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FROM THE GENERAL MANAGER

Dear friends,

I am pleased to present you with the 11th Coca-Cola HBC Russia Sustainability Report.

Over the past years we have been on a journey as a system to grow both sustainability and responsibly with our customers and consumers at the heart of everything we do. We are a part of an industry growing in a world that is changing rapidly. Now it is the right time for us to begin the next chapter in our history, one that will allow us to unlock the growth potential of our business, capturing opportunities and addressing the challenges.

People’s lifestyle and tastes are changing rapidly. To be able to keep up with the pace, innovation is at the core of everything we do — helping us reimagine and reinvent our business. Understanding consumers’ expectations, we are evolving and reformulating our product portfolio to offer a wide range of relevant, exciting, modern, sophisticated, unexpected and great tasting quality products in the categories that our consumers want. From the timeless taste of Coca-Cola to juices and green teas, from kompots to bottled water. We are also taking steps to reduce added sugar and add functional benefits to our product range, while providing both premium and affordable options in various package sizes with clear and transparent calorie and nutritional information in our labels.

Driving positive change is in our DNA. We believe that the stronger the communities around us, the stronger our business. Being one of the largest companies within Coca-Cola Hellenic Bottling Company AG we have the opportunity and the responsibility to make the country we operate in a better place while being respectful of all the people, places and resources we depend on to thrive.

It always starts with people. We are committed not only to our growth as a company but also to the ‘growth’ of the people close to us. It begins with empowering our own people to reach their full potential. We create great working environments and unforgettable experiences for over 7,500 Coca-Cola HBC Russia employees throughout their entire career, so that they can build better lives for themselves and their families.

We are paying decent local competitive salaries and strive to be one of the most diverse, engaging, rewarding and fun places to work where people bring their passion every day making sure that we cultivate a culture of trust. In 2017, we had implemented a new model of the HR department, aimed at developing talented people and driving leadership. Transition to the new model made it possible to improve a number of indicators, which largely contributes to our financial performance. By the end of 2017, 97% of our key people were in key positions and we achieved 94% employee engagement score — the highest among the 28 countries where Coca-Cola Hellenic Bottling Company AG operates. We are modernising our recruitment process to be relevant in the digital age for the new generation of potential hires. Last year, we also launched Spring Internships and continued our “Rise” Management Trainee Programme to create attractive conditions for the youth. Owing to our efforts in training and professional development, we created an effective team that drives sustainability performance by increasing employee potential.

WE HAVE THE OPPORTUNITY AND THE RESPONSIBILITY TO MAKE THE COUNTRY WE OPERATE IN A BETTER PLACE

We have also consistently invested into creating a safe working environment for all people not only within the company but also for suppliers and contractors. That is why in 2017, we developed a unique solution for contractor management aimed at reducing industrial risks and safety culture development.

Another strategic priority is “doing good” with a strong local focus, supporting the communities we are part of and working with experts to do the best for our planet.

Our utmost goal is to minimize the environmental impact across the supply chain. By 2020, we aim to ensure that 100% of agricultural ingredients in our supply chain meet our Sustainable Agricultural Guiding Principles. At the same time, every year we are making our production facilities even greener. Working towards ambitious sustainability goals through our annual plans, we are looking for new ways to reduce water and energy use in our operations, while minimising waste. We are reducing carbon emissions, using much more efficient vehicles and introducing energy efficient coolers.

While we should not forget the benefits that quality package brings in terms of convenience, protecting public health and reducing food wastage, we recognize that package, and particular plastic, is becoming a complex global problem. We are working hard together with our partners at The Coca-Cola Company to be part of the solution. We follow the “3R” principle of Reduce, Recover and Reuse, and increase our use of recycled and renewable materials. In 2017, we had recycled 85.9% of produced waste. Our project “Separate with us” has expanded, covering over 20 Russian cities. For two years, we have placed more than 2,000 waste containers and processed more than 30 thousand tons of plastic waste. As part of the Coca-Cola system, we aim to be collecting and recycling the equivalent of 100% of the package we sell globally, by 2030.

