increase sales by 40% in 2004.

In addition to sharing knowledge, Coca-Cola HBC provides small businesses with equipment ranging from coolers for beverages to general items like menu boards, place mats and umbrellas. While most materials are distinctively branded, in areas of historic significance, such as Mostar bridge in Bosnia (see opposite), the company works with customers and local communities to develop appropriate materials.

In addition to a high degree of face-to-face contact with customers, the company conducts formal surveys to determine customer opinions, needs and satisfaction levels.

Coca-Cola HBC has developed a new Group-wide customer satisfaction survey to track progress in our relationships with customers. The survey will be conducted by an independent agency and will be rolled out in two waves during 2005.

To ensure Coca-Cola HBC best supports its customers, the company has a strong focus on developing the skills of its sales force. Together with The Coca-Cola Company, a Key Account Management training programme has been developed. By the end of 2004, 200 key account managers had been trained in this programme. In addition, a new channel activation training programme was launched and over 25 "Centres of Excellence" were established to demonstrate best practice.

At the Group level, the Group Commercial Director is responsible for customer relationships.

Fair Commercial Policy

The beverage market is highly competitive. Coca-Cola HBC seeks to compete fairly and within the law in every country in which it operates. The company maintains a fair commercial policy with all customers that allows open competition in the market and eliminates arbitrary preferential treatment to any customer. This is

Respecting Cultural Heritage

The ancient bridge of Mostar in Bosnia and Herzegovina survived hundreds of years only to be bombed and destroyed in the war of 1993. Rebuilding the bridge was of symbolic importance to local residents given its historical associations with religious and cultural tolerance. Located in the Old City, which is completely built of stone, the bridge was carefully renovated and reopened in 2004. In time for this historic event, Coca-Cola HBC equipped retail outlets in the Old City with specially designed equipment and signage – umbrellas and seat covers in natural colours and wooden signs – that blend into the historic surroundings.



A retail outlet near the ancient Mostar bridge in Bosnia & Herzegovina

reflected in the Coca-Cola System's commitment to the 2004 EU Undertaking by which we agreed to conduct a series of actions to ensure open competition in the markets where we operate.

The Coca-Cola System reached agreement with the European Commission (EC) regarding commercial practices of The Coca-Cola Company and bottlers in Austria, Belgium, Denmark, Germany and Great Britain, following an investigation over the past five years. The EC accepted an Undertaking proposed by

Supporting Small Businesses in Nigeria

Retail outlets in Nigeria can be small and remote, meaning that usual distribution systems are not efficient. Our local operations therefore established a network of Strategic Sales Depots (SDDs) to supply and service these outlets.

SDD operators, 70% of whom are women, are trained in business management and sales. They are also provided with equipment and a cargo container converted into a warehouse and sales point. Over 550 small businesses have been set up and today represent 22% of our sales volume in Nigeria.



the Coca-Cola System and advised that it intends to formalise this Undertaking as a legally binding commitment in the light of new provisions which recently came into force.

The Undertaking will potentially apply in 27 European Economic Area countries and all channels of distribution where The Coca-Cola Company-branded carbonated soft drinks account for over 40% of national sales and twice the nearest competitor's share. The

commitments relate to exclusivity, percentage-based purchasing commitments, transparency, target rebates, tying, assortment or range commitments and agreements concerning products of other suppliers. Further information is available on www.coca-colahbc.com.

Coca-Cola HBC is happy to have reached agreement with the Commission. The company seeks to compete fairly and the Undertaking will provide clarity as to the application of European competition law to its business.

Sharing Knowledge with Czech Customers

Coca-Cola HBC operations in the Czech Republic launched a new magazine for its retail customers in 2004. The publication explains new market trends and provides practical advice on sales techniques in addition to providing information about Coca-Cola HBC. The magazine also shares examples of best practice from customers and from other countries, while providing regular columns on market issues, tax and legal advice, recycling and environmental news. The issues published to date have received very positive feedback from retail customers.



Cover of the customer magazine launched in the Czech Republic



Working directly with our customers

Working with Suppliers

Suppliers to Coca-Cola HBC are numerous and varied. Some are large international companies, but there are also several thousand local suppliers that provide ingredients and materials to our business. Over €2,500 million of cash generated by Coca-Cola HBC flows to suppliers each year, supporting employment and local economies (see **Community**).

Procurement specialists focus on delivering the best value in terms of quality, cost, service and innovation through building strong relationships with suppliers, based on fair and mutually beneficial contracts.

Given the diversity of its operations, Coca-Cola HBC does not have a single standard to cover all contracts and payments to suppliers, but does operate with a number of standard contracts with key suppliers. Across all 26 countries, the company ensures that it abides by the payment terms agreed with suppliers.

Relationships with suppliers are managed both at country and Group level, with multi-functional teams working with suppliers to ensure quality and enhance efficiency. For example, significant harmonisation and standardisation programmes are underway

to enable better planning for both Coca-Cola HBC and suppliers, which in turn fosters efficient management of inventory and wastage. Ultimate accountability for supplier relationship management rests with the Coca-Cola HBC Chief Procurement Officer:

All suppliers of ingredients and primary packaging materials (i.e. packaging that comes into contact with beverage or items that bear the trademark) are approved by The Coca-Cola Company. This approval process involves verification of processes, quality and capability. Suppliers of goods and services not requiring such approval are approved by the local operating unit of Coca-Cola HBC.

Coca-Cola HBC holds its suppliers accountable to the same standards the company has set for itself in terms of business ethics, human rights and environmental management.

In 2004 Coca-Cola HBC codified these expectations in the Coca-Cola HBC **Supplier Guiding Principles**. These principles are aligned with those of The Coca-Cola Company and are included in all new and renewed contracts. The Coca-Cola Company has begun independent auditing of suppliers for compliance with these supplier guiding principles.

Coca-Cola HBC still has more work to do to ensure its corporate standards are reflected throughout its supply chain. It is a complex field and the company does not underestimate the challenge given the diversity and number of its suppliers.

Although the first priority has to be ensuring that the company meets its own standards in its own operations, the company is committed to determining how best it can influence its supply chain and report its progress. In 2005, we will work with our partner, The Coca-Cola Company, and focus on building social accountability capabilities in terms of awareness, programme implementation, monitoring, reporting and auditing. We will report progress in next year's report.

Supplier Guiding Principles

Recognising there are differences in laws, customs and economic conditions, Coca-Cola HBC believes that shared values must serve as the foundation for relationships with its suppliers.

The Supplier Guiding Principles (for full text see www.coca-colahbc.com) outline the commitments Coca-Cola HBC adheres to in its workplace and the expectations the company has of its suppliers' workplaces and workplace policies.

These expectations range from fair and competitive remuneration to training opportunities to non-retaliation against employees for lawful participation in labour organisation activities.

The principles also spell out the minimum requirements that Coca-Cola HBC suppliers are required to meet. These include:

- ☐ **Compliance with all applicable labour laws, including terms of payment of wages and benefits; working hours and overtime, and working conditions**
- ☐ **Prohibition of child, forced or compulsory labour and abuse of labour**
- ☐ **Respect for employees' rights to choose to be represented by third parties and to bargain collectively**
- ☐ **Compliance with all applicable environmental laws**

Suppliers are required to develop and implement business mechanisms to monitor compliance with these Guiding Principles and must be able to demonstrate their compliance. Coca-Cola HBC reserves the right to inspect any site used for work for the company and to terminate any agreement with any supplier who fails to comply.

Coca-Cola HBC expects suppliers to disseminate these Guiding Principles to their employees in their local language. Suppliers may not offer any employees of Coca-Cola HBC any gifts or benefits for doing business.

