











# Social Responsibility Report 2006



**Coca-Cola HBC**

# CHALLENGES AND RESPONSES

<b>Challenges</b>			
Health and Wellness (Obesity Debate)		 	
Energy Use and Climate Change			
Water Risk Management		 	
Packaging Waste			
Supplier Audit			
Driver Safety Programmes			
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**Scope of Report** This report covers the calendar year 2006. Bottling, sales and distribution activities in the 28 countries in which Coca-Cola HBC operates are covered in this report unless otherwise stated. This report does not include investments and partnerships in brewing interests held in FYROM and Bulgaria, which represent around 1% of total turnover and less than 1% of volume. Neither does the report include investments held in the Greek Snacks Company Tsakiris, which are insignificant in terms of impact on turnover and volume. The data and targets stated in this report have been independently audited and validated by Denkstatt Umweltberatung und Management GmbH. A full auditors' report is available on the Coca-Cola HBC website.

## A Message from the Board

In 2006 Coca-Cola HBC enjoyed its best year to date, achieving strong sales performance for the sixth year in succession. We aim to be the preferred supplier to our customers, to deliver superior financial results to our shareholders and to provide our employees with a safe, healthy and inclusive workplace.

In 2006 we sold almost 1.8 billion unit cases and made a net profit of €380 million. We also aim to balance financial goals with social and environmental considerations to ensure sustained growth, and we are integrating this into the way we run our business.

We implemented groundbreaking industry commitments on responsible marketing to the EU Platform on Diet, Physical Activity and Health in 2006. We helped develop these voluntary commitments that include restrictions on sales in schools and advertising to youth, as well as independent monitoring. In the light of health concerns, we also continue to broaden our range of products to meet changing consumer needs. By the end of 2006, juices, waters and other health and functional beverages represented almost one-third of our sales.

On climate change, we have assessed our carbon footprint and are tackling our key areas of impact. The greatest carbon emissions come not from our operations, but from the coolers and vending machines we place in the market, and which we do not operate ourselves. We are taking measures to reduce their impacts, introducing energy management devices and supporting the development of new cooler technology. Our Management Team is leading by example, instituting an internal carbon tax on air travel and encouraging the use of alternative communication and transportation, such as video conferences or internet document sharing systems.

For the past five years, we have focused on three key environmental impacts of our business - energy and emissions, water, and solid waste. In 2006 these efforts generated strong results, significantly exceeding targets. Since 2002, the efficiency with which we use water and energy has improved by approximately 20%, while recycling in bottling plants has increased by 35%.

To ensure that our country operations are managed to consistently high standards, we implement certified management systems, and by the end of 2006, 86% of our facilities were certified ISO 9001 (quality), 72% had gained ISO 14001 (environment) and 27% had achieved OHSAS 18001 (health

and safety). We believe this to be the highest proportion among non-alcoholic beverage companies.

Yet there still is much to do. In addition to achieving safety certification for all facilities, we must build a safety culture. The Board deeply regrets that, in the course of work in 2006, 19 people lost their lives, 15 of them in fatal road accidents. This is simply unacceptable, and we immediately launched concerted efforts to address the causes.

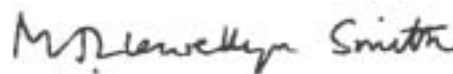
The Board believes that it is not enough merely to manage the impacts of our business; we must also help raise awareness of the need for sustainable development. The Green Danube partnership continued to gain momentum in 2006, and Danube Day awareness-raising activities involved 150,000 people in 13 countries.

We appreciate the recognition that our progress has received. In 2006 Coca-Cola HBC gained awards and citations for its workplace environment in six countries and was named the number one destination for Irish and Polish graduates, among the top three workplaces in Italy and one of the most inspiring companies in Ukraine. The Green Danube programme won awards in Hungary and Bulgaria, while our recycling efforts won the Chambers Ireland President's Award for best environment programme.

The 2005 Corporate Responsibility Report was classed by the UN Global Compact as a "Notable Communication" on Progress, the first in the non-alcoholic beverage industry.

While we convert to using the G3 Guidelines of the Global Reporting Initiative (GRI), this 2006 report has been prepared in accordance with the 2002 Guidelines. It represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance.

*Coca-Cola HBC uses the Brundtland definition of sustainable development: "Meeting the needs of the present without compromising the ability of future generations to meet their own needs"*



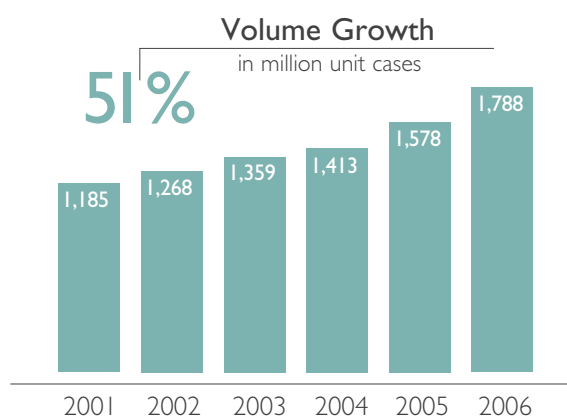
Sir Michael Llewellyn-Smith  
Chairman  
Social Responsibility Committee

# Business Overview

More than 540 million people in 28 countries are served by Coca-Cola HBC. The Company is one of the largest bottlers of non-alcoholic beverages in the world and the second largest bottler of products of The Coca-Cola Company in terms of revenue.

Coca-Cola HBC enjoyed its sixth consecutive year of strong performance in 2006. The Company reported net sales revenue of €5,616 million and a net profit of €380 million<sup>1</sup> on volume of 1.788 billion unit cases of non-alcoholic beverages. Coca-Cola HBC is headquartered in Athens and listed on the Athens, New York, London and Sydney stock exchanges. The two major shareowners are the Kar-Tess Group and The Coca-Cola Company, which own approximately 30% and 23% respectively. The Company was formed in 2000, when the Athens based Hellenic Bottling Company S.A. merged with the London-based Coca-Cola Beverages plc.

Coca-Cola HBC is licensed to produce, sell and distribute a range of beverages. The Coca-Cola Company owns the trademarks for most of these, supplies the concentrates and is largely responsible for consumer marketing. Coca-Cola HBC also manufactures and distributes 10 of its own brands including Amita, Avra, Deep RiverRock, Fruice and Römerquelle and six brands licensed by other companies, such as Nestea.



## TIMELINE

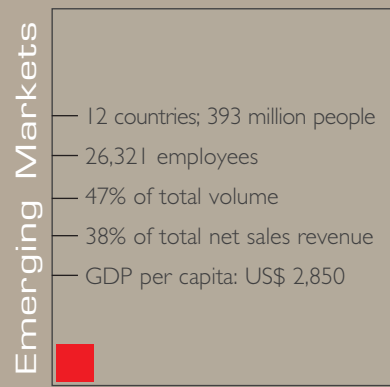
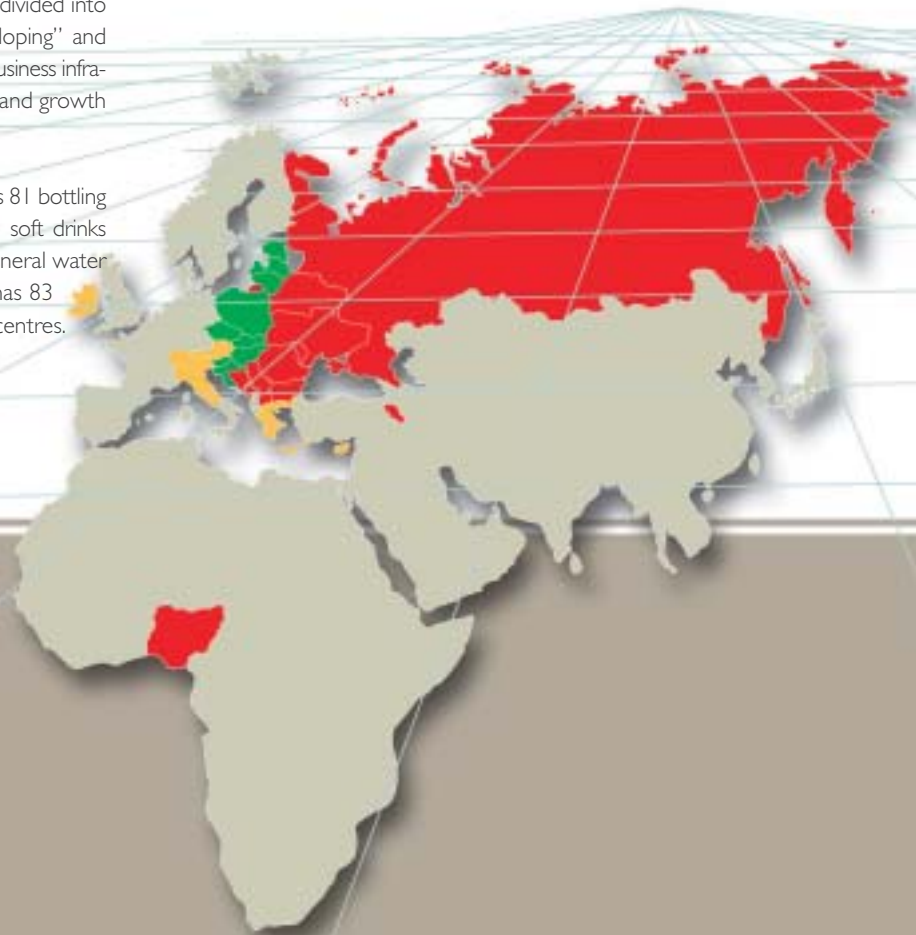
<b>2000</b>	Hellenic Bottling Company S.A. acquires Coca-Cola Beverages plc to form Coca-Cola HBC S.A.	First country operations to be certified against OHSAS 18001. The Company commits to full certification in all country operations.	Coca-Cola HBC signs the UN Global Compact.
<b>2001</b>	Coca-Cola HBC acquires full control of Russian Coca-Cola bottling operations.		Ratification of the UNESDA commitments.
	First Coca-Cola HBC country operation certified against ISO 14001. Coca-Cola HBC commits to achieving certification in all country operations.	<b>2004</b>	
<b>2002</b>	Coca-Cola HBC acquires all bottling operations in the Baltic States of Estonia, Latvia and Lithuania from The Coca-Cola Company.	Coca-Cola HBC ratifies policies for human rights, equality of opportunity, HIV/AIDS, health and safety, environment and quality.	<b>2006</b>
	Coca-Cola HBC and The Coca-Cola Company acquire Valsler Mineralquellen AG in Switzerland and Doma Apemin S.A. in Romania.	Coca-Cola HBC becomes the first non-alcoholic beverage company to report in accordance with the Global Reporting Initiative.	Coca-Cola HBC acquires Fresh & Co d.o.o. Group, a leading Serbian fruit juice company with The Coca-Cola Company.
<b>2003</b>	Coca-Cola HBC maintains FTSE4Good listing.	Coca-Cola HBC and The Coca-Cola Company acquire the mineral water Company Gotalka d.o.o. in Croatia.	Coca-Cola HBC expands territorial reach through acquisition of Lanitis Bros. Public Ltd in Cyprus.
	Coca-Cola HBC and The Coca-Cola Company acquire the mineral water operations of Multivita sp. z.o.o. in Poland and Coca-Cola HBC acquires Römerquelle GmbH in Austria.	Russia's highest environmental award received for eco-efficiency.	Coca-Cola HBC annual sales of non-CSDs <sup>2</sup> exceed 500 million unit cases (33% of sales).
	Coca-Cola HBC forms Board-level Committee and Executive-level Council to manage CSR across the business.	<b>2005</b>	
		Coca-Cola HBC and The Coca-Cola Company acquire the mineral water companies Vlasinka d.o.o. in Serbia and Bankya Mineral Waters Bottling Company E.O.O.D. in Bulgaria.	Irish operations awarded Best Environment-based CSR Project at the Chambers Ireland President's Awards for Corporate Social Responsibility. Additionally, Coca-Cola HBC wins the "Bulgarian Business Leaders Forum's Investor in the Environment" for the Green Danube Initiative 2006.
		Coca-Cola HBC and The Coca-Cola Company acquire the fruit juice Company Multon Z.A.O. Group in Russia.	
		Green Danube partnership and Nigeria pilot water programmes launched.	

<sup>1</sup> Financial indicators exclude the recognition of pre-acquisition tax losses, restructuring costs, 2006 exceptional items (see Annual Report, p.35) and include the results of the acquired entities unless otherwise stated.

<sup>2</sup> Non-carbonated soft drink.

**Company Operations** Coca-Cola HBC operations extend across 28 countries, following the Company's entry into Cyprus with the acquisition of Lanitis Bros. in 2006. The territories the Company serves are divided into three types - "established", "developing" and "emerging" markets - according to business infrastructure, economic development and growth prospects.

Coca-Cola HBC owns and operates 81 bottling plants as of the end of 2006 - 64 soft drinks plants, three juice plants and 14 mineral water plants. In addition, the Company has 83 warehouses and 277 distribution centres.





# Business Overview

## Beverages

Through innovation and acquisition, Coca-Cola HBC offers an increasingly diverse range of beverages: drinks to hydrate, energise, nourish, relax or simply enjoy.

Of the 483 beverage varieties offered in 2006, 340 were non-carbonated beverages, such as juices and waters. In 2006, these beverages represented 33% of sales volume – achieving sales of over half a billion unit cases for the first time.

In whatever category Coca-Cola HBC competes, the company aims to be the category leader. In addition to the leading soft drink, the company also produces:

- The leading juices in Russia and Greece
- The leading ready-to-drink teas in eight countries
- The leading sports drink in Europe

In particular, the Company is meeting consumers' changing health and wellness needs. By the end of 2006, Coca-Cola HBC offered 32 wellness and functional beverages, including new flavoured mineral waters and juices fortified with vitamins or antioxidants.

The Company's light/diet CSD products, representing 6% of the total volume today, grew by 12% in 2006, ahead of the growth of the total CSD category which grew by 6%. In response to a growing consumer preference for low-calorie products, the Company launched Coca-Cola Zero in a few of its markets in early 2007, as part of a three cola strategy, alongside regular Coca-Cola and Diet/Light Coke.



Today, the Company offers an increased consumer choice in the size of its packages as well as content; ranging from the new 330ml sleek can through the 250ml slim can and the 250ml PET bottle as well as the 250ml stubby can.

With plans to introduce Coca-Cola Zero across several other Coca-Cola HBC countries and through continued marketing and promotional investment, the Company believes there are considerable opportunities for future growth in this category.

## Acquisitions in 2006



Hungary - Yoppi kft, a hot beverages vending machine operator



Italy - Fonti del Vulture mineral water business<sup>3</sup>



Serbia - Fresh'n Co, the leading Serbian juice producer<sup>3</sup>



Cyprus – Lanitis Bros., expanding Coca-Cola HBC's territorial reach and entering the dairy segment

<sup>3</sup> Jointly acquired with The Coca-Cola Company.









# Business Overview

## Managing the Business Responsibly

Coca-Cola HBC aims to contribute to sustainable development: to do so, the Company must responsibly manage the social, economic and environmental impacts of its business. In addition, Coca-Cola HBC must work in partnerships to address broader societal issues.

This has become a business imperative - only by doing so can the Company ensure its long-term success. Corporate Social Responsibility (CSR) makes Coca-Cola HBC a more competitive company, better able to manage risks, capture opportunities, innovate, reduce costs, and improve reputation with all groups of stakeholders.

Coca-Cola HBC's commitment to operating responsibly is embedded in its values and Code of Business Conduct. This commitment is then translated into policies and standards for issues of concern to the Company and its communities.

Coca-Cola HBC is progressively integrating CSR into its business processes. In 2006, CSR-related objectives were included in the business objectives of almost all managers and employees, thereby influencing performance appraisals and variable compensation. In addition, CSR was integrated into the Company's leadership development programme during the year.

## Our Commitments



### Marketplace

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



### Workplace

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



### Environment

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



### Community

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

**Governance and Management of CSR** Clear accountability for the Company's social and environmental performance has been established at both Executive and Board level. The CSR Committee of the Board oversees the Company's policies and performance on a quarterly basis.

The Group CSR Council, which reports to the Operating Committee, consists of function heads from Public Affairs and Communications, Environmental Affairs, Quality, Risk Management and Human Resources. The Council determines key risks and opportunities, establishes policies, performance indicators and targets and reviews progress. The CSR Council also reports to the Operating Committee. The Company's CSR-related policies are available on the Coca-Cola HBC website. Country operations are responsible for implementing corporate CSR policies and standards, as well as identifying and responding to local needs and concerns.

To build awareness and drive accountability for CSR performance at plant level, the Group CSR Council adopted the concept of Technical Stewardship in 2006, defining this as compliance with standards, management system implementation and certification and audits for quality, environment, health and safety.

**Management of SEE Risks** As part of the Coca-Cola HBC risk management process, social, environmental and ethical (SEE) risk are managed by the Group CSR Council and reported to both the Audit Committee and the CSR

Committee. In 2006, the only material SEE risk identified was water availability. In the light of recent developments, the CSR Committee of the Board will in early 2007 reassess the risk of climate change to future business.