We aim to improve the quality of life in local communities. We strive to act in a responsible manner, working with stakeholders and communities to support their sustainable development. During 2017, we have implemented 17 social and environmental projects. More than 300 thousand people throughout Russia have directly benefited from them. We have invested more than 128 million rubles in local communities, focusing on youth development, community well-being, and environmental issues.

We realize that throughout our history we have been an active part of the communities across the country - from our consumers to farmers who produce ingredients for our drinks. This has helped us understand what it takes to be both relevant to our customers and suppliers and a responsible member of the communities we live in. For this reason, we decided to complete this report with our customers’ and suppliers’ opinions and stories that show our shared path. These people have different professions and interests, but they all create values together with us and jointly contribute to our success and the sustainable development of the country.

Stefanos Vafeidis,
General Manager of Coca-Cola HBC Russia
## SUSTAINABILITY PERFORMANCE INDICATORS

### Procurement of ingredients and materials
- Total number of suppliers, pcs.: 4,251 (2017), 6,079 (2016), 1,341 (2015)
- Percentage of materials purchased from Russian suppliers: 98% (2017), 98% (2016), 98% (2015)

### Environmental protection
- Water consumption per litre of products, l/1
  - 2017: 1.9
  - 2016: 2.0
  - 2015: 2.3
- Power consumption, GJ/l
  - 2017: 1,183.8
  - 2016: 1,226.2
  - 2015: 1,368.2
- Waste generation, g/l
  - 2017: 5.9
  - 2016: 5.9
  - 2015: 8.2
- Percentage of waste sent for recycling: 85.9% (2017), 84.0% (2016), 82.0% (2015)

### Personnel
- Employee Engagement Index, %: 98% (2017), 98% (2016), 98% (2015)
- Number of training hours: 10.8 (2017), 35.0 (2016), 0.8 (2015)

### Development of local communities
- Percentage of employees participating in charity and voluntary programmes and initiatives: 100% (2017), 85.5% (2016), 55.5% (2015)
- Drinking water provided to victims of natural disasters, thousand litres: 34.1 (2017), 55.0 (2016), 0.8 (2015)
- Number of cities visited by the Coca-Cola Christmas Caravan, pcs.: 48 (2017), 70 (2016), 65 (2015)

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### Occupational health and safety
- Employee Engagement Index, %: 98% (2017), 98% (2016), 98% (2015)
- Number of training hours: 10.8 (2017), 35.0 (2016), 0.8 (2015)

### Development of local communities
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- Number of cities visited by the Coca-Cola Christmas Caravan, pcs.: 48 (2017), 70 (2016), 65 (2015)
01. ABOUT THE COMPANY

2,231 MLN L

volume of products produced in 2017
THE COMPANY’S POSITION IN THE COCA-COLA SYSTEM AND COCA-COLA HBC GROUP

The Coca-Cola system in Russia is represented by Coca-Cola HBC Eurasia LLC and Coca-Cola Soft Drink Consulting LLC.

Coca-Cola HBC Eurasia LLC (also Coca-Cola HBC, Russia) is a part of Coca-Cola Hellenic Bottling Company AG (also Coca-Cola HBC AG) Group, one of the largest bottlers of drinks under The Coca-Cola Company’s trademarks. In 2001, Coca-Cola Hellenic Bottling Company AG purchased a 100% stake in The Coca-Cola Company’s entities in Russia, transforming them into Coca-Cola HBC Eurasia LLC. Since then, Russia has been one of the 28 countries in which Coca-Cola Hellenic Bottling Company AG operates. In 2005, Coca-Cola HBC, in cooperation with The Coca-Cola Company, acquired JSC Multon, one of the leading Russian juice producers.