Goals for 2005

- ☐ Install electronic bottle inspection equipment on all refillable lines
- ☐ Continue expanding integrated management system upstream and downstream in our value chain (target completion 2007)
- ☐ Conduct advanced food safety risk management training and HACCP review training
- ☐ Review and update CRIS consumer response system and complete implementation in the Baltics
- ☐ Launch new Group-wide customer satisfaction survey
- ☐ Build social accountability capabilities in terms of awareness, programme implementation, monitoring, reporting and auditing





Our commitment is to invest time,
expertise and resources to provide
economic opportunity, improve the quality of life
and foster good will in our communities
through locally relevant initiatives

community



The Coca-Cola System Shared Commitment

We deliver this commitment through the consistent application of key principles, including:

- ❑ **Supporting initiatives and partnerships that are relevant and of value to local communities**
- ❑ **Listening to the communities in which we operate and taking into account their views and aspirations in the conduct of our business**
- ❑ **Emphasising the development and education of young people**

We will follow practices that support these principles, including:

- ❑ **We communicate effectively on relevant aspects of our business operations and community programmes**
- ❑ **We work proactively to support the community in cases of natural disaster, complementing government activities wherever possible**
- ❑ **We take an active role in local business, community development and educational organisations where appropriate and mutually beneficial**
- ❑ **We build relationships with and engage in constructive dialogue with key community leaders and government officials**

We believe that Coca-Cola HBC should work with the communities in which it operates to contribute to their socio-economic development and their environmental protection. This sense of responsibility to communities is underpinned by the company's Human Rights Policy (see **Workplace**).

The way in which Coca-Cola HBC meets this responsibility is three-fold:

- ❑ Through the economic impact of our operations
- ❑ Our community investment programmes
- ❑ Our broader engagement with society on issues of common concern

In these ways, we aim to enhance the quality of life in the communities and countries in which we operate.

Economic Impact: Creating Value

Every day, across Europe and beyond, hundreds of millions of people choose our products, helping to

grow our business and make it successful. In turn, we create value and wealth for our employees, suppliers, customers, shareholders, governments and communities. We generate employment, support businesses both upstream and downstream, pay taxes and invest in the future of our business.

Coca-Cola HBC paid €106.1 million in taxes in 2004. The figures do not include additional tax charges arising from employee income, sales, customs duties, municipal charges, packaging recovery fees, rates and levies. These charges are met at the local level and are not reported as an aggregated Group number. (Further detail is available in the Annual Report). In 2004, no government subsidies were received by Coca-Cola HBC.

In 2004, we paid more than €748 million in employee salaries including benefits. In addition, supplying the Coca-Cola System and selling our products support numerous small and medium-sized enterprises. In 2004, we paid over €2,500 million to suppliers for ingredients, packaging and services – many of which are

purchased in-country. As a result, economic impact studies in our markets and around the world have demonstrated that Coca-Cola operations have a significant positive multiplier effect, and that for each person directly employed, an average of ten additional jobs are supported in the community.

In many instances, particularly in Eastern Europe and Nigeria, Coca-Cola HBC is not only a major employer and contributor to the local and national economy, but also provides technology and knowledge transfer, stimulating local innovation and business growth. Each operation is managed and staffed almost exclusively by local employees who are exposed to a high degree of training and development (see **Workplace**). For example, Coca-Cola HBC was the first company to introduce the Hazard Analysis and Critical Control Point (HACCP) food safety system in the Ukraine and conducted the first NEBOSH (National Examination Board in Occupational Safety and Health) safety engineer training in Poland and Romania. Additionally, we work with customers and suppliers to share knowledge and technology for mutual benefit.

Community Development: Enriching Lives

Coca-Cola HBC regularly engages in dialogue with local communities to identify needs and concerns and extend support on economic, environmental and social issues. Our operations and employees support a wide variety of activities and organisations, partnering with local, national and international NGOs, governments and bilateral and multilateral agencies. We also partner with The Coca-Cola Company on projects in many of our countries.

In 2004, Coca-Cola HBC contributed over 1% of pre-tax profits in support of these community initiatives. This includes only community investment and charitable donations – not commercial initiatives in the community. It includes cash and in-kind donations but does not yet include staff time or payroll giving. We plan to



Transferring knowledge in developing countries

develop a more comprehensive way of measuring and benchmarking our corporate community investment at Group level and will report progress next year:

Given the decentralised nature of our operations and the different natures and needs of the communities in which we operate, we do not impose Group-wide social programmes. Instead, local operations support initiatives responding to local needs.

Nevertheless, the strategic focus for such community investment programmes falls into three key areas in which we believe our competencies and responsibilities to be greatest:

- ☐ Youth development
- ☐ Sport and physical activity
- ☐ Environmental protection, especially water



Achieving the Percent Standard in Ireland

Business in the Community Ireland (BITCI) launched the Percent Standard in 2004. To be accepted for this standard, a company must demonstrate that a minimum of 1% of pre-tax profits is contributed to the community. Coca-Cola HBC's operations in Ireland have been accepted for this standard.

Youth Development

We support youth development in every country in which we operate, helping to improve quality of life and create opportunity for young people.

In particular, Coca-Cola HBC provides assistance to projects supporting disadvantaged youth. This includes extending support to orphaned youth in Austria, Russia, the Czech Republic, Romania, Nigeria and the Ukraine; disabled youth in Greece, Poland and Romania and youth in economically deprived areas in Ireland. This support ranges from providing material and financial assistance to mentoring and educational activities.

Examples of activities from around Coca-Cola HBC territories in 2004 include:

❑ **Austria** – Coca-Cola HBC Austria has undertaken an extensive partnership with SOS-Kinderdorf in Austria, an award-winning international youth charity, for several years. In 2001, this partnership was formalised with nine Austrian SOS youth facilities that help teenagers gain self-esteem and prepare to lead independent lives. In addition to committing regular financial support, we also provide opportunities for the young people to participate in programmes such as the Olympic torchbearers, as well as create employee volunteering opportunities. In 2005, a first Summer Base Camp will be held. Fifty teenagers will take part in sports activities, adventure excursions and educational courses in languages and computer training.

❑ **Czech Republic** – Based on feedback from Coca-Cola HBC employees, Coca-Cola Beverages Czech Republic set up a long-term relationship with

10 orphanages in 2000. Each orphanage chosen is near our facilities to facilitate regular contact and employee volunteering. We support activities that orphanage resources would not usually allow: sporting or cultural events, a visit to a gym or a swimming pool, even simple things like receiving a personal gift or a signed birthday card. We also offer part-time employment to youth over 15 years to help prepare them for life without orphanage backing.

❑ **Russia** – The Coca-Cola System supports an orphanage support programme in all of its 13 regions, as well as the SOS Village in Orel. Since 2000, we have also supported the Maria's Children Art Centre for Orphans and in 2004, these young artists created the flag to welcome the Olympic Flame to Russia.

❑ **Poland** – Since 2000, Coca-Cola HBC operations in Poland have supported the disabled children's charity BeWith Us. The business has supported activities and events organised by the NGO – reaching 3,000 children in 2004. In addition, these events were supported by local employee involvement.

❑ **Romania** – In 2004, Coca-Cola HBC Romania launched an educational programme entitled "The Magic of Books" in partnership with the Ministry of Education and Research and The Concept Foundation, an educational NGO. The programme introduces pupils to the enjoyment of reading through innovative activities. Implemented in six schools in Bucharest – it included workshops for pupils and tutors by psychologists, artists, choreographers and social workers. The programme won an award in the 'People for People' gala on corporate social responsibility initiated by the American

Chamber of Commerce of Romania and the Association for Community Relations.

❑ **Croatia** – In 2004, Coca-Cola Beverages Hrvatska donated its second "safe playground" – this time to the children of Nuštar. Unexploded mines from the war in the 1990s have left areas of the town dangerous, especially to children. The fully equipped playground is the 24th in a project initiated by the town of Vinkovci Red Cross organisation. In addition to playgrounds, the project also includes education on the danger of mines and workshops to teach children how to recognise mines and explosives.

❑ **Bosnia** – The largest landmine problem in South-eastern Europe is in Bosnia. Coca-Cola HBC is a regular donor to a programme supported by the international business community and diplomatic corps in Bosnia to raise funds to clear minefields. The annual "Night of a Thousand Dinners" is a programme of Adopt-A-Minefield, designed to create awareness of the landmine issue and raise funds for mine action. Since the programme started in 2002, 12 Bosnian minefields have been cleared.

❑ **Serbia & Montenegro** – In 2004, the Coca-Cola System started to support the "Clown Doctors" programme providing Feel-Good Therapy for hospitalised children. A unique project in the region, the programme was warmly received and will expand in 2005. In 2004, Coca-Cola HBC Serbia & Montenegro also supported an anti-drugs campaign, sponsoring students in ten elementary schools.