Country operations conduct periodic assessments of SEE risks, developing appropriate management plans. A Group Incident Management Team conducts regular validation sessions. To manage operational risk information, in 2006 the Company introduced a management information system of operational, regulatory and compliance risks that might jeopardise business performance.

**External Standards** Coca-Cola HBC has been a participant in the UN Global Compact since 2005 and promotes its ten principles that support human rights, labour rights, environmental protection and anti-corruption. The Company's annual reporting has been deemed a Notable Communication on Progress, a recognition by the UN Global Compact of emerging best practice.

The internationally recognised management system standards ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (health and safety) have been adopted, and Coca-Cola HBC's goal is to achieve certification against all three at every bottling plant. The Company is also implementing industry-specific standards, such as the UNESDA (Union of European Beverages Association) commitments to the EU Platform on Diet, Health and Physical Activity.



A traceability system for product pallets has been developed and installed in all Coca-Cola HBC production plants, warehouses and depots within the European Union. The system uses a label with unique production information and wireless scanning guns.

The Board CSR Committee monitors the Company's adherence to these standards and the Company reports its progress in this report. Each year, external verification of management systems and data is conducted, as is independent auditing of all bottling plants for quality, environmental, health and safety performance. Findings and resulting action plans are reported to the Social Responsibility Council and the Board Committee.

As the Company continues to integrate CSR into its business processes and decision-making, it undertakes training to ensure that change will be sustained. To implement the UNESDA

# Business Overview

commitments to responsible marketing and sales, the Company trained its salesforce on the requirements in 2006, adopted key performance indicators and implemented tracking mechanisms.

**Reporting** Coca-Cola HBC is an organisational stakeholder of the Global Reporting Initiative (GRI) since 2005 and aims to report the social, economic and environmental impacts of its business in a transparent and comparable way. The Company's reporting was the first UN Global Compact Notable Communication on Progress among non-alcoholic beverage companies.



The Company continues to follow the 2002 Reporting Guidelines of the GRI while preparing to report against the G3 Guidelines in 2007.

## Engaging with Stakeholders

Understanding stakeholder concerns and perceptions is essential to operating a successful business. Positive long-term relationships with employees, consumers, customers, communities and their representatives are essential to creating sustainable business growth. The Company aims to build such relationships on the basis of trust and common goals.

Engagement may be on key strategic issues - such as improving water resource management or addressing the problem of obesity - or as part of day-to-day business.

In 2006, Coca-Cola HBC continued to consult stakeholders on key challenges facing the business and its stakeholders. These included:

- Addressing obesity
- Water resource management
- Packaging waste management
- Tackling climate change

## Stakeholder Engagement in 2006

**Employees** Coca-Cola HBC liaised with its European Works Council and unions on restructuring programmes. The Company also implemented action plans in response to a recent employee engagement survey. New opportunities for engagement and internal communications were developed (see [Workplace](#)).

**Customers** The Group-wide survey of customer needs and opinions was conducted in 17 countries, while new collaborative work includes joint planning with certain key accounts and training for independent retailers (see [Marketplace](#)).

**Government agencies and NGOs** Coca-Cola HBC implemented UNESDA commitments to responsible marketing in support of the EU Platform on Diet, Physical Activity and Health (see [Marketplace](#)). In addition, the Company worked with government agencies, NGOs and industry peers to increase recycling (see [Environment](#)) and protect the River Danube and other watersheds (see [Community](#)).

**Communities** In locations where Coca-Cola HBC operates, the Company continued to meet with community leaders and organisations to identify and address issues of common concern (see [Community](#)).

**Consumers** The consumer response and information centre (CRIS) in every country continues to address consumer enquiries. Consumer research and marketing is largely conducted by The Coca-Cola Company.

**Shareholders and Investors** Regular communications with shareholders include roadshows, web-casts and briefings. The Company met with socially responsible investment bodies and CSR-related information is included in the annual financial report.





*Coca-Cola HBC works both on disaster reduction and contributes to disaster relief as in the picture above where the Company provides support for communities in Romania affected by the severe Danube floods of 2005.*

**Collaborating with UN Agencies on Disaster Relief** Whether natural or manmade, disasters can cause vast human, social, economic and environmental losses. Disaster reduction is therefore a critical element in sustainable development.

At the end of 2006, Coca-Cola HBC was asked to second its Director of Risk Management for six months to the UN International Strategy for Disaster Reduction. Working with the World Bank and the World Economic Forum, he is developing the business case and methodology for engaging companies in public-private partnerships for disaster reduction.

Working with UNESDA, Coca-Cola HBC helped to develop and implement innovative commitments in support of the EU Platform on Diet, Physical Activity and Health. Furthermore, through the groundbreaking Green Danube partnership, the Company extended its collaboration with the International Commission for the Protection of the Danube River (ICPDR), national environment ministries and local NGOs.

Coca-Cola HBC supports organisations that address key social and environmental issues. In 2006 the Company became a member of the new UN Global Compact networks in Bulgaria, Belarus and Ukraine, having joined the UN Global Compact at the corporate level in 2005. Coca-Cola HBC also supports new public-private partnerships tackling obesity and promotes waste recycling together with peers and suppliers, helping to found recycling and recovery organisations in every country of operation. The Company also works through trade and industry associations such as UNESDA and EUROPEN, the European Organisation for Packaging and the Environment.

Coca-Cola HBC also works closely with The Coca-Cola Company on such issues and is active in joint bodies, such as the Coca-Cola Environmental Council, which Coca-Cola HBC currently chairs.

Lastly, Coca-Cola HBC supports bodies that help to advance debate on corporate responsibility and sustainable development. These include the Forum for Corporate Sustainability Management at the International Institute for Management Development, and the Centre for Democracy and Reconciliation in Southeastern Europe.

The Social Responsibility Council is responsible for the Company's stakeholder engagement. This report is part of stakeholder engagement and comments or feedback are welcome. Email: [social.responsibility@cchbc.com](mailto:social.responsibility@cchbc.com)



# Governance and Management

## 2006 in Brief

- ▶ 11 of 12 directors are non-executive; five independent
- ▶ CSR Committee is one of three Board Committees
- ▶ Complies with Sarbanes-Oxley Act 2002
- ▶ Enterprise risk management addresses SEE risks
- ▶ CSR managed by Social Responsibility Council
- ▶ All employees subject to Code of Business Conduct
- ▶ Directors and executives also subject to separate Code of Ethics
- ▶ Confidential reporting and whistleblower protection

**Corporate Governance Policy** Good corporate governance and business ethics are the cornerstone of a successful business. Coca-Cola HBC is committed to achieving the highest standards of corporate governance and business ethics.

To that end, Coca-Cola HBC regularly reviews its practices to ensure that it complies with the corporate governance standards of Greece and the United States, as well as those of the Athens, New York, London and Australian stock exchanges on which its equity securities are listed. The Company also complies with all applicable requirements of the Sarbanes-Oxley Act of 2002.

**Board of Directors** The Board of Directors consisted of 12 members in 2006. Eleven, of these were non-executive directors, including the Chairman of the Board. The Managing Director was the only executive director. Five directors were independent, as determined by the SEC independence test and the Greek statutory independence standard. The seven other directors (i.e. the Managing Director, and the directors nominated by the two major shareholders as set out below) are deemed to be non-independent.

All Board Members must declare any conflict of interest. The two major shareholders are represented in accordance with their shareholder agreements: The Kar-Tess Group nominates four Board Directors and The Coca-Cola Company nominates two. To prevent any conflict of interest, directors nominated by these major shareholders must abstain from participating in the discussion and voting on transactions between the Company and the nominating shareholder.

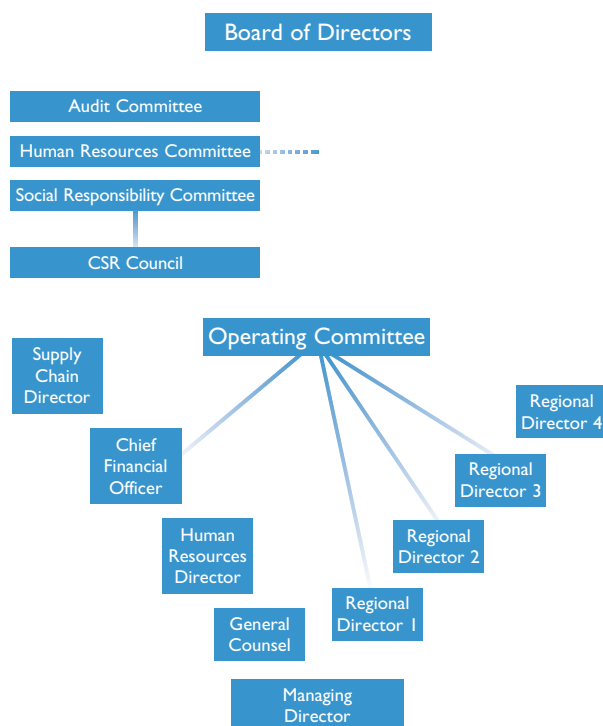
Formal procedures are in place to appoint directors and they are selected based on relevant skills and experience. Remuneration is benchmarked against peer international companies to ensure that it is competitive but not excessive.

**Board Committees** The Coca-Cola HBC Board of Directors is supported by three Committees, all of which are chaired by independent, non-executive directors. The Committees are:

- **Audit Committee** - three independent directors as required by the SEC rule to which the Company is subject
- **Human Resources Committee** - one independent and two other non-executive directors
- **Social Responsibility Committee** - one independent and two other non-executive directors.

The mandate for each Committee is described in detail in the Form 20-F filed with the SEC (File no. 1-31466) and on the Company's website.

Each Board Committee conducts a rigorous self-assessment every year to ensure the regular monitoring and improvement of Committee performance.



**Executive Management** Coca-Cola HBC is managed by an Operating Committee that currently consists of the Managing Director, the Chief Financial Officer, the Directors of each operating region, the General Counsel and the Directors of Human Resources and Supply Chain Services.

Coca-Cola HBC's policy is to maintain accountability at the country level for business performance. Group-level functions formulate Group policies, monitor country operations and provide support and expertise where it is not practical or efficient to provide these at a country level.

**Business Ethics** Coca-Cola HBC places high value on its commitment to business ethics. The Company's Code of Business Conduct (see below), outlines the ethical standards that the Company expects all employees to follow. The Code also explains how to act when faced with dilemmas or sensitive situations.

**Coca-Cola HBC Code of Business Conduct**

Every employee of Coca-Cola HBC is expected to abide by the Company's Code of Business Conduct. Bribery and corruption are prohibited by the Code. The Code also details how employees must act with regard to:

- Conflicts of interest
- Financial records
- Corporate opportunities and the use of Company assets
- Fair dealing: giving and receiving gifts, favours
- Working with governments
- Environmental protection and workplace safety

Full Code available on [www.coca-colahbc.com](http://www.coca-colahbc.com)

To help employees understand how the code applies to them, Coca-Cola HBC conducts ongoing Group-wide training. Training also forms part of validation sessions by the Group Incident Management Team and Social Responsibility Council (see below). The Code of Business Conduct was re-issued throughout the Company's operations in 2005 and 2006 after it was updated.

All suspected violations of the Company's Code of Business Conduct must be reported. Employees are encouraged to directly contact upper layers of management and, in certain cases, to report to the Director of Internal Audit or Audit Committee directly. Complaints or concerns regarding accounting, internal accounting controls, audit matters or matters involving fraudulent behaviour by officers or employees of the Company may be made on a confidential or anonymous basis directly to the Director of Internal Audit.

Allegations are promptly investigated, resolved and reported to the Audit Committee of the Board. Employees who violate the Code are subject to disciplinary action, even dismissal. Every reasonable effort is made to safeguard the confidentiality of information and the people providing it. No action may be taken against the originator of any report made in good faith.

According to Transparency International, the leading NGO fighting corruption, 19 of the 28 Coca-Cola HBC territories have problems with corruption. The Company not only educates employees about its Code of Business Conduct but also disseminates the importance of business ethics in its communities. In Romania, the Company runs an annual programme whereby employees lecture on business ethics to 14,000 students at universities nationwide.

An additional Code of Ethics applies to Directors and Senior Managers, and a Code of dealing in Company securities applies to all Senior Managers and employees.

**Political Engagement** The Coca-Cola HBC Code of Business Conduct places stringent requirements on donations to any political party and requires the prior approval of the Chief Financial Officer and the General Counsel. No political donations were made in 2006.

Coca-Cola HBC engages with government agencies on issues of legitimate concern to its business. The Company provides its comments on proposed new Greek and US laws as part of the regular consultation processes that take place in those two countries. In addition, the Company engages with government agencies through industry associations; the Company supports initiatives to improve recycling but does not believe that deposits and additional taxes are an effective way to achieve this. Consequently, the Company supports industry initiatives to improve recycling and recovery.



Head of ARA supervisory board and representative of Austrian beverage association Leo Schreiber, Minister for Environment Josef Proell, Member of provincial government Niki Berlakovich, Managing Director Coca-Cola Beverages Austria Ulrik Nehammer

# Focus on Energy and Climate Change



The world is exhausting the Earth's fossil energies at an alarming rate. This not only causes worries over energy shortages, but also results in atmospheric emissions of pollutant gases. Among them, carbon dioxide (CO<sub>2</sub>) causes global warming, considered by the UN to be as "the biggest environmental threat facing the planet".

Coca-Cola HBC is keenly aware of the need to address the challenges posed by the Company's use of energy and its impacts on global warming, since energy is essential to manufacturing, distribution and cold drink equipment. Bottlers of non-alcoholic beverages are considered medium impact industries according to the new FTSE4Good Climate Change Criteria which must be met by 1 January 2009. Coca-Cola HBC already meets these criteria, as well as the criteria for high impact industries. The Company does so by implementing the programmes outlined below. Additionally, in the Company's updated Environmental Policy (available online) Coca-Cola HBC commits to further reducing CO<sub>2</sub> emissions. In 2006, the Company's total emissions were equivalent to 866,000 tonnes of CO<sub>2</sub>, or 87.7 grammes of CO<sub>2</sub> per litre of produced beverage.

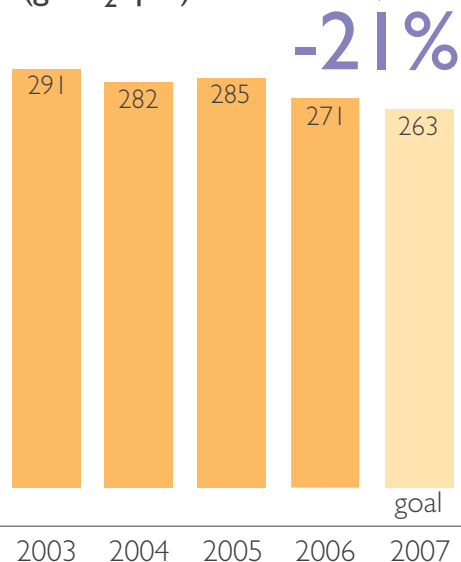
**Pioneering Tri-generation Systems** Coca-Cola HBC's first trigeneration power plant (combined heat, power and cooling) was installed at the Hungarian bottling plant of Dunaharazti. In 2006, its first year of operation, it resulted in energy savings of 40% and CO<sub>2</sub> reductions of about 10,000 tonnes. The Company plans to install similar units where technically and economically feasible.

**Leading in CO<sub>2</sub> Reduction Strategy** For the first time, in 2006, all of Coca-Cola HBC's CO<sub>2</sub> emissions were reported in accordance with the Greenhouse Gas Protocol (GHG), allowing comparisons between industries and accurate worldwide CO<sub>2</sub> accounting (see p. 33). Furthermore, Coca-Cola HBC already meets the FTSE4 Good Climate Change Criteria for high impact industries.



Coca-Cola HBC has identified a number of other potential sites to install the energy-efficient and emissions-saving power generation used at the Company's plant in Hungary.

## CO<sub>2</sub> ratio in Coca-Cola HBC (gCO<sub>2</sub>/lpb<sup>1</sup>)



<sup>1</sup>Grams of CO<sub>2</sub> per litre of produced beverage.



**Reducing Air Pollution** Coca-Cola HBC aims to limit its emissions of air pollutants. Coal is no longer used as an energy source for bottling plants, and fuel oil is gradually being replaced by cleaner natural gas (55% of thermal energy in 2006, up from 42% in 2003). In bottling plants, boilers are regularly maintained and their emissions verified to be in accordance with local legislation. Renewable energies are being investigated and used where technically and economically possible (see [Environment](#)).

**CO<sub>2</sub> in Beverages** Carbon dioxide is also the gas used for carbonating many Coca-Cola HBC beverages. It is sourced from underground reserves or produced through the combustion of fuels. Some of it is recycled from industrial processes, and is considered carbon-neutral. Despite volume growth of 32% since 2003, the use of CO<sub>2</sub> for carbonation has remained stable at 100,000 tonnes thanks to efficiency improvements at bottling facilities.