Coca-Cola Soft Drink Consulting LLC is a part of The Coca-Cola Company and is responsible for demand creation through brands development and consumer marketing.

The Coca-Cola system in Russia is an important partner for Russian business and one of the most significant investors in the country’s economy, holding one of the leading positions in terms of tax payments, national goods and services procurement, as well as creation of jobs. During its presence in Russia, The Coca-Cola system has invested 5.7 billion USD in the country’s economy in 2013-2016.

5.7 BILLION was invested by The Coca-Cola in the Russian economy in 2013-2016

Position in Coca-Cola HBC Group

**Coca-Cola HBC AG**

- 28 countries of operations
- >29 thousand employees
- 136 brands in the product portfolio
- ~600 thousand consumers
- >29 thousand employees
- Car-Tess Holding (holding company)

**Coca-Cola HBC Russia**

- 10 plants in Russia
- 7.5 thousand employees
- 100% The Coca-Cola HBC AG

PRODUCT PORTFOLIO

The Company offers a wide range of products to meet the taste and needs of every consumer, including soft sparkling beverages, juices, nectars, fruit drinks, iced tea, sport and energy beverages, and water. The Company’s drinks are presented in a wide variety of flavours, categories and formats, providing consumers with the possibility of finding a product which will meet their needs. The Company produces a total of 85 drinks under 12 different brands.

50% of the Company’s product portfolio is sparkling beverages produced under world-famous brands, such as Coca-Cola, Coca-Cola Zero, Fanta, Sprite, and Schweppes.

Non-carbonated soft drinks are presented in a wide variety of products, from juices to energy drinks: juices and nectars Rich and Dobry, Rich Crystal, fruit drinks Dobry, Dobry Ugolki Rossi, juice drinks Pulpy and Moya Semya, kompot Moya Semya, Fuzetea, Burn, Monster, and Powerade.

The Company also produces drinking water under BonAqua and BonAqua Viva brands.
GEOGRAPHIC REACH AND COMPANY SCALE

Coca-Cola HBC Russia supplies its products to more than 60 million people throughout the country. In 2017, the Company produced drinks at 10 plants in 9 regions of Russia. The largest plant, owned by JSC Multon, is located in Schelkovo and has 17 production lines. As of the end of 2017, a total of 52 production lines were operating at our plants producing 2.2 billion litres of finished product during the year. The Company’s central office is located in Moscow.

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“IN 2017, THE COMPANY PRODUCED DRINKS AT 10 PLANTS IN 9 REGIONS OF RUSSIA. THE LARGEST PLANT, OWNED BY JSC MULTON, IS LOCATED IN SCHELKOVO AND HAS 17 PRODUCTION LINES”

MANUFACTURING COCA-COLA HBC RUSSIA

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MISSION, VALUES AND APPROACH TO SUSTAINABILITY

Coca-Cola HBC Russia’s vision is to become the undisputed leader in the market of non-alcoholic ready-to-drink beverages in Russia. The Company is making steady progress and performs its activities in strict compliance with the corporate social responsibility and sustainability principles, which are reflected in all aspects of the Company’s performance. The Company’s corporate values motivate the whole team of Coca-Cola HBC Russia to achieve high results and distinguish it from others.

The Company creates value for stakeholders and thus has established a long-term competitive advantage for its business. Interaction with stakeholders allows the Company to identify the most important topics for society and to set goals and priorities related to sustainability. Our focus is currently on such areas as waste treatment, water and power consumption, reduction of greenhouse gas emissions, use of locally produced raw materials, and community investment. In accordance with the approach of Coca-Cola Hellenic Bottling Company, these goals have a 2020 horizon.

It is important for the Company that all employees and suppliers are guided by the sustainability principles in their work. That is why the Company considers adherence to these principles when performing personnel and contractor assessments. The Company is committed to the best corporate governance principles and regularly reports on results attained on its way to the goals set and provides its stakeholders with other relevant and transparent performance data.