Coca-Cola HBC also supports activities aimed at inspiring youth self-esteem and developing life skills. For example:

❑ **Republic of Ireland** – Since 1999, our operations in Ireland have sponsored the Ireland Presidents' Award. Participants complete four programmes – personal skill, physical recreation, community involvement and venture activity – to receive this prestigious award. The award develops self-knowl-

edge, self-confidence and life skills. Another programme supported is Skills@Work, a Business in the Community Ireland (BITCI) programme that creates links between business and secondary schools, particularly in deprived areas. The project targets students at risk of dropping out of school and pairs them with a business mentor. Coca-Cola Bottlers Ireland employees teach students "soft" employability skills and techniques, including communications, problem-solving, flexibility, team-working, CV preparation and interview skills.

❑ **Northern Ireland** – Local operations Coca-Cola Bottlers Ulster Ltd (CCBU) partnered with performance specialists to create cross-community intensive arts training for young people. The elite training in stage performance, dancing, singing, stage management, lighting and video production proved successful and partners have committed a further 3 year support to the project.

❑ **Nigeria** – Under the theme "I Know I CAN", the Lagos Teens Summer Camp, in partnership with a humanitarian NGO, provides daily aerobics and fitness regimes, motivational and participatory talks and team-building exercises.

❑ **Belarus** – In 2004, Coca-Cola HBC Belarus sponsored the first Youth Festival "Olympia", initiated by



The success of our youth development activities in Northern Ireland means support for a further three years



Goodwill Day in Serbia & Montenegro

the Belarus Youth Union to promote healthy lifestyles. Hundreds of young people from across the country attended the event to learn about Belarus history and culture, and receive lifestyle advice. Due to the event's success it was agreed to run the festival annually.

Employee volunteerism in these programmes is encouraged by Coca-Cola HBC and takes place in most countries. For example, in Serbia & Montenegro, where volunteering is not a common practice, Coca-Cola HBC conducted an innovative campaign with clown doctors to

motivate and recruit employee volunteers for a Goodwill Day at a local children's hospital in 2004. The hospital provides underprivileged children with access to basic medical treatment but was run-down and facing closure. Together with NGO Bridge of Life, which renovated the hospital, Coca-Cola HBC employees refurbished the hospital park and playground.

In some territories, employees are also encouraged to contribute funds to charitable organisations through payroll-giving schemes, a new practice in certain countries. In Romania, for example, Coca-Cola HBC became the second international company in the country to introduce payroll giving. Matching employee contributions, the company channelled them to local youth organisations.

Lastly, the annual Coca-Cola Christmas caravans that tour many of our territories in the festive season include a philanthropic component where possible. For example, in Lithuania, Latvia and Estonia, operations worked with supermarket partners and government institutions to collect gifts from the public and distribute to thousands of children in children's homes and hospitals. Seasonal gift-giving programmes were also conducted in other countries, involving employees, consumers and other stakeholders.

In Northern Ireland, Coca-Cola HBC wins Gold for "Best Charity Campaign"

Coca-Cola was the title sponsor and partner of an innovative fundraising event for a children's charity based in Belfast called Cinemagic. In addition to providing financial support, Coca-Cola partnered in the organisation and promotion of what became Northern Ireland's largest ever celebrity football tournament, Coca-Cola SoccerMagic. Over 100 pop and television celebrities participated in the three-hour football tournament in front of a 7,000-plus crowd in Belfast. Coca-Cola SoccerMagic raised a large amount of money and boosted the profile of the charity, allowing it to expand its activities, to reach more young people in disadvantaged areas.



Sport and Physical Activity

The Coca-Cola System has been a longstanding supporter of sport and physical activity around the world. This ranges from support of grassroots activity to sponsorship of the pinnacles of sporting excellence, the Olympics and the FIFA World Cup. In addition, the System has long sponsored the Special Olympics.

While we encourage competition and sporting excellence, we also encourage young people, their families, schools and communities to be physically active, regardless of sporting ability. Many experts agree that physical activity is key to addressing the growing obesity issue.

Coca-Cola HBC supports a wide range of physical activities – from football to cycling, to hiking and marathons. In particular, the company supports youth football tournaments in countries including Nigeria, Ireland, Italy, Poland, the Czech Republic and Austria. These tournaments, usually conducted with the national ministry of education and a football association, are often one of the largest school sports events in the country. Coca-Cola HBC also supports Olympic-themed competitions and events.

In 2004, support for sports and physical activity included the following:

- ❑ **Italy** – Fuoriclasse Cup is a sports and educational programme run by the Italian Football Federation, Federazione Italiana Giuoco Calcio (FIGC), and the Coca-Cola System, together with the Italian Ministry of Education. Its objective is to instill in students, teachers and families the importance of physical activity and a healthy, active lifestyle. Over 2,200 schools in 51 cities take part in this programme.
 - ❑ **Poland** – Now entering its sixth year, the Coca-Cola Cup is the biggest event of its kind in Poland. Conducted with the Ministry of Education and the Polish Football Association, over 4,400 school teams with almost 50,000 players take part in the event.
 - ❑ **Czech Republic** – In the biggest national competition in the country, 1,800 Czech schools take part in the Coca-Cola Soccer Cup. Organised with the Ministry of Education and Sports since 2001, this tournament sees an average of 30,000 students take part each year. In **Slovakia**, a similar programme kicked off together with the Ministry of Education in early 2005 with 740 schools participating in the first year already.
- Other sports and physical activity programmes around Coca-Cola HBC territories include:
- ❑ **Hungary** – Almost 5,000 people participated in the 2004 Coca-Cola Cross-Balaton Swim – the 5.2-kilometre swim that is Hungary's largest popular sporting event. The Coca-Cola System has been chief sponsor of this event for ten years.
 - ❑ **Greece** – In 2004, Coca-Cola HBC Greece and Special Olympics Hellas celebrated 15 years of co-operation by supporting the "Education through Sports World Festival" in Rhodes. The company also sponsored the Basketball Tournament Special Olympics Central Greece – Peloponnese, in Patra. In addition, to commemorate the 2004 ATHENS Olympics, we created a new prize at the annual awards ceremony of the Panhellenic Sports Press Association Union, awarding young athletes who excel in sport as well as their studies. Our Greek operations have supported these important awards for more than 20 years.
 - ❑ **Republic of Ireland** – Feile Peil na nOg, a grassroots youth Gaelic Football tournament, is conducted by the Gaelic Athletic Association in partnership with our operations. It is effectively an all-Ireland championship of under-14 football. Over 30,000 girls and boys compete annually for a place in the finals, when 3,500 young people participate over a three-day period.
 - ❑ **Northern Ireland** – In partnership with the Irish Football Association, local councils and leisure



Vienna Marathon 2004

centres, our Northern Irish operations hold summer schools that teach and develop essential skills for young aspiring footballers. Over 40,000 participants have taken part in the programme to date.

- ❑ **Austria** – Coca-Cola HBC hosts the Coca-Cola Junior Marathon, the biggest school sport event in

Austria, which takes place during the Vienna City Marathon.

- ❑ **Russia** – In 2004 the Coca-Cola System supported several important sport events, including the Siberian International Marathon, the semi-marathon in Novosibirsk, the All-Russia marathon in Moscow, the annual Regatta in Vladivostok and the sport playground programme in Chelyabinsk.

- ❑ **Greece** – Local operations continued their support of the Greek Amateur Athletic Association and began sponsorship of the Athens Classical Marathon in 2004.

Support for sports and physical activity programme will continue in 2005. In addition to the new Slovakian youth football tournament, new active lifestyle programmes include the Italian campaign Scuole in Movimento. Over 1,000 schools have signed up for the new programme and 300 winning teachers and pupils will become torch bearers in the 2006 Turin Olympics.

Coca-Cola Games of Olympic Spirit in Croatia

To promote physical activity and sports among youth, Coca-Cola in Croatia teamed up with the Ministry of Education and Sports to create an annual school sports programme called the Coca-Cola Games of Olympic Spirit.

These games, approved by the International Olympic Committee as part of its youth programmes, take place each spring with all the pageantry and ceremony befitting the Olympic Games. They represent the national championships for secondary school students from all over Croatia and are the culmination of nationwide competitions.

In May 2004, the games took place on the Istria peninsula with over 1,000 teenagers competing in Olympic sports disciplines. Sports included indoor football, basketball, handball, volleyball, table tennis, track and field and cross country.



Signing with the Ministry of Education and Sports

Water and the Environment

In addition to ensuring the environmental performance of our business, we extend our support and expertise to environmental protection in the community at large.

We support a range of environmental conservation projects, with particular emphasis on environmental clean-ups, environmental education and an increasing focus on water conservation.