**Reducing Indirect Impacts from Packaging** Working towards higher recovery and recycling rates for our packaging results in indirect reductions in CO<sub>2</sub>, since recycled material contains less grey energy (energy that was needed in its manufacture) than raw material. Based on country estimates, nearly 25 million tonnes of CO<sub>2</sub> were saved by initiatives in which Coca-Cola HBC took part.

**Reducing the Impact of Cold Drink Equipment** Coca-Cola HBC is committed to reducing the global warming associated with its cooling equipment in the most efficient way. CFC-containing fridges are being phased out and HFCs have been banned in insulation foam since 2006. Coca-Cola HBC is working with a key supplier on coolers with 25-30% lower energy requirements, to be purchased from 2008. As of January 2007, most large coolers purchased have an energy-saving device pre-installed (see [Environment](#)).

**Minimising Energy Use** In its bottling plants, Coca-Cola HBC aims to make its use of energy as efficient as possible. Energy saving programmes implemented throughout bottling plants improved the Company's energy efficiency by 6% in 2006 and by 21% since 2002. The Energy Savers tool developed with The Coca-Cola Company will help to drive further improvements (see [Environment](#)).



**Reducing Air Miles** Corporate flights from Head Offices represent about 2,000 tonnes of CO<sub>2</sub>. Although this is less than 0.1% of total emissions, Management Leadership in reducing these emissions helps to increase internal awareness and involvement in the Company's CO<sub>2</sub> reduction strategy. In addition to using teleconferencing and videoconferencing to replace flights, Coca-Cola HBC is compensating for the CO<sub>2</sub> by the purchase of carbon offsets. Projects include renewable energy and energy efficiency programmes with a sustainable value (see [Environment](#)).



Green PET flakes from recovered and recycled PET bottles use less CO<sub>2</sub> than raw materials in the production of new PET packages.



Coca-Cola HBC produces almost 500 different beverage products, working closely with suppliers and customers to bring them to market. These beverages must be consistently high-quality, marketed responsibly and meet the changing needs of consumers.

## 2006 in Brief

- ▶ Implementing industry commitments to the EU Platform on Diet, Physical Activity and Health
- ▶ Non-carbonated drinks are 33% of sales volume
- ▶ New nutritional labelling rollout underway
- ▶ 70 of 81 bottling plants are ISO 9001 certified (approximately 92% of volume)

**Addressing Obesity** The most significant marketplace concern that Coca-Cola HBC addressed in 2006 was again the obesity problem.

In many countries where Coca-Cola HBC operates, obesity and overweight rates continue to grow. The Company supports multi-stakeholder initiatives that address the issue. The most significant of these is the **European Union (EU) Platform for Action on Diet, Physical Activity and Health**, comprising associations, consumer groups, health NGOs and political leaders.

To support this initiative, Coca-Cola HBC helped establish commitments by the food and drink industry through both the **Confederation of the Food and Drink Industries of the EU (CIAA)** and the **Union of European Beverages Association (UNESDA)**.

The UNESDA commitments include:

- Offering a wide variety of products
- Conducting sales and marketing in a responsible manner
- Providing nutritional information

In 2006, Coca-Cola HBC worked to ensure that these commitments were implemented across its business in EU countries. The Company has also chosen to apply them in its non-EU countries as well. In addition, Coca-Cola HBC supports and encourages physical exercise particularly by young people.

**UNESDA Commitments** Coca-Cola HBC upholds the UNESDA Commitments to the EU Platform for Action on Diet, Physical Activity and Health. The commitments on marketing include:

- Not placing any marketing communication in any media aimed at children
- Avoiding direct appeals to children to influence parents, guardians and other carers
- Not engaging in direct commercial activity in primary schools
- Ensuring that in secondary schools a range of beverages is available in sizes that allow portion control
- Respecting the commercial-free nature of schools
- Making third-party distributors aware of these commitments

**Offering Beverage Choice** Coca-Cola HBC continued to expand its range of products to meet the growing health and wellness needs of consumers. The Company manufactures and sells 483 different beverages, 340 of which are non-carbonated varieties. These include juices, waters, teas, coffees and milk beverages. Non-carbonated beverages accounted for 33% of sales in 2006, exceeding a volume of half a billion unit cases for the first time.

Coca-Cola HBC continued to extend its range of waters and juices in 2006, adding functional benefits (see opposite). The Company further increased the low- and no-calorie carbonated soft beverages it offers, growing sales by 10% in 2006. Since 2001, the average calorie content per 100 ml of product sold fell by 16% (see graph).



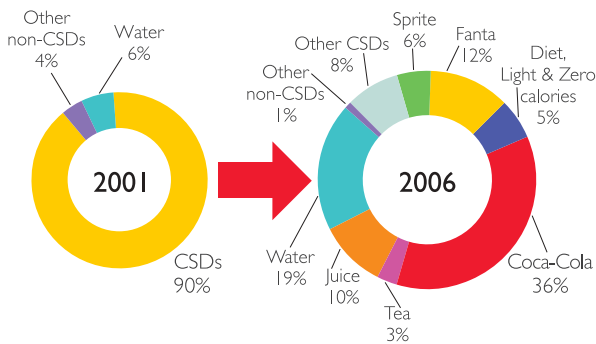
*"Industry is often accused of not doing enough in the fight against obesity. However, a number of companies have actually taken some initiatives even if they eventually go against their own interests. This needs to be acknowledged... These commitments are good examples of concrete and verifiable action by industry undertaken to tackle obesity and overweight. We hope they encourage others to take the same kind of actions..."*

Markos Kyprianou,  
EU Health & Consumer Protection Commissioner, 2006



Rich Live is a combination of seven fruit juices and seven vitamins, enjoyed by young, healthy-conscious Russians.

Changing Product Portfolio



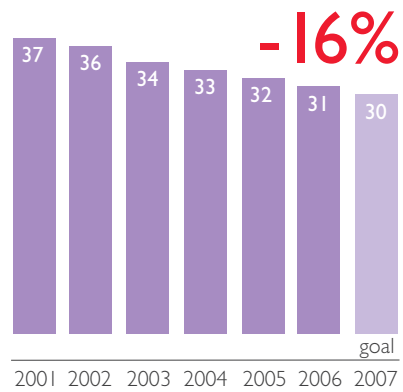
New Wellness and Functional Beverages

Coca-Cola HBC offers 32 wellness and functional beverages across its territories. New products in 2006 included:

- Nico and Dobry juices enhanced with natural extracts and vitamins
- Amita juices with antioxidants
- Römerquelle Emotion flavoured water with Marula
- Valser Viva flavoured mineral water with blueberry and honey extracts
- Nestea green tea with antioxidants
- Rich Live! A mix of seven fruits and seven vitamins



Company Average Calorie Content (kcal/100ml)





## Awards for Wellness and Functional Beverages

Coca-Cola HBC's own water brand Römerquelle Emotion Marula won best beverage ingredient innovation at the prestigious 2007 Beverage Innovation Awards of the InnoBev Global Soft Drinks Congress. A mineral water with added fruit juice and herbs, it contains the South African marula fruit with high vitamin C content.

**Marketing Responsibly** To ensure the UNESDA commitments to responsible sales and marketing are implemented in Coca-Cola HBC territories, Coca-Cola HBC has adopted the UNESDA performance indicators. An implementation guidelines manual was developed and communicated to the sales force, marketing, public affairs and legal teams across Coca-Cola HBC's EU territories. Internal workshops are conducted on a continuing basis.

The process of implementing the voluntary end to sales in primary schools was completed in the first quarter of 2007 and will be validated in the third quarter. Considerable progress was also achieved in offering a full range of beverages (including water, juices and beverages in low-calorie/calorie-free categories) in secondary schools while vending machines no longer carry soft drink branding in schools, but images promoting a healthy and active lifestyle.

Independent third-party auditors were engaged to monitor the beverage industry's implementation of the UNESDA commitments. While full findings are not available at the time of printing, preliminary reports are encouraging. UNESDA will make available the first auditors' report on member performance to the EU Platform in the first half of 2007.

**Providing Nutritional Information** Working with The Coca-Cola Company, Coca-Cola HBC began to implement new nutritional information on product packaging in 2006 within the European Union countries to help consumers make informed choices about the beverages they consume.

Going further than required by law, product labels will now provide additional information on both the front and back of packages based on Guideline Daily Amounts (GDAs) including:

- **Front of pack:** "at a glance" information on calorie content and its relevance to a 2000 calories diet
- **Back of pack:** nutrition panels provide information on the "Big 8" nutrients: energy (calories), protein, carbohydrate, sugars, fat, saturated fat, fibre and sodium. In addition to the required information per 250ml serving, nutrition panels now also provide information per serving.



No- and low-calorie beverages are now also more clearly identified so that consumers can choose them more easily. The terms "sugar-free" and "zero added sugar" will now be placed on the front of packaging.

This new initiative will be launched in all European Union countries in 2007 and completed by end of 2008. In addition, leaflets and websites provide additional ingredient and nutritional information, and the Consumer Response Information Services (CRIS) in each country are equipped to answer further enquiries.

### A Thirst for Knowledge in Ireland

Coca-Cola HBC operations in Ireland, published a practical guide to help employees working with customers and consumers answer questions often asked about the Company's beverages. Topics covered by the new *Education Thirst* include sugar, weight control, tooth decay, sweeteners and caffeine. The Company also published guidelines for responsible marketing for each channel in which it does business, to ensure all employees, customers, partners and suppliers understand the Company's practices. Coca-Cola HBC previously published *Acting Responsibly Making Change*, as well as a range of brochures about nutrition and ingredients, and enhanced nutritional information on packages and on the Company's website.



**Supporting Physical Activity** To encourage people to become more active and maintain a balanced lifestyle, Coca-Cola HBC supports grassroots physical activity and sports programmes in schools and communities (see **Community**, p.48). Increasingly, nutritional education is included in these programmes in partnership with governmental agencies and nutrition experts.

In 2006 in Poland, Coca-Cola HBC supported the Keep Fit programme on healthy diet and physical activity that was launched in 5,000 schools. A partnership between the Ministries of Education and Sport, Institute of Food and Nutrition and industry, the programme is the first activity of any such public-private partnership in Poland and will be rolled out nationwide in the next three years.



*"Students in Motion", a sports activity for youth initiated in Austria.*

Healthy active lifestyle programmes are also being implemented in Company workplaces. In Hungary, initial screening of employees for fitness, body mass index and lifestyles was completed in 2006. The results will form part of a new employee healthy work-place programme that includes activities, information packs, guest speakers and on-site healthy catering.

### Partnering with Suppliers

In 2006, Coca-Cola HBC paid over €3.1 billion to suppliers of goods and services. The Company seeks the best quality, cost, service and innovation from its suppliers.

To achieve this, Coca-Cola HBC sources supplies within and outside of its territories. In 2006, 95.3% of the Company's expenditure on supplies was made within its territories in the European Union. All supplies are transported by road, rail or ship - air freight is not used unless in exceptional circumstances.

As Coca-Cola HBC extends its geographical reach, a number of suppliers have followed suit. With production bases in countries where Coca-Cola HBC invests, this allows the Company to source closer to its production plants. New plants opened in 2006 in Coca-Cola HBC territories include resin suppliers in Lithuania and Russia and bottle closures in Poland. In addition, one of the Company's aseptic brick packaging suppliers will open a plant in Russia in 2007.

Other suppliers have expanded production capacities in Coca-Cola HBC territories in response to the Company's business growth. These include suppliers of glass in Slovakia and Ukraine, resin in Lithuania, cans in Russia and coolers in Poland, Greece and Russia. The Company also works with Russian sugar producers to increase its use of locally grown beet sugar instead of imported cane sugar.



*Suppliers of glass bottles in Slovakia and Ukraine have expanded production capacity to meet the growing needs of Coca-Cola HBC's business.*

**Shared Values** Coca-Cola HBC seeks suppliers who share similar values. To that end, social, ethical and environmental criteria are included in all contracts with suppliers.

The Coca-Cola Company approves all suppliers of ingredients and beverage packaging materials. These suppliers are covered by the **Supplier Guiding Principles** programme of The Coca-Cola Company. Since 2003 independent auditing of suppliers has been conducted, and by 2006, 150 suppliers had been trained and 650 audited around the globe. The initial focus has been on high-risk countries with plans to extend auditing to all suppliers at least once every two years.

All major Coca-Cola HBC suppliers are also covered by the **Coca-Cola HBC Supplier Guiding Principles**. These are aligned with the principles of The Coca-Cola Company, and Coca-Cola HBC intends to start auditing its most significant suppliers in 2008.

Coca-Cola HBC also works with its suppliers to minimise environmental impacts. The Company continues to reduce the amount of raw materials used in its packaging and in 2006 saved more than 2,800 tonnes of PET plastic. The downgauging of aluminium cans and introduction of ultra-light glass bottles continue, the latter resulting in a 33% reduction in glass used in bottles.

Operational responsibility for supplier relationship management rests with the Group's Chief Procurement Officer, while cross-functional teams interact with suppliers at country and at Group level. Coca-Cola HBC has a number of standard Group-wide framework contracts with key suppliers. With certain key commodities, Coca-Cola HBC works together with other bottlers around the world and The Coca-Cola Company through the Cross Enterprise Procurement Group.

**Quality throughout the Value Chain** Beverages produced by Coca-Cola HBC must meet or exceed all governmental requirements and standards for quality and food safety, according to the Company's Quality Policy. Quality is part of the Company's integrated management systems, which are certified against ISO 9001 and The Coca-Cola Quality System (TCCQS)<sup>1</sup>.

As of the end of 2006, 70 of 81 bottling plants owned by Coca-Cola HBC had achieved ISO 9001 certification, representing approximately 92% of volume. Good progress has been made towards full certification of all bottling plants, with ISO 9001 achieved at nine plants in the challenging markets of Armenia and Nigeria in 2006. Two additional Nigerian plants are scheduled for certification in 2007, leaving two remaining plants that will not meet the target of 2007 for 100% certification. Newly acquired bottling operations and recently constructed sites must gain certification in approximately two years. Internal and external audits take place annually to assess implementation of the procedures in each plant. Coca-Cola HBC also further advanced ISO 9001:2000 in its supply chain achieving a total of 15 cold drink operations and marketplace certifications by the end of the year.

During 2006, Coca-Cola HBC took steps to integrate the new ISO 22000 food safety standard into the Company's integrated management system. In 2007, all operations will receive training in the standard to support Group-wide roll-out. A total of 16 manufacturing facilities will receive certification audits by year end. The Global Food Safety Initiative (GFSI) and the Hazard Analysis and Critical Control Point (HACCP) system are already included.

**Quality Processes** Coca-Cola HBC closely monitors quality standards throughout its value chain and continuously assesses opportunities to enhance them. Only approved suppliers can supply ingredients and packaging which must be tested in the quality control laboratory at each plant.

<sup>1</sup> TCCQS - Evolution 3 is an integrated approach to managing quality, environment, health and safety. SGS and LRQA benchmarked it against the ISO 9001, ISO 14001 and OHSAS 18001 standards and found it to meet the requirements of all three.





Laboratory technicians at the Multon juice plant near Moscow record samples taken from the production line for testing.

Beverage samples must also be tested both before finished beverages have left Coca-Cola HBC plants and once they are in the marketplace.

Consumer health and safety are of paramount concern. In 2006, there were no product withdrawals relating to consumer health issues, although Coca-Cola HBC did make three product withdrawals due to compliance issues. In Slovakia, a batch of Matsusov Pramen Orange flavoured water was withdrawn due to excess levels of preservative. Similarly, in the Czech Republic, batches of Burn energy drink were withdrawn for exceeding caffeine limits. In both cases, the issues were due to improper dissolution of ingredients during production. This has been addressed by implementing more stringent mixing instructions for both beverages and high-performance liquid chromatography (HPLC) analysis as part of routine testing for Burn. In Hungary, Naturaqua mineral water was withdrawn due to a labelling compliance issue that has since been resolved with the Natural Mineral Water Association of Hungary.

Even when products are safe, Coca-Cola HBC takes action when they do not meet the Company's rigorous quality standards. In 2006, the potential formation of benzene in products emerged as a global issue for the soft drinks industry. Benzene arises from the reaction of vitamin C (ascorbic acid) and the preservative benzoate (used to prevent microbiological growth) under severe storage conditions of temperature and light for long periods. Coca-Cola HBC has

worked closely with government agencies, industry associations and The Coca-Cola Company to minimise or eliminate the risk of benzene formation in soft drinks even though this is not a safety issue.

The Company continues to exclude use of ingredients that are genetically modified or derived from genetically modified organisms (GMOs).

**Training** Annual training of Coca-Cola HBC quality staff is a critical element of the Group's capability development programme. In 2006, all operations in Nigeria and Russia received advanced microbiological training to complete the Group-wide initiative started in 2005. Additional auditing training programmes were conducted for Serbia and Nigeria. Country Quality Assurance Managers from across the Group successfully completed training within the Coca-Cola HBC Risk Management and Reporting system.