Corporate social responsibility and sustainability values and principles of Coca-Cola HBC Russia

The corporate social responsibility and sustainability principles form the basis of Coca-Cola HBC Russia’s approach to business

* Excellence
  * Training
  * Caring for our people
  * Performing as one

* Authenticity
  * Winning with customers
  * High Performance Mindset
  * Promoting a balanced lifestyle and physical activities
  * Reducing environmental impact
  * Developing local communities

* Unparalleled Talent
  * Developing local communities

* THE CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY PRINCIPLES FORM THE BASIS OF COCA-COLA HBC RUSSIA’S APPROACH TO BUSINESS

**PARTICIPATING IN EXTERNAL INITIATIVES**

Coca-Cola HBC Russia takes an active part in the communities it is part of and is a member of 23 organisations at various levels, including the Soft Drinks Producers Union and the Russian Union of Industrialists and Entrepreneurs. Cooperation with non-profit organisations helps the Company hold a dialogue with its stakeholders and make its contribution to the improvement of the statutory regulation of the Russian non-alcoholic beverage market.

23 organisations at various levels

**Participation of the Company in non-profit organisations in 2017**

**Coca-Cola HBC Russia: federal level**

* Production for the Environment Association (RusPEC)
* Soft Drinks Producers Union
* Association of Branded Goods Manufacturers in Russia (RusBrand)
* Russian Association of Communications Directors and Corporate Publishing
* European Association of Communications Directors
* Russian Union of Juice Producers
* Russian Union of Industrialists and Entrepreneurs

**Coca-Cola HBC Russia: regional level**

**Moscow and North-West**

* Moscow Chamber of Commerce and Industry
* Moscow International Business Association
* National Association of Automatic Trade
* Saint-Petersburg Chamber of Commerce and Industry
* American Chamber of Commerce in St. Petersburg
* St. Petersburg International Business Association

**Centre and South**

* Association of Employers of Southern Russia in Rostov
* Nizhny Novgorod Chamber of Commerce and Industry
* International Community Association of Nizhny Novgorod (ICANN)
* Rostov Chamber of Commerce and Industry
* Association of European Business in the South

**The Urals, Siberia and Far East**

* Board of Directors of the Central District of Krasnoyarsk
* Novosibirsk City Chamber of Commerce and Industry
* Chamber of Commerce and Industry of Primorskiy Region
* Central Siberia Chamber of Commerce and Industry
* Association of Mineral Water and Drinks Producers in the Far East
* UralPischeProm

**JSC Multon**

* Russian Union of Juice Producers
02. STRATEGY AND VISION

85 types of beverages are offered by the Company to consumers.
Steady growth is the bedrock of The Coca-Cola Company’s global strategy. Evolution is the only way to fulfill long-term plans allowing the Company to prosper and grow.

How does adopting a new strategy influence the Company?

“We dedicated this year to integrating, understanding and implementing our new strategy into all business processes. Our consumer preferences are changing, and The Coca-Cola system is ready to evolve together with them by offering drinks to everyone’s liking. The strategy focuses on our consumers and their desires, and we are striving to present our new vision to all stakeholders: employees, customers, and business partners. We are developing new products and improving existing recipes, reducing the amount of sugar in our drinks, and placing full information about their ingredients on the package, thus giving everyone the chance to make an informed choice. Many challenges and tasks lie ahead of us, but we’ve already made a significant step towards responding to our consumer needs!”

Irina Arkhipova, Public Affairs and Communications Director, Coca-Cola HBC Russia

Which Coca-Cola HBC values do you consider to be the most important?

“One of the Metro Cash & Carry’s core values is sustainability. This is an important guiding factor for us in all areas of our activities and in our work with customers, partners, and the community. We are pleased to know that our long-term and fruitful cooperation with Coca-Cola HBC is based on the principles of sustainable development, which allows us to achieve excellent results.”