In 2004, such support to environmental clean-ups included the following:

❑ **Russia Green Teams** – In a new nationwide project called Green Teams, over 2,500 Coca-Cola HBC employees, family members and students took part in April city clean-ups in 2004. More than 200 people participated in each city in which the company operates. Also in 2004, Coca-Cola HBC Eurasia joined the corporate club of World Wide Fund for Nature (WWF), supporting a river clean-up initiative and sponsoring a children's ecological camp in the Ugra National Park.

❑ **Poland – Clean up the World** – Coca-Cola HBC operations in Poland sponsored Nasza Ziemia (Our World) Foundation's annual Clean up the World campaign for the third year running. In 2004, an estimated 1.5 million people took part in a day of environmental clean-ups and education activities. Coca-Cola HBC is also the official partner of the Foundation's eco-education internet database, a resource for environmental education. Coca-Cola HBC Poland is a permanent partner of the Foundation.

❑ **Ireland – National Spring Clean** – Ireland's most popular and well-known anti-litter initiative has been supported by Coca-Cola Bottlers Ireland since 1999. Participants are encouraged to organise group clean-ups in their local area. In 2004, over 279,000 people were involved in 3,150 clean-up



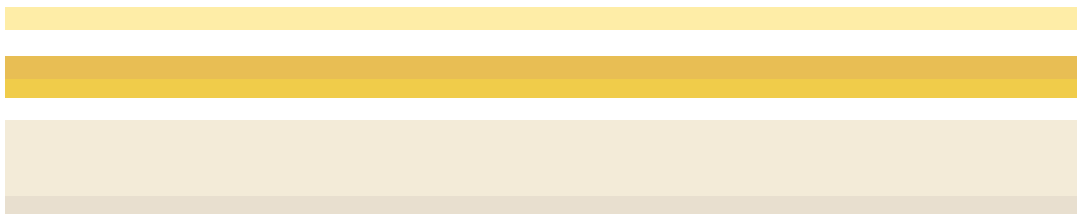
Providing local communities in Nigeria with safe, free drinking water

events nationwide, collecting 717 tonnes of litter of which 23% was recycled.

❑ **Together for a Clean Romania** – Under the slogan "ReMediu – Together for a Clean Romania" our operations launched an annual clean-up day in 2003. In 2004, employees and their families cleaned and refurbished six parks across the country.

❑ **Make Macedonia Cleaner campaign** – Coca-Cola HBC in FYROM supported a clean-up and awareness-raising campaign organised by the Ministry of Environment and Physical Planning and USAID. The aim of the project was not only clean-up activities, but also raising awareness of environmental protection.

❑ **Serbia & Montenegro Clean the Riverbanks** – Coca-Cola HBC operations in Belgrade supported a campaign to teach over 1,500 students about the environment, with a focus on waste disposal and recycling – the first such project in the Serbian capital. The company demonstrated can recycling equipment and introduced an incentive scheme to reward consumers for returning empty bottles. In addition, employees joined over 1,500 students and Belgrade citizens in a major clean-up along the banks of the Sava River, an important tributary of the Danube River.



Promoting awareness and conservation of the Danube River

Other environmental initiatives in 2004 include:

❑ **Nigeria Environment Competition** – Since 1994, the Nigerian Bottling Company has been the sole sponsor of the National Schools Art and Essay Competition run by the Nigerian Conservation Foundation. An annual environmental education competition, the theme in 2004 was "Wetlands: A source of life". Working with ministries of education in every state, over 3,330 young people took part, with the winners travelling to the national parks to learn more about the Nigerian environment and its wildlife.

❑ **Belarus Live Water** – In 2004, our Belarus operations supported a local Green Cross project to educate schoolchildren about protecting natural wa-

ter resources. Pupils completed projects about water conservation and wastewater treatment and visited the Coca-Cola HBC plant to see water treatment technologies in action and to learn about the ISO 14001 system recently implemented by the company.

❑ **Austria – Coca-Cola Junior Rangers** – Conducted in the biggest national park of the Alps, the National Park Hohe Tauern, this new training scheme provides students with an opportunity to discover the work carried out by national park rangers. Trainees spend the first week gaining a basic understanding of the national park, its fauna and flora, then a week of practical experience going on patrol with mentor rangers. Students will be invited to return in two subsequent years, with the aim of encouraging them to work in the National Park after finishing their education.

❑ **Bosnia Mountain Day** – In 2004, Coca-Cola HBC Bosnia and Herzegovina and Jeti, the Alpinist Association, organised the first local celebration of World Mountain Day. The goal was to raise community awareness of the importance of mountains and forests in the eco-system as the source of water.

❑ **Croatia Environment Trail** – In 2004, in partnership with the city of Dubrovnik and Gimnazija,

Austrian Coca-Cola Junior Rangers



Dubrovnik's Environmental Group, Coca-Cola HBC helped establish a second environmental learning trail. Running the length of Lopud, one of the Elafit Islands, the scenic trail encourages visitors to learn about indigenous plants and wildlife.

❑ **Ireland Green Schools** – In Ireland, our company supports Green Schools, the European environmental education and action programme for primary and secondary schools. The programme promotes long-term, whole school action for the environment by offering clear and manageable ways to take environmental issues from the curriculum and apply them to the day-to-day running of a school. The process helps students to recognise the importance of environmental issues and to integrate them into their personal and home lives by reducing litter, waste and fuel bills.

❑ **Northern Ireland Recycled Rhythm Experience**

A unique community-based arts project, this new initiative encouraged young people to recycle household waste to make musical instruments. In 2004, over 100 young people from youth and community groups across Belfast were coached during a six-week intensive course. The initiative not only enhanced their artistic skills but raised their environmental awareness. The event started as a pilot project, but due to its success will be repeated in 2005.

❑ **Slovenia Water Forever** – This new project aims to raise public awareness of the importance of the Slovenian rivers in the eco-system. As part of this, ecological camps are held for students during summer holidays to teach them how to protect the environment, and also how to kayak along the rivers. Together with the Kayak Association of Slovenia, the company's operations in Slovenia have organised "ecological descents" down the country's rivers to promote protection of this national resource.

❑ **Greece Environment Park** – For over five years, Coca-Cola HBC Greece has sponsored the only



Recycled Rhythm Experience in Northern Ireland

educational and ecological education park in Greece. Designed to teach youth to respect nature and to conserve and recycle resources, the park had over 13,000 young visitors in 2004.

In 2005, Coca-Cola HBC will launch pilots for two new cross-cutting community initiatives themed around water protection – one in Nigeria and one in European countries along the Danube.

These programmes are designed to conserve local watersheds and to educate and mobilise local communities behind these efforts. In Nigeria, the company will pilot a holistic water conservation programme with the Nigerian Conservation Foundation and other partners to protect local watersheds, improve water efficiency in our plants and provide local communities with safe drinking water, as well as treated wastewater for their use in irrigation, fish-farming or cattle-watering. In Europe, a regional programme to promote conservation of the Danube River will also be piloted in 2005. Progress will be reported next year.

In addition to the strategic focus on youth development, environmental protection and sports and physical activity, Coca-Cola HBC also responds to pressing needs in our communities. For example, the company supports HIV/AIDS awareness and prevention campaigns and provides emergency relief.



HIV/AIDS

Given the scale of the pandemic in Africa, our operations in Nigeria have started to extend support for HIV/AIDS programmes beyond the workplace (see **Workplace**) and into the community.

Since 2001, the Coca-Cola Africa Foundation, The Coca-Cola Company, Coca-Cola HBC and other bottlers in Africa have earmarked \$4-6 million per year to help fight what is widely recognised as the biggest threat to Africa's development and future. In Nigeria, where the HIV/AIDS prevalence rate is 5%, the Foundation signed a memorandum of understanding with the United Nations Children's Fund (UNICEF) to support local youth awareness and prevention campaigns.

Coca-Cola HBC supported HIV/AIDS community outreach programmes in other countries, too. For example, in Ukraine, 2004 saw our continued sponsorship of the Race for Life, the annual UN-organised race to promote awareness of this deadly disease and to raise funds for care of people living with HIV/AIDS. In 2004, over 6,000 people took part in an event that also saw politicians, ambassadors, musicians, sportsmen and people living with HIV/AIDS address the crowds.

At the end of 2004, Coca-Cola HBC Lithuania became a main sponsor of a programme to help address a major social problem – drug and alcohol use and the spread of HIV/AIDS among youth in the capital city. The multimedia campaign includes school visits by pop stars to discuss the topic with teenagers and a major social advertising campaign.