Coca-Cola HBC's representative chaired the Global Quality Strategies Board of the Coca-Cola System during 2006. This forum, which includes The Coca-Cola Company and other major bottlers, leads the development of quality strategies for the business system to meet increasing quality demands.

Operational responsibility for product quality lies with the Group Director of Quality who has ultimate accountability for all aspects of Technical Stewardship.



**Training for Small Businesses in Poland** Many independent retailers do not have access to the resources of large international chains. To help them become more successful and grow sales of beverages and other product categories, Coca-Cola HBC piloted a new customer training programme in Poland in 2006. Designed for owners and operators of independent grocery stores and small supermarkets, it offers insights into shopper behaviour, an industry overview and tips on space management and activation. The course also explains how to leverage financial indicators for key categories to improve store revenue and profit. Customers may also work on individually tailored business improvement plans. The programme was well received and will be extended to 400 businesses in 2007. Additionally, a train-the-trainer event will extend the programme to 10 more countries in which Coca-Cola HBC operates.

**Adding Value for Customers** Coca-Cola HBC aims to be the preferred business partner to the 1.4 million shops, restaurants, supermarkets, discount chains and other businesses that sell the Company's beverages. To achieve this and drive sustained business growth, the Company is enhancing its route to market strategy as well as its commercial capabilities.

The Company is expanding its salesforce and improving marketplace execution standards, creating centres of excellence and commercial capability plans tailored to each country. In 2007 Coca-Cola HBC will continue to embed these programmes and focus on cross-fertilisation of learnings.

Discount stores showed the highest growth rates among food retailers in 2006. Coca-Cola HBC continued to increase its presence, gaining listings in the leading chain in a

further seven countries. International key accounts also represent a significant portion of the Company's business: 45 chains accounted for 12.2% of the Company's volume in 2006.

With these larger customers, Coca-Cola HBC is increasingly using a collaborative planning model, with projects underway in Italy, the Baltics, Austria, Ukraine, Ireland and Romania and more to follow in 2007. However, Coca-Cola HBC also works collaboratively with smaller independent customers, helping them grow their businesses (see above).

Another key element in driving sustainable growth is the Company's go-to-market strategy. This identifies the most efficient way to deliver products to customers and ensure availability in the marketplace. Following its introduction in Italy, this strategy has contributed to a wider product range, improved customer service and volume growth and has

**Poland - Partner of the Year** Coca-Cola HBC operations in Poland were named Partner of the Year 2006 in the Drinks, Juices and Waters category in a survey by Restaurateur, the trade magazine for the restaurant and gastronomy business. The Company was named by restaurant owners, managers and chefs as best Company in terms of service, product quality and price.

**Romania - Best FMCG Supplier** Coca-Cola HBC Romania was named best supplier of fast-moving consumer goods (FMCG) in two separate awards in 2006. Both Progresiv Magazine and Market Magazine awarded the title to the Company.



been extended to Austria, Bulgaria, Greece, Serbia and Switzerland. As a result of this new approach, some distributors, while continuing to deliver products, no longer have responsibility for sales and warehousing. In Italy and Bulgaria this change led to dissatisfaction on the part of some distributors, and discussions are in hand aimed at finding solutions within the legal or contractual framework.

**Customer Satisfaction Survey** To understand customer needs and views, Coca-Cola HBC also uses formal surveys. The new Group-wide survey, introduced in 2005, was repeated in 17 countries in 2006. Customer satisfaction ranged from 54% to 71% in 2006 versus 49% to 69% in 2005. Coca-Cola HBC was the most preferred partner in 11 out of the 17 countries surveyed.

Operational responsibility for customer relations lies with the Group Commercial Director.

**Competing Fairly and Openly** Coca-Cola HBC believes in competing fairly yet vigorously wherever it operates. Coca-Cola HBC's policy is to comply in full with competition laws in the countries in which the Company operates.

The Company operates in an environment in which its behaviour is scrutinised by its competitors and customers, as well as by regulators. As part of a broader settlement of an on-going European investigation, Coca-Cola HBC and other members of the Coca-Cola System agreed with the European Union on a range of commitments that affect its commercial practices. These commitments, unique to the Coca-Cola System, are known as the "Undertaking".

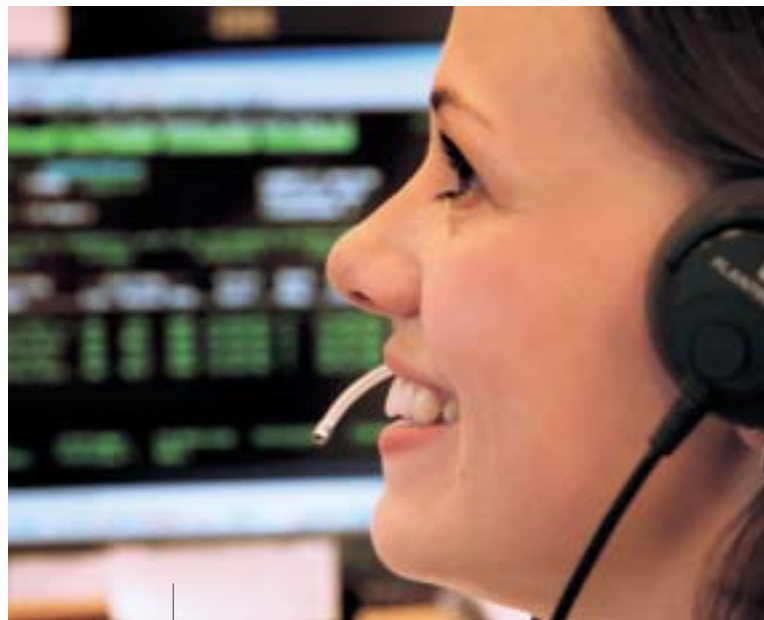
Coca-Cola HBC has put in place a comprehensive training programme in competition law and compliance issues and appointed a compliance officer in order to ensure that it conducts its activities in accordance with all competition

rules that apply to it. During 2006, the Company prepared and disseminated throughout its EU territories a competition law compliance handbook to help educate its employees in respect of the Undertaking and applicable EC competition law rules. Coca-Cola HBC also conducted numerous competition law training sessions for its employees across its territories during 2006.

During 2007, Coca-Cola HBC intends to further enhance its compliance training by rolling out a module-based competition law e-learning tool that will enable employees to complete web-based competition law training.

**Responding to Consumers** A Consumer Response Information Service (CRIS) is operated either by Coca-Cola HBC or The Coca-Cola Company in each of the 28 countries where the Company operates. Consumer questions or feedback are handled through hotlines and websites, and this input is included in management information systems.

The Company respects consumer privacy and does not sell or trade data. Consumers are only contacted if they have given permission, which they may withdraw.



*A Consumer Response and Information Service operator talking with consumers at the Coca-Cola HBC offices in the Czech Republic.*

- 2007 Goals**
- Certify an additional four manufacturing sites to ISO 9001
  - Certify a further four market and distribution centres and four cold drink operations against 14001 certification
  - Conduct ISO 22000 training for all countries
  - Undertake initial auditing against the Coca-Cola HBC Supplier Guiding Principles

Coca-Cola HBC aims to provide challenging career development opportunities for its employees as the Company pursues its business strategy. Coca-Cola HBC is committed to providing its employees with a safe, healthy and inclusive workplace and competitive remuneration.

## 2006 in Brief

- 
- ▶ Workplace policies 80% implemented across operations
  - ▶ Achieved OHSAS 18001 certification of 22 bottling plants
  - ▶ 57% of workforce in collective agreements, including 31% union membership
  - ▶ Over 17 hours of training per employee in 2006
  - ▶ Group-wide engagement survey; follow-up action plans underway
  - ▶ CSR integrated into performance standards and leadership training

**A Changing Workforce** There was much change in the Coca-Cola HBC business in 2006 as the Company acquired new operations and restructured. By the end of the year, the Company employed 42,000 people<sup>1</sup>. This represents a net increase of 1,321 positions compared with 2005 and includes acquisitions, the creation of 2,690 new positions as well as 2,183 redundancies resulting from restructuring. In 2006 employee turnover was 18%, with higher turnover in developing and emerging economies than in developed regions.

Over three-quarters (34,000) of the Company's workforce are employed in emerging and developing economies, ranging from Nigeria to Russia. Wherever possible, the Company employs local managers. Where the right skills and experience are not yet available, Coca-Cola HBC places international managers in the post. Talented

<sup>1</sup> Full-time equivalents.

local employees are seconded on international assignments to gain new skills.

Temporary employees represent about 10% of the Company's workforce during the peak season of the summer months. This seasonality is becoming less pronounced as the Company's range of products broadens and consumer behaviour changes.

**A Fair Workplace** Coca-Cola HBC upholds the UN Universal Declaration of Human Rights. The Company's Human Rights Policy and Equality of Opportunity Policy commit all operations to maintain a positive and inclusive work environment in which employees are developed and rewarded in ways that are equal and fair.

The Company's Human Rights Policy (available online) explicitly prohibits child labour in Company workplaces, as well as those of the Company's suppliers. According to Human Rights Watch, child labour is not a major risk in most of Coca-Cola HBC's countries of operation. The Company nevertheless has procedures in place to verify the age of prospective employees.

Human rights training was integrated into the Company's senior management training programme in 2005. Since then, over 70 members of senior management have undergone this training. Human resources and employee relations managers are also trained in these policies, and they are widely communicated to employees through publications, notice boards and employee handbooks.

Formal, non-retaliatory grievance procedures are available for employees to report suspected violations of these policies. The Company investigates any such reported breaches. Additionally, monitoring is conducted through self-assessment and external audits.

**Coca-Cola HBC Italia - a Great Place to Work** The 2006 survey Best Companies to Work For ranked Coca-Cola HBC's Italian operations as one of the top 3 in Italy - up two places from 2005. In 2006, Coca-Cola HBC Italia was once again ranked as one of the 100 Best Workplaces in Europe. Conducted by the Great Place to Work Institute as part of its global surveys, the ranking is determined primarily on the basis of employees' responses to the Great Place to Work® Trust Index®.

The survey cites Coca-Cola HBC Italia's "wide variety of methods for promoting two-way communication between managers and employees" and its "flexible scheduling and proactive physical and mental health programmes". The survey states that "Company pride runs high thanks to strong values and progressive social policies".

In 2006, third-party audits together with The Coca-Cola Company continued to assess compliance with relevant ILO codes and internal workplace policies. Audits were undertaken in 12 plants in 2006, bringing the total to 25 since the programme began.

There were no breaches of these policies, and no violations of local equality legislation or litigation brought against Coca-Cola HBC workplace practices in 2006. The Company's operations had achieved an implementation rate of 80% for its workplace policies by the end of 2006. This was due to overlap or duplication with local legislation or existing human resource policies. The Company will work towards full compliance in 2007.

Operational responsibility lies with the Group Director for Human Resources for ensuring Coca-Cola HBC's compliance with these workplace policies.



**Complimenti a tutti noi!**

**Siamo un Great Place to Work**

Coca-Cola HBC Italia è il primo e unico produttore di bevande analcoliche in Italia, secondo di bevande analcoliche e primo di 1° posto della bevanda analcolica. La ricerca è stata realizzata dal Great Place to Work® Institute Italia, società di ricerca e consulenza specializzata in risorse umane. I dati sono a disposizione degli affiliai in tutto il mondo.



*An internal company poster congratulating employees after Coca-Cola HBC Italy were ranked as the third best place to work in Italy.*

**Employer Awards in 2006** Coca-Cola HBC continues to win awards for its workplace and for the opportunities it offers. In 2006 these recognitions included:

- **Italy** - Coca-Cola HBC was ranked one of the top 3 workplaces in Italy and one of the 100 Best Workplaces in Europe (see above).
- **Poland** - The annual Product of the Year survey of Polish students ranked Coca-Cola HBC as the best employer in 2006.
- **Ireland** - Business graduates voted the Company the most desirable place to work according to the European Student Barometer run by marketing research firm Trendence.
- **Croatia** - The Company was re-certified as Employer Partner, a certificate for excellence in Human Resources management by independent employment group Selectio.
- **Serbia** - Coca-Cola HBC was ranked 3rd place in the country and 1st place within the industry sector by Synovate, for the Company's positive external image and work opportunities it provides.
- **Ukraine** - The Company was voted no.3 in the "Companies that Inspire" survey of 300 Ukrainian managers by Companion Magazine and UPM research.



**A Safe and Healthy Workplace** Coca-Cola HBC aims to continually improve its health and safety performance and to eliminate fatalities in its workplace. The **Coca-Cola HBC Occupational Health and Safety Policy 18001 programme and system** forms part of the Company's integrated management and auditing systems<sup>2</sup>. Each Coca-Cola HBC site has an OHSAS 18001 implementation committee overseen by senior local management. Committees are responsible for implementing corrective action at their respective sites where performance falls short of the Coca-Cola HBC Occupational Health and Safety Standards and internal system compliance requirements.



*Regular safety training programmes are run in association with efforts to implement OHSAS 18001 throughout the Company.*

In 2006 a further 13 plants achieved full certification, rather than the targeted 18. This was due to a temporary suspension of the audit programme to focus on enhancing auditor competence and operational conformity across all territories. To support this process, the Company appointed a dedicated Group Occupational Health and Safety Manager to coordinate the programme and deliver sustainable and acceptable levels of OHSAS competence and performance throughout the Group.

There are now 22 certified facilities within the Group and a further 18 pre-certification audits were conducted. In 2007, 15 OHSAS 18001 certification audits are scheduled, as well as 24 pre-certification and system audits and 23 surveillance audits for re-evaluation. The target date for OHSAS 18001 certification of all plants has now been revised to 2009.

Coca-Cola HBC conducted regional meetings to strengthen management engagement in the Group occupational health and safety programme. These meetings focused on management responsibility and cross-functional objective setting.

The Company's **Occupational Health and Safety Policy** provides compliance standards through a central programme adapted at country level to include local requirements. Increasingly, this programme is being aligned with ILO standards and those of The Coca-Cola Company to allow greater transparency and accountability. Management-workforce safety committees exist in all facilities. Operational responsibility for the OH&S programme lies with the Group Director of Quality.

**Safety Performance** In 2006, very regrettably, the number of fatal accidents increased versus 2005. In 2006, 19<sup>3</sup> people lost their lives in the course of work. Of these, 15 resulted from road accidents: eight in Nigeria, three in Ukraine, two in Russia, one in Poland and one in Romania. Four further fatalities took place in Nigeria, three in on-site accidents and one in an armed robbery.

Any death in the course of work is unacceptable, but the increased number of fatalities in 2006, especially in road accidents, is cause for serious concern. Although it is not common reporting practice to include fatal road accidents, Coca-Cola HBC does so to increase transparency and accountability concerning its health and safety practices.

An emergency meeting of Group function heads for Quality, Risk Management, Human Resources and Supply Chain was convened in response to the increase in fatalities during 2006. It was determined that Coca-Cola HBC would embark on a concerted action plan to reduce the number of work related fatalities within the Group. Road infrastructure and enforcement of safety legislation remain a challenge in many Coca-Cola HBC countries of operation. In particular, Nigeria will receive an increased focus and a pilot defensive driver training scheme has been launched in the Lagos area. The Company appointed loss adjusters to independently investigate each fatal road accident so that lessons can be learned and corrective action taken.

In addition to fatalities in the course of work, a further four employees died in road accidents on their way to or from work travelling in private vehicles or on public transport. Although such accidents are not classed as work-related fatalities, Coca-Cola HBC has nevertheless always included them in its reporting. In 2007, Coca-Cola HBC will align itself

<sup>2</sup> Independent validation has ensured compliance with the OHSAS 18001 standard and European Union Directives on Occupational Health & Safety, as well as the International Labour Organisation (ILO) Guidelines on Occupational Health & Safety Management Systems.

<sup>3</sup> Includes both employees and contractors.



with peer companies which do not include these figures in their reporting.

The Company's accident reporting and data gathering system appears to be maturing. In 2006, there was an 8.2% decrease in major accidents<sup>4</sup>, a slight increase of 0.1% in minor lost-time accidents<sup>5</sup> and a 17.8% reduction in sickness absences compared to 2005.

### Addressing HIV-AIDS and Malaria in Nigeria

Coca-Cola HBC has prioritised HIV-AIDS and malaria for health intervention programmes in Nigeria. The Company provides HIV-AIDS education, counselling and treatment, including anti-retroviral drugs for employees and dependents.

By the end of 2006, 850 employees had taken up voluntary counselling and testing. In 2006, awareness activities were extended to 3,000 members of the Company's value chain: casual employees, product dealers, suppliers and contractors.

To help prevent malaria, Coca-Cola HBC operations continue to train employees to prevent and control the disease and insecticide-treated nets have been distributed to all employees for use at home. Almost 7,000 nets were distributed in 2006. The aim is to reduce malaria incidence among employees by 30% in 2007. By the end of 2006, there had been a 24% reduction as compared to prior year.