Jerry Kalmis, Chief Executive Officer, Metro Cash & Carry Russia

Which new Coca-Cola HBC values help you to build long-term partnerships?

“The long-term partnership binding us with Coca-Cola HBC is grounded on common values and approach to responsible business conduct. Just like Coca-Cola HBC, Lenta puts its consumers first when moving towards targeted goals, and this is the main element of our formula for success.”

Jan Dunning, Chief Executive Officer, Lenta

The key to implementing the global strategy is a new management model which is more dynamic, flexible, efficient and uses modern technologies.

The Coca-Cola Company has solid expertise in marketing, market research, innovation and brand development. Bottling partners are professionals in a complicated process of bottling beverages and selling them. The Coca-Cola Company believes that everyone should do what they know best, that’s why the Company has been reducing its own production facilities around the world for several years and increasing the number of bottling partners.

Consumers’ tastes and preferences change every other day, and the Company must also continuously change in order to meet their new expectations. Coca-Cola HBC Russia focuses on three strategic areas for the long-term and well-balanced business development: renewing category growth, route to market and revenue growth management. We understand that for business sustainability, consumer care and product quality must be at least of the same importance as sales and revenue growth targets. That is why we offer our consumers what they want to drink and not what we need to sell. Moving towards new consumer expectations, we expand our product portfolio and offer a wide range of drinks for every occasion.

“Irina Arkhipova, Public Affairs and Communications Director, Coca-Cola HBC Russia

THE KEY TO IMPLEMENTING THE GLOBAL STRATEGY IS A NEW MANAGEMENT MODEL WHICH IS MORE DYNAMIC, FLEXIBLE, EFFICIENT AND USES MODERN TECHNOLOGIES

Jerry Kalmis

Our long-term and fruitful cooperation with Coca-Cola HBC is based on the principles of sustainable development, which allows us to achieve excellent results.

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Jerry Kalmis, Chief Executive Officer, Metro Cash & Carry Russia
STRATEGIC BUSINESS DEVELOPMENT AREAS

1 ROUTE TO MARKET

• The highest level of customer service
• Availability of our brands at every point of sale

2 RENEWING CATEGORY GROWTH

• A wide range of zero and low calorie beverages
• New recipes
• Reduced sugar
• Convenient, smaller packages
• Promoting clear facts

3 REVENUE GROWTH MANAGEMENT

• Increasing the percentage of small package in total sales
• Special attention to the most popular drinks

RESOURCES

Human resources
Personnel knowledge and skills are important for all aspects of our business

Natural resources
Water, power, and aluminium are required for manufacturing our products

Manufacturing
We require production and logistics resources to produce drinks meeting consumer expectations

Financial indicators
We require sufficient financial resources and the optimal balance between equity and borrowed capital, as well as access to the refinancing market

Intellectual property
Our intellectual property includes rights to packaging and products

Corporate social responsibility
We perform our work thanks to the trust of our stakeholders and our reputation

OUTCOMES

Contributing to local economy
Job creation
Income for employees

Revenue for suppliers and contractors
Public well-being
Growth in profitability of customers’ and partners' businesses
RENEWING CATEGORY GROWTH

People all over the world are striving to maintain a well-balanced lifestyle, and we keep up with emerging trends. To that effect, we are expanding our product range, offering more zero- and low-calorie beverages. Moreover, we offer both small and large size packages and provide complete and transparent information about the contents and nutritional value of each drink to make it easier for people to control sugar and calorie intake. In addition to that, we are constantly improving the recipes and developing new drinks. Our renewing category growth strategy covers both what is “inside the bottle”, i.e., the drinks themselves, and “outside the bottle”, for example, package and marketing approaches.