Supporting HIV/AIDS Awareness

Nigeria is at the commercial crossroads of West and Central Africa. In 2004, the Coca-Cola System supported an innovative regional World Bank HIV/AIDS awareness campaign, designed to stem the spread of the disease along one of Africa's most heavily trafficked transport corridors. Starting from Nigeria, the project was the first trans-border campaign providing education, counselling and treatment for travellers through the transport corridor through Benin Republic, Togo, Ghana and Cote d'Ivoire. Featuring music and drama, as well as the distribution of information, communication and education (IEC) materials, the travelling caravan disseminated information about HIV/AIDS. It is estimated that by the time the Corridor caravan terminated in Abidjan, Cote d'Ivoire, at the end of 2004, 50 million people had been reached.



Emergency Relief

We support our local communities in times of disaster, whether natural or manmade. In the aftermath of the armed siege of a school in the Russian town of Beslan in September 2004 which ended with the tragic death and injury of hundreds of children, parents and teachers, the Coca-Cola System in Russia endeavoured to help survivors as quickly as possible. A donation of US\$ 80,000 (over €60,000) was provided by the Coca-Cola System and its employees, together with hospital equipment, medication and blood donations.

In the event of natural disaster, we provide safe bottled drinking water and other support, as appropriate. For example, in November 2004, the High Tatras Mountains, a popular Slovakian tourist centre, were damaged by hurricane-force winds. Over 100 square kilometers of forests were damaged, roads were blocked and power was interrupted. Working together with the Crisis Committee in the High Tatras, company operations in Slovakia delivered approximately 30,000 litres of safe bottled drinking water to residents of the area.

Following the catastrophic tsunami in Asia in December 2004, Coca-Cola HBC operations and employees contributed funds and bottled water to appeals. This support is ongoing at the time of going to press.

Sustainable Development: Partnering for Progress

At Coca-Cola HBC, we believe that corporate responsibility to society extends beyond the issues that directly affect our business and local communities. We also contribute our skills, knowledge and resources to a wider range of issues and debates contributing to sustainable economic and social development. To do so, we partner with governments, non-profit organisations and peer industries in multi-stakeholder forums at the local, regional and international level.

Coca-Cola HBC is a member of almost 200 organisations at local, national and international levels. These range from multi-stakeholder organisations oriented towards social or environmental goals (community, sustainability, recycling, health, education and sports) to chambers of commerce and industry associations. In addition, we are indirectly involved in many more through our partnership with The Coca-Cola Company.

For example, our promotion of equality and non-discrimination extends beyond the workplace. We have been a major supporter and founder of the Centre for Democracy and Reconciliation in Southeast Europe (CDRSEE) since its inception. CDRSEE is a non-governmental, non-profit organisation that seeks to foster democratic, pluralist, and peaceful societies in Southeast Europe by advocating corporate social responsibility, sustainable development and reconciliation among the peoples in the region.

Coca-Cola HBC is a member of the World Economic Forum, which seeks to address global issues such as poverty, climate change, education and equitable globalisation. We also support the Forum for

Dr. Peter Prodeus, head physician at Moscow's Children Hospital 9, the city's largest paediatric burn centre, with Coca-Cola HBC Eurasia Public Affairs Director Anna Kozlovskaya after the Beslan tragedy





A few of the organisations of which Coca-Cola HBC is a member

Corporate Sustainability Management at the International Institute for Management Development (IMD) in Switzerland, a research initiative aimed at embedding sustainability thinking in business, quantifying economic links between business practice and sustainable development.

We are also a member of the Centre for European Policy Studies (CEPS) based in Brussels. This think tank is a partnership between academia, business and the public sector, offering fresh insights into such public policy issues as economic and sustainable development, energy, climate change, international relations and security.

In addition to international organisations with wide-reaching objectives, the company also supports more issue-specific bodies. For example, Coca-Cola HBC is a member of the Global Business Coalition on HIV/AIDS, the pre-eminent business organisation dedicated to combating the AIDS epidemic by harnessing the private sector's skills and expertise.

To promote environmental protection, Coca-Cola HBC has partnered with The Coca-Cola Company and such non-governmental organisations as the World Wide Fund for Nature (WWF) on water conservation both in our operations and our communities. Coca-Cola HBC is also a longstanding supporter of Europa Nostra, the pan-European federation of NGOs supporting cultural heritage and advocating balanced and sustainable development of urban and rural, built and natural environments.

At a national level, we help to promote and progress corporate responsibility and sustainability. For example, we are founder members of the Croatia Business Council for Sustainable Development and Business in the Community Ireland.

We also promote these ideas with the next generation of business and political leaders, for example, by lecturing on business ethics at universities throughout Romania. Conducted with Junior Achievement Romania, the largest non-profit economic education organisation, these courses are designed to teach students how to make ethical business decisions and realise their responsibilities to their local communities and global society.

Stimulating entrepreneurship and enhancing business skills is another area in which Coca-Cola HBC is active. In Greece, for example, Coca-Cola HBC established a non-profit organisation called The Entrepreneurship Club.

Lastly, we are members of relevant industry associations. At the international level, these include UNESDA, the Union of European Soft Drinks Associations; CISDA, the Confederation of International Soft Drinks Associations; and NABCO, the Non-Alcoholic Beverage Companies of Europe. Together with packaging suppliers, we are also members of national packaging associations and have been founding members of numerous recycling and recovery organisations (see **Environment**).

Sharing the Olympic Spirit

The **ATHENS 2004 Olympic Games** were watched by over 4,000 million television viewers around the world. Since Coca-Cola HBC is headquartered in Greece, we were delighted to support the country in successfully hosting the event and returning the Games back to their country of origin. The Coca-Cola Company is a global sponsor of the International Olympic Committee; Coca-Cola HBC was a local sponsor of the **ATHENS Olympic Committee**.



Working closely with the **Athens Organising Committee** and **The Coca-Cola Company**, we helped ensure that over 17,000 participating athletes and over 3.5 million spectators enjoyed the Olympic experience and spirit.

In addition to sales and marketing programmes, the **Coca-Cola System** created activities and events that allowed ordinary people in Greece and other countries to take part in the Olympic experience.





Greek entertainer D. Matsuka and the symbolic Olive Tree



Popular facilities, well managed outlets within the stadiums



Athens Mayor Dora Bakoyiannis, participating in the popular Olympic pastime of pin trading



The laserlight show at Waterplaza

For example, the Coca-Cola System was the Presenting Partner of the Olympic Torch Relay. The flame symbolises the Olympic ideals of noble competition, friendship and peaceful coexistence. After being lit at Olympia, it was carried by athletes, public figures and thousands of individuals selected for their ability to inspire and overcome challenges on an eleven-week journey through 34 countries before arriving at the Opening Ceremony of the ATHENS 2004 Olympic Games. The event provided the opportunity for 260 million people to see the flame in their city, and the Coca-Cola System organised celebratory events in each country. For example, in Russia and the Ukraine, Coca-Cola HBC involved children under the care of local charities to be part of the countdown to the Olympic Flame's arrival in their countries.

In Athens during the Games, the Coca-Cola System provided live broadcasts and entertainment at the Faliron Water Plaza for those unable to get tickets to the events. No pass or purchase was required – everybody was welcome. Programmes included reports from the Games, interviews with athletes and artists and concerts. The Coca-Cola System also supported an Olympic Pin Trading centre that hosted over 100,000 visitors.

To help keep Athens looking at its best during the Olympic Games, the Coca-Cola System conducted a comprehensive litter management programme. Giant recycling bins were placed



The spectacular closing ceremony to Athens 2004 Olympic Games

throughout the city, while teams of young environmental ambassadors spread the "keep Athens clean" message. This was supported by an extensive advertising campaign that promoted recycling and linked environmental protection with the Olympics.

As a lasting celebration of the 2004 ATHENS Olympic Games, Coca-Cola HBC commissioned a work of art by a prominent local artist for the city. A two-metre high olive tree symbolising the Olympics was fashioned out of copper. The tree began with bare branches but during the Games over 5,000 copper "leaves" engraved with visitors' names were added. The tree was presented to the city of Athens, together with 5,000 real olive trees, to commemorate the 2004 ATHENS Olympics and the enduring Olympic spirit.