*Insecticide treated mosquito nets being distributed to employees at Asejire Plant in Nigeria.*

**Protecting Employee Health** Providing health education and other support is of benefit to the Company's employees and their families, as well as to the Company itself. Coca-Cola HBC provides education and support on health issues that are of concern to local employees. Coca-Cola HBC conducts HIV-AIDS awareness and prevention campaigns in accordance with the Company's HIV-AIDS Policy (available online) in countries where the disease poses a particular threat.

In Ukraine, the Company worked with NGO Transatlantic Partners Against AIDS (TPAA) in 2006 to train 40 senior and middle managers in how to address HIV-AIDS in the workplace. This marked the beginning of an employee awareness programme, and education sessions will be cascaded through all supervisory levels of the organisation in 2007.

In Nigeria, where there is a high HIV-AIDS incidence rate and treatment is not easily available, Coca-Cola HBC works with government agencies, NGOs and The Coca-Cola Company to provide anti-retroviral drugs. The Company also conducts malaria prevention programmes, as the disease is still a major public health concern there (see above).

In countries where obesity is a growing public health issue, the Company educates employees about the importance of physical activity and nutrition. In 2006, the Active Lifestyle programme conducted by the Company's Irish operations was commended for its "valuable and multi-faceted approach to health issues" by the Chambers Ireland President's Awards. New active lifestyle programmes were also launched in Hungary and Romania during the year.

**Employee and Industrial Relations** Coca-Cola HBC respects the right to freedom of association of its employees and consults with employees and their representatives. In 2006, 31% of Coca-Cola HBC employees were members of independent trade unions, and 57% of employees were covered by collective agreements.

At country level the Company consults with trade unions, where they exist, or with employee representative councils. At the European level, the Company consults with the Coca-Cola HBC European Works Council (EWC). The Coca-Cola HBC EWC is a joint mechanism for representatives of management and employees of the Company to inform and consult with each other on matters related in particular

<sup>4</sup> Resulting in more than 3 days absence

<sup>5</sup> More than 1 day but less than 3 days

to the Group structure, the economic, social and financial situation, the anticipated development of the business and substantial changes concerning the Group organisation. In 2006, 13 EU member countries were represented on the Coca-Cola HBC EWC. The Council will be further extended in 2007 to include Romania and Bulgaria now that they have joined the EU, as well as Cyprus, which became a Coca-Cola HBC territory in 2006.

The Company has a policy of communicating directly with its employees, whether a union exists or not. Coca-Cola HBC also consults with employees about major business developments, whether they choose to join trade unions or not. Where a union does not exist, the Company recommends the establishment of employee bodies for consultation.

During restructuring, the Company works with employees and their representatives to minimise job losses and agree appropriate compensation, outplacement and other support. The notice period given in relation to major restructuring depends on local legislation.

Company meets the accelerated need for current and future leadership across its business.

**Developing Employee Engagement** The Coca-Cola HBC Employee Engagement Survey is the key channel for employees to give confidential feedback on how the Company is delivering against its commitments regarding work environment, employee development, management style and quality of leadership.

In 2006, 79% of all employees participated in the survey, the highest rate to date. The results showed high scores for effort ("Being part of Coca-Cola HBC motivates me to go beyond what is expected") and advocacy ("I would recommend Coca-Cola HBC as a great place to work to my friends") but less so for retention ("I hardly ever think about working somewhere else"). Comparisons with a broad group of international companies underlined the need to address retention issues. Other areas identified for improvement include: accessibility of senior management, creating a more fun place to work, levels of trust and delivering on employee promises.

**Consulting on Restructuring Programmes** In Ireland, Coca-Cola HBC is currently undergoing a restructuring programme to ensure essential production capacity and future competitiveness.

In 2004 the Company consulted on the reasons for the proposed change with the Select Committee of the Coca-Cola HBC European Works Council. The European-level consultation was followed by local negotiations with employees and their representatives in Northern Ireland and the Republic of Ireland.

The outcome was an agreed social plan for displaced employees that included severance payments, financial advice, retraining and outplacement together with support for a community-led training initiative. This plan is being implemented on a phased basis and is expected to be finalised in 2008.

**Creating a Passion for Excellence** To help employees develop the skills and experience they need, Coca-Cola HBC continues to invest in training and development. In 2006, the Company provided 646,363 hours of formal training - on average 17 hours of training per employee. All employees from team leader upwards have an annual skills assessment and development plan.

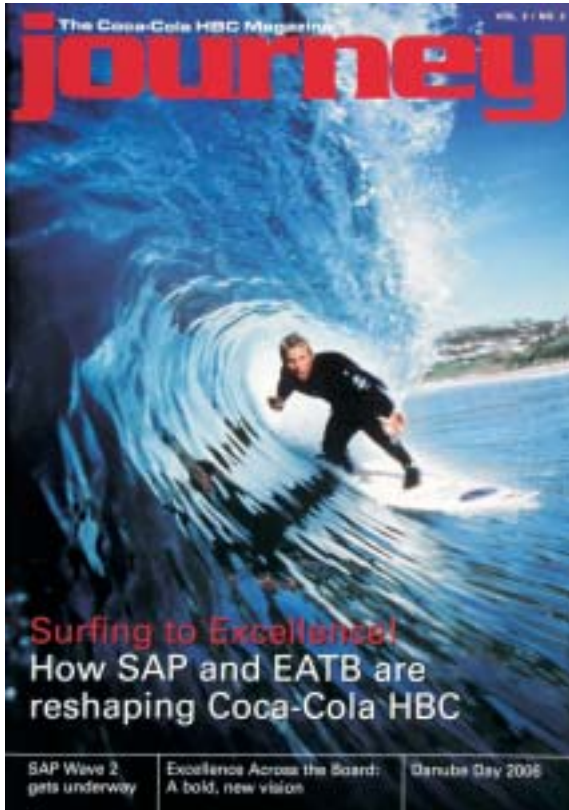
In 2006 Coca-Cola HBC implemented a comprehensive new leadership development programme. "A Passion to Lead" aims to develop a consistent quality of leadership among frontline managers. To date over 800 people have completed the training. In addition, a new Coca-Cola HBC leadership pipeline has been formulated to ensure that the

Follow-up activities and action plans were developed according to local needs and included informal opportunities to provide feedback to management, changes to work design and redesign of internal communications.

Lastly, after employees defined the employer brand of Coca-Cola HBC as an employer to be "a passion for excellence", this will form the basis of recruitment campaigns in future.

**Internal Communications** Group and country operations continue to increase ways of communicating with employees. TV on the GO, for example, is the new in-house television channel launched across the Group in 2006. Other ways used across the Group are open-door policies,

employee forums, regular informal meetings with Management, team briefings, confidential opinion surveys, intranet, local newsletters and a Group newsletter called Journey.



"Journey", the Coca-Cola HBC internal magazine is circulated widely to each of the 28 countries in the Coca-Cola HBC Group and to many Coca-Cola System offices and all continents.

**Diversity in the Workforce** Diversity is an integral part of Coca-Cola HBC, a Company that operates in 28 countries across Europe and Africa. The Board and Operating Committee alone comprise nine different nationalities, while the Athens Head Office employs over 20 different nationalities.

In 2006 female representation was slightly up; there was a 1% increase in women managers and in the workforce overall compared with the previous year. Women are still better represented in the Company's managerial ranks (24%) than in the workforce overall (17%), due largely to the physical nature of manufacturing and distribution. In the Company's head offices, women account for 27% of management, and 43% of the central office employees.

**Rewarding Performance** The Coca-Cola HBC Total Compensation Programme ensures that employees

are rewarded in a way that is equitable and competitive. In every country where minimum salaries are determined by law Coca-Cola HBC pays in excess of the minimum level of salary. The Company benchmarks compensation against other high-performing international companies and determines compensation consistently and fairly across Company operations.

The Company now includes CSR-related criteria when calculating variable compensation for almost all eligible managers. In 2006, the Company's total payroll including benefits was €830 million.

**Gold Award for Coca-Cola Life** Coca-Cola Life, the internal magazine for Northern Ireland, won a gold award in the 2006/7 Northern Ireland PRide Awards of the Chartered Institute of Public Relations. The publication was described by the judges as a "vibrant magazine that covers corporate social responsibility activity, celebrates success, communicates departmental activity and reflects the lives of the Company's valued employees". The gold award follows its silver win in 2005.



2007 Goals

- Reduce, and if possible eliminate, work-related fatalities
- Achieve OHSAS 18001 certification in 15 additional plants
- Achieve 100% implementation of Coca-Cola HBC workplace policies
- Implement action plans from Engagement Survey and repeat survey

# Environment

Coca-Cola HBC is committed to minimising its impact on the natural environment and to including environmental stewardship and sustainable development in business planning and decision-making. The Coca-Cola HBC Environmental Policy underpins these commitments.

## 2006 in Brief

- ▶ Environmental Policy updated in 2006
- ▶ ISO 14001 achieved in 59 plants, 81% of volume produced
- ▶ Water efficiency improved 8%
- ▶ Energy efficiency improved 6%
- ▶ Solid waste ratio reduced by 11%
- ▶ Waste recycling increased by 10%

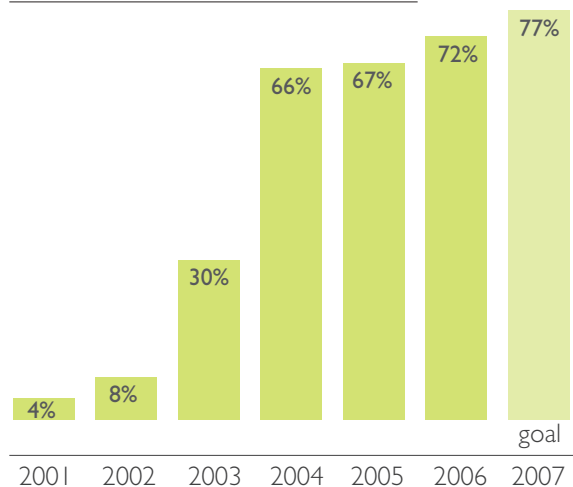
**Management System** Coca-Cola HBC has adopted the international environmental management system standard ISO 14001. By the end of 2006, the Company had achieved certification at 59 of its 81 bottling operations, representing 81% of produced volume.

In Nigeria, four plants implemented an environmental management system in 2006, aiming to reach ISO 14001 certification in 2007, one year later than targeted. Learning from these experiences, the remaining plants are developing their systems and are committed to reaching certification by 2008.

Work is underway on implementing ISO 14001 in the recently acquired mineral water and fruit juice operations. Newly acquired plants have a two-year period in which to achieve certification.

Coca-Cola HBC also follows the environmental component of **The Coca-Cola Quality System Evolution 3** (TCCQS E3 -

## Plants certified ISO 14001



see **Marketplace**), which is aligned to ISO 14001 and addresses issues specific to the beverage industry.

Every Coca-Cola HBC plant is internally and independently audited against ISO 14001 and TCCQS standards. Designated environmental coordinators at every site receive periodic training in environmental management systems and key issues. In 2006 training included implementation of the Waste Electrical and Electronic Equipment (WEEE) legislation.

**Managing Environmental Impacts** The Company focuses on addressing three top environmental priorities. These are:

- Improving water efficiency and treating wastewater
- Improving energy efficiency and reducing carbon emissions
- Reducing solid waste and increasing recycling

These agreed objectives reflect stakeholder dialogue, environmental analyses and certification requirements. The CSR Council has agreed key performance indicators for each topic and sets annual targets. It monitors performance on a quarterly basis. Bottling plants also report annually on all their

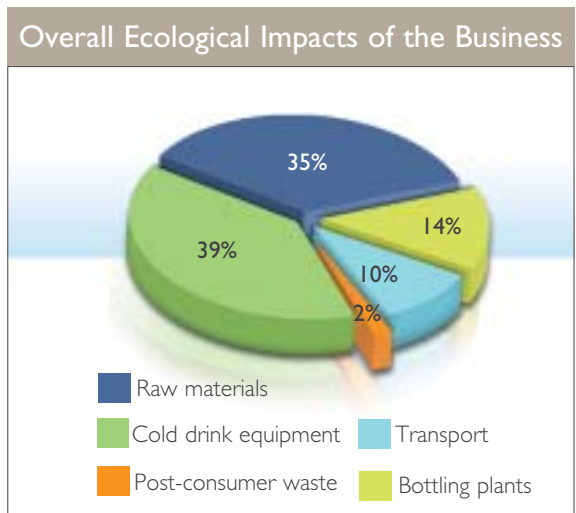


significant impacts, including raw materials, fleet and transportation, cold drink equipment and legal compliance.

Coca-Cola HBC's water and energy efficiency have improved every year since 2002. Since then, the Company's water efficiency has improved 18%, while its energy efficiency has improved 21%. Waste generation has decreased by 8% and waste recycling in bottling plants has improved by 35%. Performance data for 2006 is reported in the following sections.

**Environmental Footprint** Every year, Coca-Cola HBC undertakes ecological analyses of its global environmental impacts (see chart below). In 2006, bottling plants represented 14% and transportation 10% of the Company's environmental impacts, consistent with previous years. With Coca-Cola HBC's own operations accounting for only one-quarter of the total, the greatest impacts were identified further along the supply chain.

Electricity usage by cold drink equipment in the marketplace accounts for 39% of the Company's impact, up from 36% in 2005 due to the rise in cooler numbers. This increase underscores the importance of the Company's investment in developing more energy-efficient coolers (see p.34). Upstream production and transportation of ingredients and packaging make up a further 34%. Coca-Cola HBC continues to work on reducing these impacts, by reducing the amount of packaging materials used and increasing the use of local beet sugar in Russia.



**Compliance** The Coca-Cola HBC management system requires the Company to adhere to applicable environmental laws and regulations and to audit compliance. In 2006, the Company received 12 notices of violations and four fines totalling €4,304.

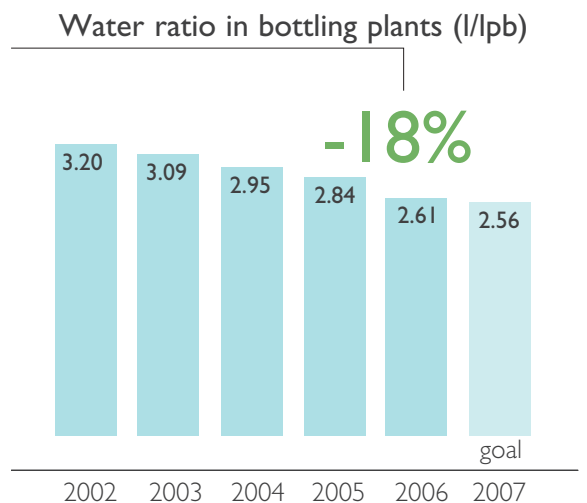
In advance of the EU Waste Electrical and Electronic Equipment Directive being transposed into national legislation, Coca-Cola HBC conducted a thorough review of what the company needed to do to achieve compliance. The Company has put in place systems to fulfil the requirements by the end of 2007.

**Accountability** Operational responsibility for environmental performance lies with the Company's Social Responsibility Council. Coca-Cola HBC currently chairs the Coca-Cola Environment Council, which also includes The Coca-Cola Company and other major bottling partners. This body develops the environmental components of The Coca-Cola Quality System, environmental strategy, standards and measures.

**Water Stewardship** Recognising that water availability, quality and conservation are vital to the Company's future success, Coca-Cola HBC established a water risk team in 2006. Led by a newly appointed water risk manager, this team is responsible for analysing and mitigating risk related to water usage by the Company's bottling plants. Water conservation and re-use programmes are now active in all countries of operation.

In 2006, Coca-Cola HBC used 2.61 litres of water for each litre of produced beverage (l/lpb), an 8% improvement in water use efficiency compared with the previous year. In 2007, the target is to improve its average water use ratio by 2% compared to 2006.

Coca-Cola HBC operations used 25,800 million litres of water in 2006. Dedicated wells are the source of 53% of the Company's water, while the remaining 47% of water supplies comes from general municipal sources.



**Treating Wastewater** The Coca-Cola Company Standard on Wastewater Quality mandates that wastewater can only be returned to the natural environment if it is treated appropriately. It must be neutralised and then either treated on-site or discharged into public or private sewage systems that comply with local legislation and The Coca-Cola Company Standard.

At the end of 2006, 70 Coca-Cola HBC plants, representing 94% of produced volume, complied with this standard, mostly through the construction of on-site wastewater treatment plants. In Nigeria, the Company commissioned two more treatment plants during 2006, bringing the country total to six. Construction of wastewater treatment plants at all Company bottling plants is scheduled for completion in 2008.

At the Apapa plant in Lagos during 2006, the Company worked to address concerns raised by local fishermen about excessive pollution of the drainage canal adjacent to the bottling plant. Following an independent environmental analysis by Enville Consultants of Lagos, corroborated by the Nigerian Conservation Foundation, it was demonstrated that human, household and industrial waste discharged upstream rendered the waters lifeless before the canal reaches the Company's facility.



Thirty officials and government representatives examining the fish in the treated wastewater pond while attending an environmental seminar at Coca-Cola HBC Ukraine.

Coca-Cola HBC has held discussions with the Apapa fishermen on action to restore marine life to the waterway.

During the year, Coca-Cola HBC bottling plants discharged 14,850 million litres of production wastewater. Diluted residues from cleaning and disinfecting and, to a lesser extent, beverage residues and sanitary wastewater, are the main substances in the Company's wastewater. They are generally biodegradable when treated and are similar to household effluents. In 2006 the total wastewater ratio was 1.71 litres of wastewater per litre of produced beverage. This represents a 12% improvement compared to 2005. The target for 2007 is to further reduce wastewater volume by 3%.

**Energy and Climate Change** Coca-Cola HBC recognises that climate change, induced by rising atmospheric carbon dioxide (CO<sub>2</sub>) levels, poses one of the greatest challenges to mankind today. Aware of the risks to the environment, society and business, the Company follows the precautionary principle and is committed to minimising its emissions of greenhouse gases.

Over 97% of Coca-Cola HBC's carbon emissions are due to energy consumption. Yet as a growing business, the Company's energy requirements are likely to continue to increase. As a result, Coca-Cola HBC is working to improve the efficiency with which it uses energy and seeks to replace traditional with alternative sources of energy where feasible. The Company already fulfils the new climate change criteria of the FTSE4Good Index for medium and high impact industries which must be achieved by 1 January 2009.

Coca-Cola HBC emits CO<sub>2</sub> and other gases to the atmosphere from several sources:

- **Bottling plants:** Air emissions resulting from consumption of fuels and electricity
- **Transportation:** Air emissions resulting from fuel consumption
- **Cold drink equipment:** Air emissions resulting from electricity consumption and losses of refrigeration gases

The Company's CO<sub>2</sub> emissions are reported in accordance with the Global Greenhouse Gas (GHG) Register. Complete emissions data can be found in the 2006 Environmental Data Table (p.40). There are no significant emissions of toxic substances from the Company's operations.

In 2006, Coca-Cola HBC direct emissions of greenhouse gases were equivalent to 866,000 tonnes of CO<sub>2</sub> or 87.7 grams

### Pioneering Tri-generation Power

The first combined heat and power system in the European beverage industry was inaugurated in March 2006 at Coca-Cola HBC's plant in Dunaharaszti, Hungary. The system uses a single source of natural gas to provide heating, electrical power and cooling through linked processes.

In practice, this system has proved to save almost 10,000 tonnes of CO<sub>2</sub> emissions each year, more than anticipated. Coca-Cola HBC has identified 14 other potential sites and is working to implement similar solutions.



per litre of produced beverage. This represents an 8% improvement in energy efficiency over 2005 and includes emissions from bottling plants, fleet, CO<sub>2</sub> used in carbonation and coolants from cold drink equipment.

**Energy Efficiency in Bottling Plants** In 2006, Coca-Cola HBC achieved a 6.4% improvement in energy efficiency – a figure that rises to 21% when compared with 2002. The Company used 0.65 megajoules per litre of produced beverage (MJ/lpb).

CO <sub>2</sub> emissions from Coca-Cola HBC in 2006		Scope as per GHG Protocol	
	Tonnes	%	
Fossil fuels in bottling plants	209,998	7.8%	Scope 1: direct emissions
Electricity use in bottling plants	328,475	12.3%	Scope 2: emissions from electricity use
<b>Total bottling plants</b>	<b>538,473</b>	<b>20.1%</b>	
Fuels in own fleet	207,880	7.8%	Scope 1: direct emissions
Fuel use in 3rd-party fleet	51,381	1.9%	Scope 3: emissions from third-parties
Central office corporate flights	2,024	0.1%	Scope 3: emissions from third-parties
<b>Total transports</b>	<b>261,284</b>	<b>9.8%</b>	
Coolants from CDE	24,901	0.9%	Scope 1: direct emissions
Electricity for CDE	1,758,782	65.7%	Scope 3: emissions from services
<b>Total CDE</b>	<b>1,783,683</b>	<b>66.6%</b>	
Product carbonation	95,006	3.5%	Scope 1: direct emissions
<b>TOTAL</b>	<b>2,676,423</b>	<b>100.0%</b>	

Scope 1 ■, 2 ■ and 3 ■ CDE: Cold Drink Equipment

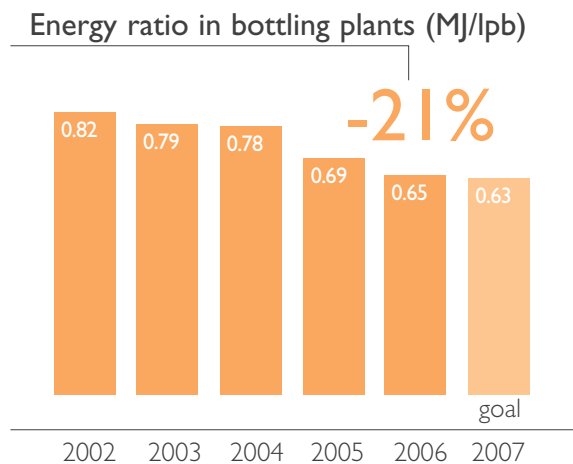
In all of these areas, programmes are underway to increase energy efficiency and to minimise atmospheric emissions, as described below. Coca-Cola HBC has started to address corporate air travel, the most significant source of CO<sub>2</sub> emissions from its corporate headquarters.

In total, 6,480 million megajoules were used to power the Company's manufacturing plants in 2006. This resulted in emissions of 538,000 tonnes of CO<sub>2</sub>, or 54.5 grams per litre of finished beverage, down 7% from 2005. Of the energy used by plants, 39% came from electricity, 34% from natural gas, 17% from light fuel oil, 3% from heavy fuel oil and 7% came from other sources such as propane and steam. Where available and economically viable, renewable energy sources are used. In 2006 renewable energy represented 20% of the electricity and 8% of total energy used by Coca-Cola HBC.

The new tri-generation plant in Hungary (see above) reduced carbon emissions by approximately 10,000 tonnes in 2006. This successful pilot will be replicated in other bottling plants over the coming years wherever technically feasible and economically viable. Renewable energy projects are also being studied to further reduce CO<sub>2</sub> emissions.

# Environment

Energy-saving projects are being implemented in an increasing number of plants. A 2% improvement in plant energy efficiency is targeted for 2007.



## Saving Fuel in Transport and Distribution

Coca-Cola HBC's vehicle fleet consists of 16,540 trucks, vans and cars. In 2006, these consumed 78.4 million litres of petrol and diesel, representing an estimated 208,000 tonnes of CO<sub>2</sub> - almost the same amount as in 2005 despite an increase of 2,200 vehicles<sup>1</sup>.

Operations are increasingly implementing fuel-saving projects and activities in response to efforts to reduce rising energy costs and environmental impacts. A Group Fleet Manager was appointed in 2006 to implement a Company-wide fleet strategy and policies in addition to the existing fleet management standard of The Coca-Cola Company.

**Climate-friendly Refrigeration** More than 1,120,000 refrigerators, 73,000 vending machines and 42,000 fountains have been placed on customer premises so that they can sell chilled beverages. Since customers operate this cold drink equipment under varying conditions, the Company can only estimate energy use and emissions. In 2006, Coca-Cola HBC estimates that this equipment produced the equivalent of approximately 1.76 million tonnes of CO<sub>2</sub>.

The bulk of this - 98% - is attributable to energy use. In 2006, this was estimated to be 12,800 million MJ, equivalent to 1,725,000 tonnes of CO<sub>2</sub><sup>2</sup>. The remaining 2% is due to refrigeration gases - mostly HFCs such as R134a.

<sup>1</sup> Approximately half of Coca-Cola HBC products are delivered by third-party carriers, but as they transport other goods at the same time, it is not yet possible to calculate the fuel used to deliver Coca-Cola HBC products.

Coca-Cola HBC is reducing the greenhouse effect of its cold drink equipment in the following ways:

- HFC-containing insulation foam has been banned from new coolers since 1 January 2006.
- Energy-savings devices will be installed in new large coolers where appropriate<sup>3</sup>.
  - As of 1 January 2007, most large coolers purchased have a built-in energy-saving device, the EMS-55. This allows savings of electricity and resulting CO<sub>2</sub> emissions of 20-35%. In 2007, Coca-Cola HBC plans to purchase 24,000 coolers with the EMS-55 system.
  - A second-generation energy-saving device which can be used economically in any cooler is being developed by The Coca-Cola Company.
- New coolers with a more energy-efficient design have been developed with a key supplier and will be commercially available in all sizes from 2008.

Coca-Cola HBC has not purchased CFC-containing units since 1994 and has conducted a capture and recovery programme for all coolers containing CFCs since then. By the end of 2006, only 3.6% (46,000) of the Company's cooling units contained CFCs, down from 60,000 in 2005. The phase-out will be 98% complete by the end of 2007.



Energy saving devices for cooling equipment like this EMS-55 unit record events such as passing consumer traffic, door opening frequency and store downtime then adjust compressor and light usage accordingly. From 1 January 2007, these devices are being installed in refrigeration equipment.

<sup>2</sup> These emissions count towards Scope 3 emissions as defined by the Greenhouse Gas Protocol.

<sup>3</sup> In six countries, tests have shown that user education is required to achieve optimal efficiency.





Coca-Cola HBC is funding over 100 solar greenhouses in Ladakh in the Himalayas through its offsetting scheme. These will help communities grow vegetables rather than fly in supplies in winter when the region is inaccessible by road.

**Reducing Carbon Emissions from Corporate Headquarters** Air freight is not used for any ingredients, packaging or for transporting finished beverages unless in exceptional circumstances. Nevertheless, business flights by Coca-Cola HBC management amounted to 15.5 million kilometres in 2006, resulting in CO<sub>2</sub> emissions of 2,000 tonnes.

While this business travel represents only 0.1% of Coca-Cola HBC's total emissions, the Company's Management is addressing this issue to raise internal awareness of the Company's climate change strategy and to demonstrate the need for involvement of all employees.

Employees are encouraged to use alternative forms of communication or travel such as video conferences or internet document sharing systems. Where flights are necessary, Coca-Cola HBC offsets the resulting CO<sub>2</sub> emissions, making their flights carbon neutral. From 1 January 2007, an internal "carbon tax" of 1% is added to the cost of each flight and 2006 flights have been retroactively compensated by funding carbon reduction projects.

The offsetting projects funded by Coca-Cola HBC not only lead to a direct reduction of global CO<sub>2</sub> emissions, but also help the sustainable development of local communities in developing countries.

They are set up by the non-profit myclimate foundation, a leading provider of carbon offsetting, and are verified independently. Projects supported include:

- solar greenhouses in the remote mountainous region of Ladakh to allow villagers to grow vegetables instead of flying them in at high financial and environmental cost
- small hydropower plants in the Himalayas to replace dirty diesel generators
- wind turbines to replace coal-fired power plants in India
- locally manufactured high-efficiency stoves to reduce charcoal use in rural Cambodia



**Waste and Recycling** Coca-Cola HBC aims to conserve natural resources by reducing the use of raw materials and by recycling and recovering materials that would otherwise be landfilled.

The Company generates two different types of waste - manufacturing waste in its bottling plants and packaging waste in the marketplace. Coca-Cola HBC works to achieve the following:

- **Production waste:** To reduce raw materials used, minimise solid waste generated and increase recycling within bottling plants
- **Packaging waste:** To set up collection, recycling and recovery organisations in partnership with industry, governments and civil society

**Minimising Raw Materials** Coca-Cola HBC purchases approximately 1.63 million tonnes<sup>4</sup> of raw materials each year. This figure includes:

- ingredients, such as CO<sub>2</sub>, sugar, fruit, plant extracts
- packaging, such as glass, aluminium, polyethylene terephthalate (PET)
- auxiliary materials, such as cleaning products

Coca-Cola HBC collaborates with suppliers to reduce the environmental impacts of these raw materials. New initiatives were taken to reduce the amount of raw materials used in beverage containers. In 2006, the ultra light-weight bottle, which results in a 33% reduction in glass use, was introduced in the Baltics, Bulgaria, Romania, Croatia and Bosnia.

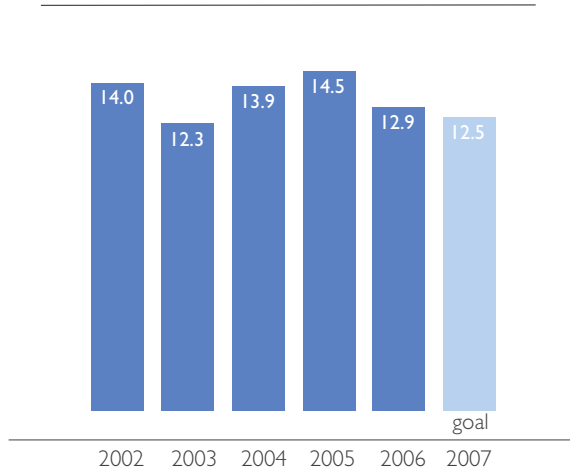
<sup>4</sup> A breakdown can be found in the Environmental Data Table

# Environment

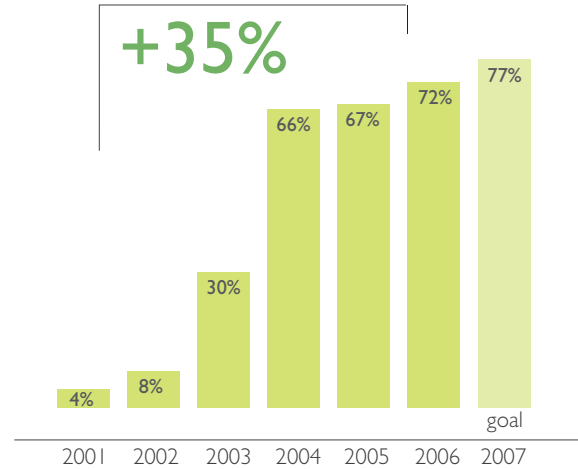
Recycled material is increasingly being used in the beverage packaging that Coca-Cola HBC produces in Switzerland, Austria, the Czech Republic and Hungary. In 2006, Coca-Cola HBC was able to include up to 50% recycled content in some PET bottles, compared with 30% in 2005. Working with other industry partners, the Company's Austrian operations helped create Europe's first industry-owned PET Bottle-to-Bottle recycling plant (see p.38).

**Reducing Plant Waste** Coca-Cola HBC operations produced 127,500 tonnes of solid waste in 2006. This is equivalent to 12.9 grams of solid waste for every litre of produced beverage and represents an 11% improvement over 2005. The recycling and recovery rate for solid waste rose to 77% compared with 71% in 2005. The goal for 2007 is to reduce overall solid waste production by 3% compared with 2006 and to recycle 78% of all waste generated.

Waste ratio in bottling plants (g/lpb)



Waste recycling in bottling plants



**Ireland Reaches National Recycling Target Eight Years Ahead of Schedule** The national recycling rate in Ireland is now 35% - the EU target for Ireland for 2013, according to the Irish Environmental Protection Agency's latest national waste report.



Don Doherty, Coca-Cola HBC, Ireland receiving Best Environment Based CSR award from Chambers Ireland President's Award.

Recovery and recycling of packaging waste is particularly strong. While only 14% of packaging was recovered in 1998, this has climbed to 60%, a six-fold increase - reaching the EU target for 2011 six years ahead of schedule.

"A key to sustainable development is decoupling economic growth and environmental degradation and this is being achieved when it comes to waste," said Dick Roche, TD, Minister for the Environment, Heritage and Local Government.

In 2006 Coca-Cola HBC's Irish operations won the Chambers Ireland President's Award for their successful waste minimisation and elimination programme. A packaging waste recycling rate of 95% has been achieved due to waste segregation, collection and recycling. Not only is recycling applied to manufacturing and distribution departments but all office staff are involved in source separation and recycling of internally generated waste.