Goals for 2005

- ☐ Develop a detailed picture of the cash value added by the Coca-Cola HBC business
- ☐ Develop an effective way to capture and measure community investment expenditures
- ☐ Launch five country pilots for regional environmental programme to protect the Danube River
- ☐ Launch pilot for Nigeria water conservation programme

Auditors' Statement

Scope and Method of Work

Aon were asked to undertake sample verification of data used in the Coca-Cola HBC Social Responsibility Report. We also evaluated key Ethical and Human Rights policies that are part of corporate social responsibility (CSR) programmes. As a part of the verification process we:

- ❑ Visited five Coca-Cola HBC countries to investigate the data gathering and reporting process at site level in addition to undertaking random spot-checks on selected data;
- ❑ Interviewed key managers and personnel to assess the implementation of the Human Rights and Ethical policies along with supporting programmes; and
- ❑ Conducted desktop studies of information and data gathered through interviews and site visits.

Conclusions

Based on our investigation we found strong indications that the data used in this report is accurate and that the report gives a balanced and accurate view of Coca-Cola HBC CSR performance in 2004. Our findings demonstrated that policies set by the Group are working through to implementation. The general level of compliance to Group policy is good but can vary with Environmental Management demonstrating the greatest compliance whereas Health and Safety Management is still developing. The adoption of Workplace policies was good, but implementation was not altogether consistent. Key findings were as follows – a fuller report can be found on www.coca-colahbc.com.

Environment

- ❑ Certificated environmental management systems were found to be in compliance to ISO 14001.
- ❑ The corporate Environmental programme, part of The Coca-Cola Quality System, was found to mandate standards of environmental control often in excess of statutory levels.
- ❑ Where sites did not comply with this programme, a formal management plan existed.
- ❑ Legal compliance was demonstrated in all sites visited.

Workplace

- ❑ Each site has adopted the Group policies and developed implementation programmes, sometimes exceeding local legal requirements and norms.
- ❑ In most sites, compliance was demonstrated, although hiring practices at one site were not fully compliant with the spirit of the non-discrimination policy.
- ❑ Freedom of association was verified as operating and, where formal union agreements were not in place, this was through the choice of the employees.

- ☐ Working hours were compatible with local, EU and SA8000 requirements.
- ☐ There was no evidence of child or bonded labour.
- ☐ Our recommendations include the need to develop criteria to measure the effectiveness of the equal opportunity policy and to formalise the employee grievance systems.

Supply Chain

- ☐ Supplier principles had been adopted by each country and issued to suppliers.
- ☐ As yet, no formal verification has taken place to ensure compliance.
- ☐ This is an area for further development whereby the overall approach moves from one of voluntary compliance to mandatory assurance.

Health and Safety

- ☐ Major investment is underway to develop a Group-wide Safety Management System and achieve OHSAS:18001 certification at all plants by 2007.
- ☐ Legal compliance is currently achieved and the new management system will develop standards in excess of the legislative requirements.
- ☐ Health and safety performance is measured locally and reported to Group.
- ☐ All locations were able to demonstrate that serious accidents were reported, investigated and corrective action developed to prevent a repetition.
- ☐ Measurement of safety performance is a new initiative, reflected in differing levels of understanding of terms, definitions and reporting criteria found.
- ☐ This remains an area for further development to ensure consistency of reporting and reliability of data for management planning.

Basis for the opinion

There are no generally accepted international standards for the reporting or verification of environmental, ethical and social performance. Ethical and social data is subject to many more inherent limitations than financial data given both their nature and the methods used for determining them through measurement, calculation or estimation. We have adopted a verification approach that reflects emerging best practice using a framework based on the principles underpinning international standards on financial auditing and reporting. Therefore, we planned and carried out our work to obtain reasonable, rather than absolute assurance, on the reliability of the performance data obtained. We believe that our work provides a reasonable basis for our opinion.



James Pomeroy
Aon London

GRI indicator	Report Page
---------------	-------------

Vision and Strategy

I.1	Vision and strategy	8-9,12
I.2	CEO Statement	8-9

Profile

2.1	Company name	FC,BC
2.2	Products and brands	10,66-67
2.3	Operational structure	10-II,24
2.4	Major divisions, operating companies, joint ventures	11,16
2.5	Countries of operation	10-II
2.6	Nature of ownership; legal form	10
2.7	Markets served	10
2.8	Scale of organisation	10,AR
2.9	List of stakeholders	14
2.10	Contact person and details	17
2.11	Reporting period	16
2.12	Date of last report	10 June 2004
2.13	Boundaries of report	16
2.14	Significant changes in size, structure, ownership, products since 2003 report	10,28
2.15	Reporting on joint ventures, subsidiaries, leased facilities, outsourced operations,	AR (pp.104-105)
2.16	Nature, effect and reason for restating information (measurement methods)	74,76
2.17	Decisions not to apply GRI principles or protocols in report	NA
2.18	Criteria/definitions used in accounting for economic, environmental, and social costs and benefits	16,33,35,36,37-39,45-47,48,50,53,54-56,58-59,69,80-81
2.19	Changes in measurement of economic, environmental, and social information	16,31,59
2.20	Policies and practice on assuring report accuracy and completeness	13,16,30,46,69,76
2.21	Policy and practice on providing independent assurance for report	16,AS
2.22	How to obtain additional information on economic, environmental, and social aspects	17,WS

Governance Structure and Management Systems

3.1	Governance structure, including Board committees	21,24
3.2	Independent, non-executive directors	20
3.3	Process for determining expertise Board needs	20
3.4	Board processes for identification and management of economic, environmental, and social risks and opportunities	23

3.5	Linkage between executive compensation and financial and non-financial goals	21,41
3.6	Organisational structure and key individuals responsible for economic, environmental, social, and related policies	14, 22-25, 29, 69, 74, 76
3.7	Mission and values, codes, CSR principles and policies	12, 13, 24-25, 27-32, 34 44-45, 65-66, 68, 76-77
3.8	Mechanisms for shareholders to provide recommendations or direction to Board	14
3.9	Identification and selection of major stakeholders	14
3.10	Approach to stakeholder consultation	14, 37-41, 73-74 76, 81, 91-92
3.11	Type of information generated by stakeholder consultations	14, 37-41, 54-55, 58-59 70-72, 73, 74, 90-92
3.12	Use of information resulting from stakeholder engagements	14, 37-41, 54-55, 58-59, 70-72, 73, 74, 90-92
3.13	Whether/how precautionary approach or principle is addressed	22-23, 44-45, 48-49, 50
3.14	External voluntary charters and principles followed	13, 32, 34
3.15	Principal memberships	35, 58, 72, 91-92
3.16	Managing upstream and downstream impacts	15, 47, 51-56, 58-60, 70-74, 76-77
3.17	Approach to managing indirect impacts	15, 47, 51-56, 58-60, 70-74, 76-77
3.18	Major decisions regarding location of, or changes in, operations	10, 28
3.19	Economic, environmental and social programmes and procedures	27-41, 43-61, 65-77, 80-95
3.20	Certification of economic, environmental and social management systems.	31-33, 45, 68-69

GRI Content Index

4.1	Table identifying location of each element of GRI Report Content	98
-----	--	----

Performance Indicators

Economic Performance Indicators

EC1	Net sales	10
EC2	Geographic breakdown of markets	10-11, AR
EC3	Cost of all goods and services provided by suppliers	76, 80
EC4	Contracts paid in accordance with agreed terms	76
EC5	Total payroll including benefits	41, 80
EC6	Distributions to providers of capital	AR (pp. 65, 82, 93)
EC7	Increase/decrease in retained earnings at end of period	AR (p. 65)
EC8	Taxes of all types paid broken down by country	80
EC9	Subsidies received broken down by country or region	80

ECI0	Donations to community, civil society, etc	81
ECI3	<i>Indirect economic impacts - major externalities</i>	80-81