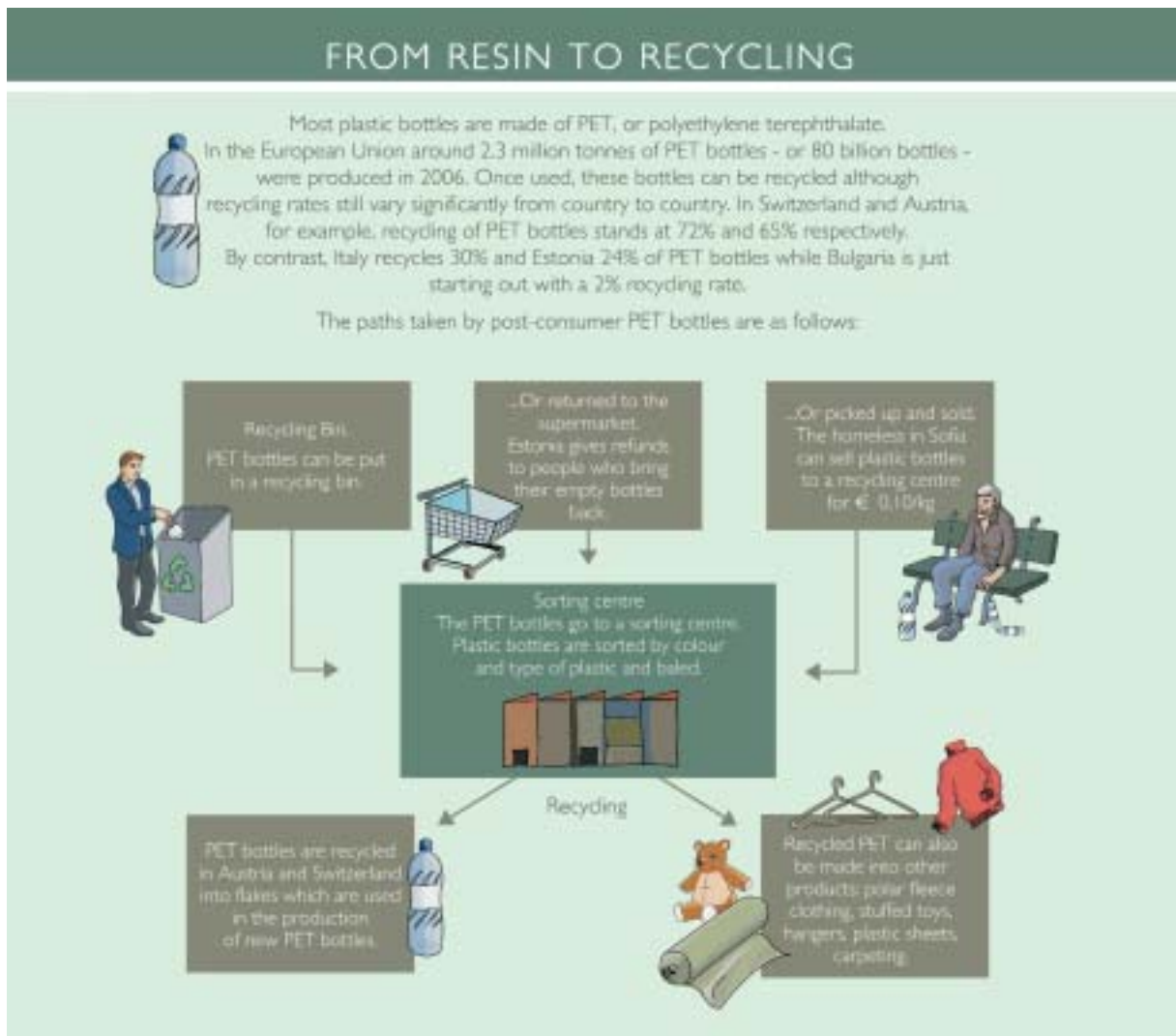
In 2006, the European Union (EU) Directive on Waste Electrical and Electronic Equipment (WEEE) was translated into national legislation. This makes producers and importers responsible for taking back and recycling electrical and electronic equipment. Since Coca-Cola HBC imports coolers and vending machines, it must comply with national WEEE legislation in EU countries in which it operates. The Company is working towards group compliance by the end of 2007.

**Recycling Post-Consumer Waste** To ensure that its beverage packages are recycled after use, Coca-Cola HBC supports recycling and recovery programmes in every country in which it operates. In many cases, the Company has helped to set up such organisations. Coca-Cola HBC co-owns 17 recycling and recovery organisations in European countries, while in Nigeria the Company helped to establish two PET collection centres. Coca-Cola HBC also

helped to set up and manage 12 packaging associations, including new bodies in Russia and Serbia, to assist in the implementation of post-consumer packaging solutions.

Beverage packaging consists mostly of PET plastic, aluminium, glass and corrugated materials, which are all recyclable. Up to 50% of beverage packaging put into the marketplace is recycled. Although it is impossible to determine what proportion of the beverage containers recycled are those of Coca-Cola HBC, based on its share of sales, the Company paid over €34 million to national recovery organisations for collection, recovery and recycling in 2006.

In December 2006 the European Commission confirmed that packaging and packaging waste targets had been met in all EU countries in which Coca-Cola HBC operates. Achieving these targets saves an annual 25 million tonnes of CO<sub>2</sub> equivalents.



**New Austrian Bottle-to-Bottle PET Plant** Plastic and PET have been collected and recycled in part since 1993 by the Austrian Recovery Scheme, ARA, that Coca-Cola HBC co-owns. The PET flakes were not used to produce new bottles at first, but were used for other products, such as textiles (see diagram p.37).

So as to use recycled PET in new bottles, Coca-Cola HBC led the establishment of the first industry-owned Bottle-to-Bottle recycling plant in Europe. Opened in 2006, PET-to-PET Recycling Austria GmbH is entirely financed by the Austrian beverage industry.

The plant has access to an initial 13,900 tonnes of compacted and baled PET bottles each year. The process uses the patented United Resource Recovery Corporation (URRC) method to ensure the highest food quality. The collected PET is recycled into flakes which can then be made into new bottles, thereby closing the loop. New PET bottles in Austria will in future include up to 30% recycled content.



*"This demonstrates perfectly what a successful environmental policy should look like. It is the perfect solution for the environment, economy and consumer!"*  
Josef Proll, Minister of Agriculture, Forestry, Environment and Water Management, Austria.

Although recycled PET is in great demand for use by other industries the beverage industry still uses a limited amount in its packaging. Coca-Cola HBC is working to close the loop, helping to direct recycled PET into production of new beverage packages. The Company was the co-founder of PET-to-PET Recycling Austria GmbH, a facility that converts recycled PET into new beverage bottles (see above). Coca-Cola HBC is investigating solutions for closing the PET bottle loop in other countries as well.

The Company also supports public education to encourage collection and recycling. Between 1999 and 2006, the collection rate in the Czech Republic increased from zero

to an annual 50 kg per person due to the work of Ekokom, the national recycling organisation of which Coca-Cola HBC is a member. In 2006 Coca-Cola HBC launched a new education initiative on PET recycling in Russia called "The Second Life of Packaging" at the Packaging Museum and will host regional exhibitions in locations of all 11 plants by 2008.

Litter is waste in the wrong place and creates an eyesore. Coca-Cola HBC supports anti-littering campaigns in every country and places the Tidy Man and Recycle symbols on products. The Company also supports environmental education and clean-ups of beaches, parks and forests (see **Community**).



## Biodiversity

### Supporting Biodiversity in Serbia

The Serbian mineral water operation, aware of its responsibility to preserve the natural environment, has installed its own wastewater treatment plant.

This wastewater treatment unit includes a series of lagoons of decreasing organic load and increasing biological diversity, starting with the primary aerator tank (green tank in photo).

The last and largest tank has a considerable richness of species and hosts a variety of native amphibia, fish, damselflies and other wildlife.

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.

The Company's soft drink manufacturing is mostly located in existing industrial or mixed vicinities with no major impact on biodiversity. Some mineral water plants are located in mountainous or wooded areas. These plants are highly conscious of protecting their surroundings since conservation of their water source is essential to their business. For Coca-Cola HBC support to biodiversity conservation projects, see the Community chapter.



### 2007 Goals

- Reduce water use ratio (l/lpb) in bottling plants by 2%
- Reduce energy consumption ratio (MJ/lpb) in bottling plants by 2%
- Reduce solid waste ratio (g/lpb) in bottling plants by 3%
- Increase waste recycling in bottling plants by 1%
- Construct three new wastewater treatment plants in Nigeria, one in Europe
- Gain ISO 14001 certification of all bottling plants (excluding new acquisitions) by end 2008

# Environmental Data Table 2006

GRI category		Indicator	Total Amount 2006	Relative Amount 2006
old G2	new G3			
		<b>Production</b>	million litres	
		total beverage production	9,877	
<b>MATERIALS</b>				
EN1	EN1	<b>Materials used</b>	<b>tons</b>	<b>g/lpb</b>
		Sugar and fructose syrup	708,361	71.7
		Concentrate	50,703	5.1
		PET (bottles)	223,163	22.6
		Plastic (closures)	27,793	2.8
		Metal (crowns)	11,193	1.1
		PE (labels and stretch / shrink film)	34,069	3.4
		Glass	100,143	10.1
		Aluminium	30,609	3.1
		Paper (labels)	3,099	0.3
		Cardboard	55,070	5.6
		Wood	125,153	12.7
EN2	EN2	<b>Percentage of materials from recycled sources</b>	see CSR Report pp 35-36	
<b>ENERGY</b>				
			<b>million MJ</b>	<b>MJ/lpb</b>
EN3	EN3	<b>Direct energy use</b>	<b>9,969</b>	<b>1.01</b>
		Electricity	2,547	0.26
		Light heating oil	1,094	0.11
		Heavy heating oil	161	0.02
		Natural gas	2,190	0.22
		LPG	158	0.02
		Others in plants (steam, district heating)	333	0.03
		Diesel	2,096	0.21
		Petrol	717	0.07
		Estimated diesel in leased and 3rd-party fleet	674	0.07
EN4	EN4	<b>Indirect energy use (primary energy use)</b>		
		Electricity	7,386	0.75
		Fossil fuels	1,604	0.16
		<b>Energy use of Cold Drink Equipment</b>	(million MJ)	
		Total cooling equipment electricity consumption	13,170	
		Coolers	11,793	
		Vendors	912	
		Fountains	465	
EN17	EN5	Energy saved in bottling plants (vs. Baseline)	450	-6.5%
EN17	EN6	Initiatives for energy efficiency and renewable energies	see CSR Report pp 32-35	
EN17	EN7	Initiatives to reduce indirect energy consumption	see CSR Report p 33	
<b>WATER</b>				
			<b>million litres</b>	<b>l/lpb</b>
EN5	EN8	<b>Total water use</b>	<b>25,827</b>	<b>2.61</b>
		Water withdrawal by source (% from municipal sources)	53%	
EN20	EN9	Water habitats affected by withdrawal of water	none	
EN22	EN10	Total recycling and reuse of water	1,374	0.1
<b>BIODIVERSITY</b>				
			<b>ha</b>	
EN23	-	Total amount of land owned	778	
EN6	EN11	Land owned in protected habitats	none	
EN7	EN12	Major Impacts on biodiversity	none	
EN26	EN14	Changes to natural habitats resulting from operations	none	
EN27	EN13	Programmes to protect habitats	see CSR Report pp 43-47	
EN28	EN15	Red List species with habitats affected by operations	none	

GRI category		Indicator	Total Amount 2006	Relative Amount 2006
old G2	new G3			
		Production total beverage production	million litres 9,877	
<b>EMISSIONS, EFFLUENTS AND WASTE</b>				
<b>Greenhouse gas emissions</b>			<b>tonnes</b>	<b>g/lpb</b>
EN8	EN16	CO <sub>2</sub> emissions, direct (plants and fleet)	417,877	42.31
EN8	EN17	CO <sub>2</sub> emissions, indirect (electricity)	328,475	33.26
EN8	EN16	HFC emissions	12,22	0.001
EN8	EN16	CO <sub>2</sub> for product carbonation	100,380	10.16
EN8	EN17	CO <sub>2</sub> from cold drink equipment	1,783,683	180.59
EN18		Programmes to reduce greenhouse gas emissions	see CSR Report pp 32-34	
EN9	EN19	<b>Ozone-depleting substance emissions</b>		
		CFCs and HCFCs (kg)	0.76	<0.001
EN10	EN20	<b>Other significant air emissions</b>		
		NO <sub>x</sub>	3,04	0.3
		SO <sub>2</sub>	0,5	0.05
		Particulate Matter	0,5	0.05
EN11	EN22	<b>Amount of solid waste</b>	see CSR Report pp 35-37	
		Total amount	127,531	12.9
		Recycling and energy recovery	97,805	77%
		<b>Hazardous waste</b>		
EN31	EN24	Hazardous waste generated	1,996	0.2
		<b>Discharges to water</b>		
EN12	EN21	Quantity of waste water (million m <sup>3</sup> )	14,849	1.7 l/lpb
EN21		Average chemical oxygen demand (CO <sub>2</sub> )	156,8	
EN32	EN25	Water habitats affected by water discharges	4	
EN13	EN23	<b>Spills of chemicals, oils, fuels</b>	57	0.01 g/lpb
<b>PRODUCTS AND SERVICES</b>				
EN14	EN26	Significant environmental impacts	see CSR Report p.39	
EN15	EN27	Percentage reclaimable products		
		Rate of returnable packaging	28%, see CSR Report pp 37-38	
		Possible rate of packaging recycling	see CSR Report pp 37-38	
		Achieved rate of packaging recycling	see CSR Report pp 37-38	
EN	EN	<b>COMPLIANCE</b>		
EN16	EN28	Incidents and fines	12+4	
<b>TRANSPORT</b>				
EN34	EN29	Environmental impacts of transport	see CSR Report p. 34	
		Number of vehicles	16,732	
		Fuel consumption (litres)	78,357,087	7.9 ml/lpb
<b>EXPENDITURES</b>				
EN30		Total environmental expenditures	Not Calculated	




# Community

In the communities and countries where it does business, Coca-Cola HBC aims to bring benefits. The Company's operations bring economic benefits in the form of salaries, tax revenues and other indirect benefits, as well as investments in social and environmental projects. Building and maintaining trust of those with whom the Company interacts is a requirement of continued success.

## 2006 in Brief

- ▶ €102 million of income taxes paid in 2006
- ▶ €830 million paid to employees
- ▶ Over €3,100 million paid to suppliers
- ▶ Over €5 million invested in community programmes
- ▶ Flagship Green Danube programme active in 8 countries



**Creating Economic Value** Coca-Cola HBC generates economic value by employing 42,000 people and supporting up to ten times<sup>1</sup> that number of jobs among its suppliers and customers. In addition, the Company makes tax payments to governments, supports community investment programmes and pays dividends to shareholders

During 2006, Coca-Cola HBC paid:

- €102 million<sup>2</sup> in income taxes
- €830 million in salaries and benefits
- €3.1 billion to suppliers of ingredients, packaging and services.

The Company's operations generate indirect benefits in host communities. Coca-Cola HBC is a major investor in the countries and communities where it operates, serving as a bellwether for potential investors. The Company also brings new technology into these communities. In Romania, for example, the Company's new aseptic line producing juices and teas in safe and hygienic conditions is the first in the country's beverage industry and is demonstrated to government agencies and peer companies. Similarly, the Company's wastewater treatment plant in Serbia was among the first in the country, and the Company plans to host visits from industry, government and NGOs.

**Community Engagement** Coca-Cola HBC engages in dialogue with local community leaders, government agencies, business alliances and NGOs to understand local concerns and identify ways the Company can contribute.

In Romania, Coca-Cola HBC consults extensively with the community around Vatra Dornei, where the Company bottles its mineral water, to determine how it can best support its social development and environmental protection. As a result, the Company has renovated 19 schools in the surrounding Suceava county, upgrading heating systems, building annexes, installing new furniture and providing a computer laboratory. In 2007, the Company plans to work with local authorities to provide local water supplies and repair the access road to the community.

Many Coca-Cola HBC country operations<sup>3</sup> hold open days in bottling plants or offer tours for community groups, regulators, students and NGOs. In Italy, more than 11,000 people visited the Company's plants in 2006, including government agencies, students and community organisations. Plant visits include discussion of the Company's environmental practices.

<sup>1</sup> The average figure based on economic impact studies of the Coca-Cola business conducted in countries around the world, including Eastern European countries.

<sup>2</sup> This figure does not include additional tax charges arising from employee income, sales, customs duties, municipal charges, rates and levies.

<sup>3</sup> Where safety and logistical factors permit.



**Top Company in Romania** The Romanian Chamber of Commerce and Industry awarded Coca-Cola HBC Romania first place in the Top Companies Nationwide in 2006, as well as first place in the Top Companies in Bucharest and a Trophy for Excellence. The award, the most prestigious for Romanian companies, recognised the Company's contributions to the country's economy as well as its human resources, quality and safety systems. Over 530,000 companies entered the awards.

countries of operation, the Company sponsors hundreds of projects. The main causes supported are:

- Water and environment
- Sports and physical activity
- Youth development

Where there is an urgent need, the Company provides emergency relief.

A list of projects by country will be made available on the Coca-Cola HBC website in 2007.

**Community Investment Programmes** In conjunction with government agencies, NGOs and other partners, Coca-Cola HBC supports community investment programmes. The Company contributed over €5 million<sup>4</sup> to these programmes in 2006, including cash and in-kind donations, but excluding commercial initiatives and staff time. Coca-Cola HBC also encourages fundraising, payroll-giving and employee volunteerism, relatively new concepts in some countries. In Serbia, over 10% of employees belong to the Coca-Cola Volunteers Club, participating in flood relief, Special Olympics programmes, Danube riverbank clean-ups and other activities.

Coca-Cola HBC identifies projects to support through local consultation and partnerships. Across the Company's 28



*Company volunteers participate in clean-up campaigns in many locations refurbishing parks, riversides and public amenities. Here, a group of people in Romania cleans up a public park.*



<sup>4</sup> This figure is calculated using the Business in the Community (BITC) Percent Standard, a voluntary benchmark.