Environmental Performance Indicators

ENI	Total materials used other than water, by type	62
EN2	Percentage of materials used that are wastes from external sources	Supplier structure too complex to allow quantification
EN3	Direct energy use	62
EN4	Indirect energy use	62
ENI7	<i>Initiatives to use renewable energy sources and to increase energy efficiency</i>	50
ENI9	<i>Other indirect (upstream/downstream) energy use and implications</i>	62
EN5	Total water use	63
EN22	<i>Total recycling and reuse of water</i>	63
EN6	Location and size of land in biodiversity-rich habitats	60, 63
EN7	Major impacts on biodiversity associated with activities and products	60, 63
EN23	<i>Total amount of land owned, leased, or managed for production activities</i>	60
EN24	<i>Amount of impermeable surface as a percentage of land purchased or leased</i>	60
EN25	<i>Impacts of activities and operations on protected and sensitive areas</i>	60
EN26	<i>Changes to natural habitats from operations</i>	60
EN27	<i>Objectives, programmes, targets for protecting ecosystems and species</i>	60
EN28	<i>Number of IUCN Red List species with habitats in areas affected by operations</i>	60
EN29	<i>Business units operating or planning to in protected/sensitive areas</i>	60
EN8	Greenhouse gas emissions	53-54, 63
EN9	Use and emissions of ozone-depleting substances	53, 63
ENI0	NO _x , SO _x , and other significant air emissions by type	53, 63
ENI1	Total amount of waste by type and destination	56-58, 63
ENI2	Significant discharges to water	48-49, 63
ENI3	Significant spills of chemicals, oils and fuels	63
EN3I	<i>Waste deemed "hazardous"</i>	57, 63
ENI4	Significant environmental impacts of products	63
ENI5	Percentage of products weight reclaimable and reclaimed at end of life	63 (Partly)
ENI6	Incidents and fines for non-compliance with international regulations	63
EN34	<i>Significant environmental impacts of transportation</i>	63

Social Performance Indicators

LAI	Breakdown of workforce	28-29
LA2	Net employment creation and average turnover	28-29

LA12	<i>Employee benefits beyond those legally mandated</i>	21, 41
LA3	Trade unions and collective bargaining	40
LA4	Policy and procedures on informing, consulting, and negotiating on changes	40-41
LA13	<i>Worker representation in decision-making or management</i>	41
LA5	Recording and notification of occupational accidents and diseases	31-33
LA6	Joint health and safety committees	32
LA7	Injury, lost day, and absentee rates and number of work fatalities	33
LA8	HIV/AIDS policy and programmes	34-35, 90
LA14	<i>Compliance with ILO Guidelines for Occupational Health Management Systems</i>	32
LA15	<i>Agreements with trade unions on health and safety</i>	32
LA9	Average hours of training per year per employee	36-37 (Partly)
LA16	Programmes to support employability and manage career endings	28-29
LA17	<i>Specific policies and programmes for skills management</i>	36
LA10	Diversity and opportunity policies and programmes	30-31
LA11	Composition of management and governance bodies	31
HRI	Human rights policies and procedures	29-30, AS
HR2	Consideration of human rights in investment/procurement, including suppliers	76-77
HR3	Human rights policy and procedures in the supply chain	76-77
HR8	<i>Employee training on human rights policy and procedures</i>	30
HR4	Non-discrimination policy and procedures	30-31, 34, 91
HR5	Freedom of association and collective bargaining policy	29, 40
HR6	Child labour policy	29-30, AS
HR7	Forced and compulsory labour policy	29-30, AS
HR10	<i>Non-retaliation policy and effective, confidential employee grievance system</i>	25
HI4	<i>Share of operating revenues redistributed to communities</i>	80-81
SO1	Policies and procedures to manage impacts on communities	79, 80
SO4	<i>Awards received relevant to social, ethical, and environmental performance</i>	6, 37, 61, 82, 84
SO2	Anti-bribery and anti-corruption policy and procedures	25
SO3	Political contributions policy	25
SO6	<i>Court decisions regarding anti-trust cases</i>	74-75
SO7	<i>Policy, procedures and compliance anti-competitive behavior</i>	74-75
PR1	Customer health and safety policy and programmes	68-69
PR2	Product information and labelling policy and procedures	72
PR8	<i>Customer satisfaction policy and procedures</i>	73, 74
PR9	Policies systems, and compliance with advertising standards and codes	70
PR3	Privacy policy and procedures	73

Glossary of Terms

Bottlers: Business entities that manufacture, distribute and sell beverages of The Coca-Cola Company under a franchise agreement. Bottlers range from international and publicly traded companies, such as Coca-Cola HBC, to smaller, independent businesses.

CAP Gap survey: A tool that assesses corporate performance according to 17 leading standards and indices ranking corporate governance, accountability, quality, social responsibility and environmental sustainability (www.future500.org).

Carbon dioxide (CO₂): One of the most important greenhouse gases believed to contribute to global warming, CO₂ is released primarily by combustion of fossil fuels.

Carbonated soft drinks (CSDs): Effervescent non-alcoholic beverages such as Coca-Cola, Fanta and Sprite.

Chlorofluorocarbons (CFCs): A group of ozone-depleting gases (including R₁₂) used in refrigeration that are being phased out under international agreements.

Citizenship@Coca-Cola: The joint statement of commitment and operating principles signed by The Coca-Cola Company, Coca-Cola HBC and other key bottlers. These commitments and principles form the basis of this report.

Closure: The devices used to seal packages made of steel, aluminium or plastic.

Coca-Cola HBC (CCHBC): One of the world's leading providers of non-alcoholic beverages and one of the largest bottlers in the Coca-Cola System.

Coca-Cola System: The business system comprising The Coca-Cola Company and its bottling partners. In this report, the Coca-Cola System refers to joint initiatives of Coca-Cola HBC together with The Coca-Cola Company.

Cold drink equipment: Coolers, vending machines and fountains that keep beverages at the optimum temperature in the marketplace.

Concentrate: Beverages are manufactured from concentrates mainly supplied by The Coca-Cola Company. Depending on the product, these contain concentrated fruit juices, plant extracts, colourings and other components.

Consumer: A person who drinks CCHBC products.

Cooler: A refrigerated unit from which consumers can purchase cold bottles or cans of Coca-Cola HBC beverages.

Corporate Social Responsibility (CSR): The integration of social and environmental concerns into a company's business and its interaction with stakeholders.

Customer: Retail outlet, restaurant or other operation that sells or serves CCHBC products to consumers.

Developing region: The Coca-Cola HBC business unit com-

prising Poland, Hungary, the Czech Republic, Croatia, Slovakia, Slovenia, as well as the Baltic republics of Lithuania, Estonia and Latvia.

Distribution: Getting the product to the marketplace; includes sales, delivery, merchandising and local account management.

Effluent: Wastewater that is produced as a by-product of production.

Emerging region: The Coca-Cola HBC business unit comprising Nigeria, Russia, Romania, Bulgaria, Ukraine, Serbia & Montenegro, Bosnia & Herzegovina, the Former Yugoslav Republic of Macedonia (FYROM), Belarus, Armenia and Moldova.

Energy consumption ratio: The key performance indicator used by Coca-Cola HBC to measure energy consumption, this refers to megajoules of energy consumed per litre of produced beverage (MJ/lpb).

Established region: The Coca-Cola HBC business unit comprising Italy, Greece, the Republic of Ireland, Northern Ireland, Austria and Switzerland.

European Works Council: Established in 2002 under the European Works Council Directive, this forum comprises employee and management representatives from all Coca-Cola HBC countries in the European Union (EU).

Fountain: System used by retail outlets to dispense product into cups or glasses for immediate consumption.

Global Reporting Initiative (GRI): A multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines (www.globalreporting.org).

Global warming: The increase in the Earth's average temperature mainly as a result of the greenhouse effect induced by emission of greenhouse gases.

Greenhouse gas: A gas, such as water vapour, carbon dioxide, methane, chlorofluorocarbon (CFC) or hydrochlorofluorocarbon (HCFC), that absorbs and re-emits infrared radiation, warming the earth's surface, and is widely accepted as the cause of global climate change.

GRI Reporting Guidelines: A globally applicable framework for use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products and services. It includes reporting principles and specific content indicators (www.globalreporting.org).

Group: Refers to the entire Coca-Cola HBC business.

Hydrofluorocarbons (HFC): A group of cooling fluids, HFCs initially replaced ozone-depleting chlorofluorocarbons (CFCs) as coolants. They were subsequently found to be powerful greenhouses and were included in the list of greenhouse gases targeted under the Kyoto Protocol.

International Labour Organisation (ILO): The UN agency that promotes social justice and internationally recognised human and labour rights.

International Organisation for Standardisation (ISO): The world's largest developer of internationally recognised technical standards, including **ISO 9001**, a framework for quality management, and **ISO 14001**, a standard for environmental management systems (www.iso.org).

IUCN-protected areas: An area of land and/or sea designated by the World Conservation Union (IUCN) as "especially dedicated to the protection and maintenance of biological diversity, of natural and associated cultural resources, and managed through legal or other effective means" (www.iucn.org).

IUCN Red List: The world's most comprehensive inventory of the global conservation status of plants and animals. It uses a set of criteria to evaluate the extinction risk of thousands of species and subspecies. These criteria are relevant to all species and all regions of the world (www.redlist.org).

Kyoto Protocol: An international and legally binding agreement to reduce greenhouse gas emissions. A 1997 amendment to the UN Framework Convention on Climate Change, it came into force in February 2005. Countries ratifying this protocol commit to reduce their emissions of CO₂ and five other greenhouse gases or engage in emissions trading.

Lightweighting: Reducing the amount of raw materials used to produce lighter packaging.

Litres of produced beverages (Lpb): Unit of reference for environmental indicators.

Montreal Protocol: A landmark international agreement designed to protect the stratospheric ozone layer. The treaty was originally signed in 1987 and stipulates that the production and consumption of compounds that deplete ozone in the stratosphere were to be phased out by 2000.

Non-CSDs: Non-carbonated, non-alcoholic beverages including – but not limited to – waters and flavored waters, juice and juice drinks, sports and energy drinks, teas and coffee.

Occupational Health and Safety Assessment Series (OHSAS) 18001: An international occupational health and safety management system specification.

Plant: Also referred to as bottling plant, this refers to a bottling facility of Coca-Cola HBC, where beverages are manufactured.

Polyethylene terephthalate (PET): A form of polyester used to make lightweight, shatter-resistant bottles for beverages, food and non-food products. PET can be recycled into new containers, clothing, carpeting, automotive parts and industrial materials.

Post-consumer packaging waste: Used beverage containers and packaging after people have consumed products.

Post-mix: A dispensing system where syrup and carbonated water are blended together in a business location at the time a consumer purchases a beverage.

Ramsar-listed wetland: An area designated as a Wetland of International Importance due to its importance for preserving biological diversity (www.ramsar.org).

Solid waste: A by-product of household and industrial activity. In Coca-Cola HBC operations, this refers to waste from the manufacturing process.

Sustainability: Meeting the needs of the present without compromising the ability of future generations to meet their own needs.

The Coca-Cola Africa Foundation: Established in 2001, the Foundation funds and coordinates community programmes of the Coca-Cola System across Africa.

The Coca-Cola Company (TCCC): The world's leading manufacturer, marketer, and distributor of non-alcoholic concentrates and syrups used to produce nearly 400 beverage brands. The company has operations in over 200 countries.

The Coca-Cola Quality System (TCCQS): The global quality management system of The Coca-Cola Company and endorsed by key bottlers. Now in its third evolution, it is aligned to the requirements of ISO 9001: 2000 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) standards.

UN Global Compact: Launched in 2000, this international initiative brings companies together with UN agencies, labour and civil society to support nine (now ten) principles in the areas of human rights, labour, the environment, and anti-corruption (www.unglobalcompact.org).

UN Universal Declaration of Human Rights (UDHR): Adopted in 1948 by the United Nations General Assembly, this document outlines human rights and fundamental freedoms and is one of the best known and most cited human rights documents (www.un.org/overview/rights.html).

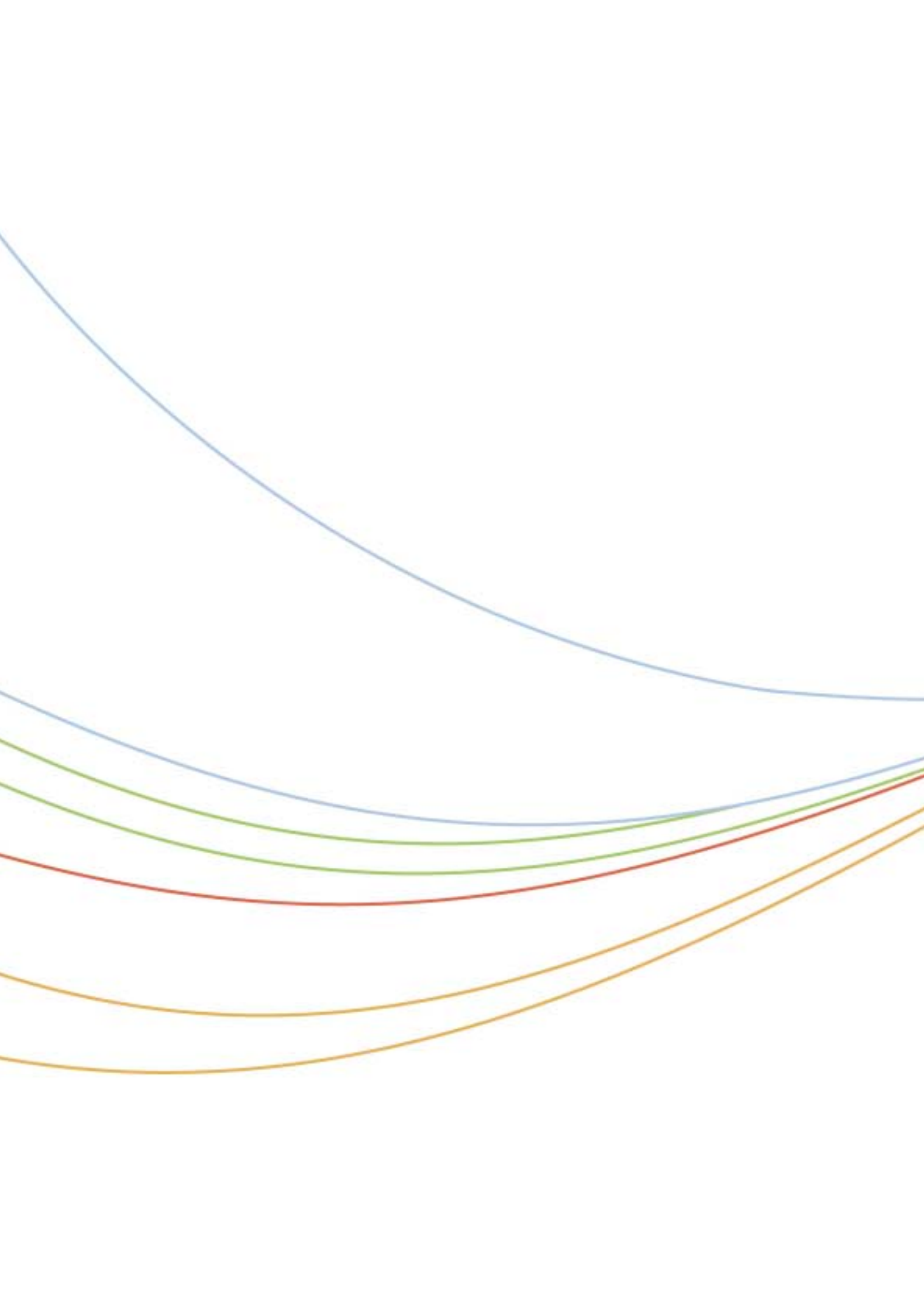
Unit case: Approximately 5.678 litres or 24 servings of 8 U.S. ounces, the size of the original Coca-Cola bottle.

Vending machine: A machine from which a consumer receives a bottle, can or cup of beverage after inserting money.

Waste ratio: The key performance indicator for Coca-Cola HBC solid waste generation in bottling plants, this refers to the grammes of solid waste generated per litre of produced beverage (g/lpb).

Wastewater treatment plant: Installation at a bottling plant that treats wastewater from production processes, rendering it fit to meet applicable environmental standards before it is discharged into the natural environment.

Water use ratio: The key performance indicator for Coca-Cola HBC water use in bottling plants, this refers to the ratio of total water used to beverage produced and is measured in litres of water per litre of produced beverage (L/lpb).





Citizenship@Coca-Cola

The Workplace

Our commitment is to foster an open and inclusive environment, where a highly motivated, productive and committed workforce drives business success through superior execution

The Environment

Our commitment is to conduct our business in ways that protect and preserve the environment, and to integrate principles of environmental stewardship and sustainable development into our business decisions and processes

The Marketplace

Our commitment is to provide products and services that meet the beverage needs of our consumers.

In doing this, we provide sound and rewarding business opportunities and benefits for our customers, suppliers, distributors and local communities

The Community

Our commitment is to invest time, expertise and resources to provide economic opportunity, improve the quality of life and foster good will in our communities through locally relevant initiatives

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