## Green Danube Partnership

The flagship programme of Coca-Cola HBC, the Green Danube Partnership aims to promote awareness of the environmental challenges facing the river and to support conservation measures. Conducted with the International Commission for the Protection of the Danube River (ICPDR) and The Coca-Cola Company, the Green Danube programme was extended in 2006 to Ukraine, Austria and Moldova. The programme is already active in Serbia, Hungary, Romania, Bulgaria and Slovakia.

A key element in public awareness-raising is the reinvigoration of Danube Day on 29 June each year - the world's largest river festival. The 2006 Danube Day, the third such celebration, was the biggest and most successful to date (see p. 46).

The Green Danube partnership also launched a major education initiative in 2006. The Danube Box was developed by the ICPDR and educators for schools to teach children about the importance of this river and its conservation. The kit is already used in Austrian schools, and is supported by the Ministry of Environment and Water and the Ministry of Education. Discussions are underway to launch versions in other countries. The project was shown at the EU Water Conference on World Water Day in Brussels and will be presented at World Water Week in Stockholm in 2007.

Danube conservation projects are also underway, too. In Hungary, Coca-Cola HBC supports the first freshwater conservation programme in the country (see p.47). In addition, work continues on the establishment of a non-profit organisation, Business Friends of the Danube, inviting peer companies to join the programme and support activities led by the ICPDR.

In 2007 the Green Danube partnership programme will be extended to Croatia and Slovenia, two river-basin countries, and the Danube Box will be introduced to schools in Romania, Hungary, Serbia and Germany, a non-Coca-Cola HBC territory that requested to join the programme.



More than 400 community organisations were involved in over 130 events themed around the Danube, including Hungary who prepared for the third annual Danube Day celebrations on 29 June 2006.

Participants of the international Danube Day drawing competition titled "Danube-living space" one of the many activities held in Serbia.







ICPRD President Constantin Mihailescu tours the Prut River in Moldova.



The Danube Education Box is launched in Vienna, Austria.



Beach Clean-up in Danube Delta, Ukraine.

## 150,000 people in 13 countries celebrate 2006 Danube Day

The third annual Danube Day was held on 29 June 2006 along the length of Europe's greatest river system. Approximately 150,000 people in 13 countries joined in activities to increase understanding of the river's importance and the environmental challenges that face it.

More than 400 community organisations were involved in over 130 events themed around the Danube and the heritage of communities that depend on the river. These included river clean-ups, water sports on the river, cruises, competitions, roadshows on waste collection and recycling, local arts and crafts, cycle tours, a film festival, exhibitions of art and photos of the Danube and international scientific conferences.



Inspiring the next generation to act on behalf of their river is a cornerstone of Danube Day, and more children than ever before participated in activities in 2006. The Danube Art Master Competition, which encourages children to create artwork inspired by the river, alone attracted over 4,000 entries. National winners were welcomed to the United Nations Building in Vienna where all the artworks were exhibited.

All these events, in all the countries concerned, aim to enhance public awareness of the importance of protecting the Danube. In addition to co-organising events, Coca-Cola HBC also supported national media campaigns. For example, in Moldova, a television commercial was shown 200 times in advance of Danube Day, while the Serbian commercial was aired during the FIFA World Cup and was seen by 4 million people at least once.

**“Above all, communications campaigns made the 2006 Danube Day the most successful to date. A large part of this was due to the formation of the Green Danube Partnership between the ICPDR, Coca-Cola HBC and The Coca-Cola Company. The partnership resulted in national media campaigns and support for key events,”** said Philip Weller, Executive Secretary, ICPDR.

## Water and the Environment

**Watershed Protection** Coca-Cola HBC also launched the Living Volga project in 2006. An agreement with UNESCO on effective water and wetlands management of the Volga delta, the project aims to create greater environmental awareness among local communities. Along with the campaign to increase public understanding, activities underway include water quality monitoring, the development of new areas for ecotourism, and Green Teams of volunteers cleaning up the river banks..

Other developments in watershed protection in 2006 included the following:

**Romania** - In a partnership with the UN Development Programme (UNDP) and The Coca-Cola Company, two watershed protection programmes were launched in

Romania in 2006. The ADD Slatina Project will support environmentally friendly agriculture in six communities along the Danube so as to reduce pollution of the river. Meanwhile, the EcoLogic Project aims to restore water biodiversity in the Mara tributary river basin and develop ecotourism to help mitigate poverty.

**Poland** - Through Project Vistula, Coca-Cola HBC is partnering with the WWF and The Coca-Cola Company to protect the longest Polish river. The Company also supports the Kropla Beskidu Fund to preserve water resources in the Beskidu mountains and in 2006 funded 14 projects.

**Nigeria** - The Company's water optimisation programme was extended to three Nigerian plants in 2006. To improve plant water efficiency, a Water Savers training programme



## First Freshwater Conservation Programme in Hungary

The Duna-Drava National Park encompasses over 49,000 hectares of ancient wetlands and offers a protected habitat to many rare species. Coca-Cola HBC has partnered with the Park to conduct the first freshwater conservation project in Hungary.

Part of the Green Danube programme, the initiative aims to improve the river's water quality and to enhance eco-tourism infrastructure. The programme includes:

- Modern eco-tourism infrastructure for water sports and photography, as well as signposts and guides for cyclists and walkers
- Monitoring and revitalisation of six lower-Danube tributaries
- Promotion of the Danube-Drava National Park's environmental protection and communications training for park employees

The programme plans to increase the number of visitors from 60,000 to 80,000 each year - the maximum that can be accommodated while still achieving the park's mission.

In 2006 the partnership between Coca-Cola HBC Hungarian operations and the Duna-Drava National Park won the Progressziv magazine award for Best CSR Programme of the Year. The programme was officially recognised for excellence in corporate environmental responsibility by the US Ambassador.



*Coca-Cola HBC Hungary receives an award for Excellence in Corporate Environmental Responsibility from US Ambassador to the Republic of Hungary, Mr George H. Walker (right).*

was conducted in 2006 in all plants, and another two wastewater treatment plants were constructed. There was also increased access to potable water by communities.

Starting in 2007, Coca-Cola HBC operations in Belarus and Russia will support the national teams for the Junior Stockholm Water Prize. Additionally, Coca-Cola HBC operations in Croatia will support a three-year programme to protect the River Gacka, and raise public awareness together with the UNDP and The Coca-Cola Company. In Italy, the Company will develop watershed protection programmes, and in Greece a campaign is underway to educate employees and the public to minimise water use. In Northern Ireland, the Company will support a clean coast and sea project.

**Environmental Conservation** In addition to watershed protection, Coca-Cola HBC supports environmental conservation programmes with NGOs and authorities in every country of operation. Programmes include:

- Recycling-based activities
- Environmental education programmes for schools
- Youth environment competitions
- Outdoor environmental activities for youth
- Clean-up activities

New conservation programmes introduced in 2006 included an educational programme called Recycling Days in Poland. Approximately 2,000 people took part in events to promote the collection and recycling of beverage containers.

# Community

Employee volunteers also support these programmes. In Russia, almost 2,500 employees and their families formed Green Teams to help clean streets and parks in all cities where the Company operates.

the Company supports the Special Olympics and other Olympic-themed sports activities, as well as community events such as marathons.

**Recycling at the Athens Classic Marathon** Environment is defined as the third pillar of Olympism after sport and culture, and the 24th Classic Athens Marathon in 2006 aimed to integrate environmental considerations. Coca-Cola HBC supported a pilot voluntary collection and recycling programme for discarded bottles in addition to providing beverages. Together with The Coca-Cola Company and the NGO Team for the World, the Company placed bins at athlete support stations, while Green Teams of volunteers collected bottles and cups discarded by runners. 700kg of plastic - including an estimated 35,000 bottles - were sent to recycling and recovery, saving over seven cubic metres of landfill. Athletes could buy a climate-neutral ticket to offset their travel to and from Athens, and 50% of each offset was paid for by The Coca-Cola Company.

**Sport & Physical Activity** Coca-Cola HBC supports a range of sports and activities promoting healthy lifestyles and addressing the rising challenge of obesity. Together with sports bodies and government agencies, the Company promotes football tournaments and training in almost every country of operation. These tournaments are often the largest national sports competitions for young people. In addition,

The Company is looking for new ways of reaching less athletic young people, working with peer companies, government and sports bodies on physical activity and nutrition education programmes.

Some of the most significant new programmes in 2006 included:



Popular sportsman and charitable fund leader Vitaliy Klitschko partnered with Coca-Cola HBC Ukraine in the project "Call friends - let's play together".

- **Greece** - In a new partnership with the Ministry of Health, the International Foundation for Olympics and Sports Education, Coca-Cola HBC launched Change Your Attitude, Get into Action. The programme provides educational material and opportunities for children and their families to shape up. By 2008 the programme aims to have reached 70,000 children in 2,000 schools.
- **Ukraine** - Coca-Cola HBC partnered with the Klitschko Brothers to set up 20 new children's playgrounds in 2006. The project "Call your friends - let's play together" will provide sports facilities and in 2007, a further 22 playgrounds will be established.



Graphic art published in a "Keep Fit" brochure in Poland.

- **Poland** - The "Keep Fit" programme is a multistakeholder initiative in Poland between the Chief Health Inspectorate and the Polish Federation of Food Industry in cooperation with the Ministry of National Education, the Ministry of Sport and the Institute of Food and Nutrition. The programme addresses the obesity issue in educational materials and the roll out to 5,000 schools started in 2006.

Existing programmes also continued to grow. In Hungary, the Move! Wake Your Body programme attracted over 450,000 participants with a wide range of activities and is now part of the Hungarian Platform for Nutrition, Lifestyle and Physical Activity. In Italy, the Schools in Motion programme with the Ministry of Education conducted a Velothon, with almost 47,000 students taking part, while the Fuoriclasse Cup attracted 600,000 students. Finally, weekend football leagues have now been established in all three Baltic countries.

<sup>5</sup> Source: UNICEF

**Youth Development** In Central and Eastern Europe alone 1.5 million children live in care, while in Russia the number has doubled over the last ten years despite falling birth rates<sup>5</sup>. In these communities and others, Coca-Cola HBC places special emphasis on supporting children in care. In particular, the Company works with SOS Kinderdorf in a number of countries, including Armenia and Nigeria where Coca-Cola HBC established partnerships in 2006.

**Books of My Childhood in Bulgaria** In partnership with the Bulgarian Red Cross and the Ministry of Education, Coca-Cola HBC Bulgarian operations conduct Books of My Childhood. The programme aims to encourage reading and literacy among children.

In 2006, Books of My Childhood included a nationwide book donation campaign, a reading tour and other educational activities. Over 22,000 books were donated to public libraries and schools. The programme won the award for Best Corporate PR campaign by the Bulgarian PR Association in 2006.



Bulgarian First Lady Zorka Parvanova reading an excerpt from Winnie the Pooh to children at the Sofia launch.

The Company also provides opportunities for youth disadvantaged in other ways, supporting activities for children or teenagers who are disabled, mentally ill, HIV-positive or from economically disadvantaged areas. In 2006, the Company's Italian operations established new partnerships with local NGO ARCHE, helping children with HIV/AIDS or mental illness, and ABIO, supporting children in hospital.



# Community

**HIV/AIDS Awareness** Coca-Cola HBC supports HIV/AIDS community outreach programmes in countries facing a serious epidemic. In addition to employee programmes (see [Workplace](#)), activities in 2006 included an outreach programme in Nigeria to provide education for 3,000 people in the Company's value chain; support for the International Parliamentary Conference on HIV/AIDS Eurasia; and the 4th annual Russian Summit on Business Against AIDS, as well as continued support for the Race for Life in Ukraine. The Company also conducted an information campaign in Russian and Ukrainian universities and nightclubs (see box).

**Emergency Relief** Heavy flooding hit communities in a number of Eastern and Southeastern European countries in 2006. Coca-Cola HBC's ability to deliver safe drinking water quickly and efficiently allowed the Company to make effective contributions to local disaster relief.

In addition to donations of water and other beverages to local residents and relief organisations in Romania, Hungary, the Czech Republic and Serbia, employee volunteers helped to lay sandbags during flooding in Serbia. In 2006 Coca-Cola HBC also provided drinking water to local residents following a major fire in the Greek tourist area of Chalkidiki.

## Raising Youth Awareness of HIV/AIDS

In the run-up to Valentine's Day, an innovative HIV/AIDS awareness campaign was undertaken in nightclubs and universities across Russia and Ukraine. Coca-Cola HBC partnered with the NGO Transatlantic Partnership Against Aids (TPAA), The Coca-Cola Company and a leading condom distributor to raise awareness of HIV/AIDS and safe sex among young Russians and Ukrainians. Educational flyers and condoms were distributed along with purchases of energy drink Burn to nightclubs and universities. During the week-long activity, almost 100,000 condoms were distributed.

## Partnering for Progress

Coca-Cola HBC works closely with others to promote sustainable development and social cohesion in the countries where it operates. The Company is a member of nearly 200 local, national and international organisations that advance these causes. In Russia, new partnerships were established in 2006 with UNESCO, Junior Water Forum and the Transatlantic Partners Against Aids (TPAA).



Coca-Cola HBC employee volunteers help to lay sandbags during flooding in Serbia.



Coca-Cola HBC also supports the establishment of national Global Compact networks. In 2006 the Company's local operations joined networks in Bulgaria, Ukraine and Belarus. In Hungary, the Company is active in the local UNDP CSR Committee.

In Ukraine in 2006, Coca-Cola HBC was a lead participant and sponsor of the Mariupol Open-Dialogue Conference, the most significant environment-focused event in the country in recent years. Government, industry and civil society came together to create a blueprint for tackling the most pressing environmental and sustainability challenges facing Ukraine.

The Company seeks opportunities to promote CSR among students, civic society, peer companies and government agencies. In 2006, in Serbia, the Company presented on CSR among students at the AISEC Week of Corporate Responsibility and at the Balkan Community Initiatives Fund CSR seminar for representatives of civil, private sector and media, while in Romania, the Company continued to teach business ethics at high schools and universities, reaching 14,000 students in 2006.



*An aerial picture taken over Hungary dramatically illustrates the extent of the Danube River's impact upon numerous communities as it pursues its meandering path.*

2007 Goals

- Extend Danube Programme to 10 countries; launch Danube Box in a further four countries
- Hold first activities of Business Friends of the Danube and start recruiting peer companies
- Implement Living Volga programme in Russia and local watershed protection programmes in Croatia, Italy and Greece
- Continue to develop and implement new local healthy active lifestyle programmes and youth development programmes

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AR: Annual Report 2006, BC: Back cover, FC: Front cover, NA: Not applicable, WS: Website

# Glossary of Terms

List of terms having a specific meaning related to the Coca-Cola HBC business as described in this report.

**Bottlers:** Business entities that sell, manufacture, and distribute beverages of The Coca-Cola Company under a franchise agreement.

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

**Consumer:** Person who drinks Coca-Cola HBC beverages.

**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 - CDE (also called Sales and Marketing Equipment):** Coolers, vending machines and fountains in the marketplace that cool beverages for immediate consumption.

**Company:** Coca-Cola Hellenic Bottling Company S.A. and, as the context may require, its subsidiaries and joint ventures. Also referred to as "the Group".

**Concentrate:** Base of a beverage, to which water and other ingredients are added to produce beverages. It may contain concentrated plant extracts, fruit juices, colourings and other components.

**Customer:** Retail outlet, restaurant or any other business that sells or serves Coca-Cola HBC products to consumers.

**CSR:** Corporate Social Responsibility.

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

**Energy consumption ratio:** The KPI used by Coca-Cola HBC to measure energy consumption in the bottling plant, expressed in megajoules of energy consumed per litre of produced beverage (MJ/lpb).

**EWC:** European Works Council.

**Fountain:** Equipment used in retail outlets to dispense beverages into cups or glasses for immediate consumption.

**ILO:** International Labour Organisation.

**KPI:** Key Performance Indicator.

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

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

**LRQA:** Lloyd's Register Quality Assurance.

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

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

**SGS:** Société Générale de Surveillance.

**SRI:** Socially Responsible Investing.

**The Coca-Cola Company (TCCC):** The world's leading manufacturer, marketer, and distributor of nonalcoholic concentrates and syrups used to produce nearly 400 beverage types ([www2.coca-cola.com](http://www2.coca-cola.com)).

**The Coca-Cola Quality System (TCCQS):** The global quality management system of TCCC, aligned to the ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) standards and endorsed by key bottlers.

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

**UNESDA:** Union of European Beverages Association.

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

**Waste generation ratio:** The KPI used by Coca-Cola HBC to measure waste generation in the bottling plant, expressed in grams of waste generated per litre of produced beverage (g/lpb).

**Water use ratio:** The KPI used by Coca-Cola HBC to measure water use in the bottling plant, expressed in litres of water used per litre of produced beverage (l/lpb).



## Marketplace

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



## Workplace

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



## Environment

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



## Community

To invest time, expertise and resources to provide economic opportunity, improve the quality of life and foster goodwill.





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