85 drinks in the Company’s product portfolio

WE ARE CONSTANTLY IMPROVING THE RECIPES AND DEVELOPING NEW DRINKS

ROUTE TO MARKET

Over the past decade, the Russian retail market has undergone significant changes: the role of hypermarkets and supermarkets as main points of sale has increased greatly. The number of hotels, restaurants, and cafes is growing, and the Internet also offers ample opportunities for sale and supply. On the other hand, the total contribution of such important sales channels as kiosks and markets is diminishing. The landscape is changing, and today the key priority for the Company is to adapt its business model so that it meets the new challenges and allows to maintain its leading positions across its product categories. The analysis of conformity of the Company’s business model with the market trends, expectations of customers and partners, as well as the best practice, revealed many new opportunities, both for development of additional sales channels and efficiency improvement inside the Company.

This new approach to our sales model, once a set of tactical actions solving only immediate problems, has turned into an efficient business process, the main goal of which is to ensure the highest customer service level and presence of our brands at every point of sale. This approach includes not only distribution, but also all processes inside the Company related to working with customers in the market: product delivery to points of sale, interaction with key customers, merchandising, etc. The Company believes that the new sales model will increase the customer satisfaction level using the quickest and most efficient method and ensuring sustainable profit growth in the upcoming years.

REVENUE GROWTH MANAGEMENT

In order to keep up with consumer needs and at the same time boost the revenue, the Company is working to increase the share of small package in total sales and pays particular attention to the most popular drinks. The Company also makes active use of special offers to promote its products in small package and complies with our merchandising standards for coolers to foster single serve consumption of small packs among different categories.
03.
RESPONSIBLE DECISION MAKING

98% share of purchases from local suppliers
How do Coca-Cola HBC’s environmental, health and safety and labour requirements help develop the whole supply chain?

“We recognise that, as one of the leading companies in the market, we are ambassadors of corporate social responsibility and environmental protection. We work in cooperation with suppliers to reduce the volumes of pollutants released in the biosphere, increase the number and quality of natural resources that can be used, ensure occupational safety and job security. Our aim is to make our country — the place where we live and work — better and make our partners’ business more transparent and sustainable. We currently have over 4,000 suppliers and providers operating across the country registered in our database. Even the contribution of 10% of them is huge and invaluable. We offer our suppliers and partners to stand side by side with us, and together we can take care of the future of our country and our children.”

Mikhail Popov, Country Procurement Manager, Coca-Cola HBC Russia

How does Coca-Cola HBC influence the development of social and environmental practices in your Company?

“Our long-standing cooperation with Coca-Cola HBC has a positive influence on the development of social and environmental practices in our Company. Over the past 5 years, we have implemented a number of projects in the field of resource efficiency. For example, we significantly reduced volumes of water consumption from natural sources at sugar plants by implementing a condensate collection system and extending the area of coolers. Furthermore, we are working to reduce waste of raw pulp, consumption of energy resources, and CO₂ emissions. Since the beginning of our partnership with Coca-Cola HBC, our employees’ attitudes to the social and economic aspects of business have changed. Joint projects like conducting social audits had a positive impact on the awareness level of our employees in the field of safety and ecology.”

Elvira Koshon, Key Customer Relations Manager, Sucden

Coca-Cola HBC operates in 28 countries in Europe, Asia and Africa. The Company operates in Russia through Coca-Cola HBC Eurasia LLC

The Country General Manager is the sole executive body responsible for efficient management. The chief of services and functions heads is under the administrative control of Country General Manager and directly report to him. The following officials are responsible for management of individual aspects of the Company’s work on sustainable development at the country level: environmental matters — Country Supply Chain Services Manager, social matters — Country Public Affairs and Communications Manager, and economic matters — Country General Manager.

Coca-Cola HBC Russia, as a Limited Liability Company (LLC) does not have a Board of Directors as a governing body, pursuant to Russian legislation. At Group level, a Board of Directors comprised of 12 members is established in Coca-Cola Hellenic Bottling Company AG.

JSC Multon joined Coca-Cola Hellenic Bottling Company AG in 2005. JSC Multon is an independent company with a GM acting as the sole governing body.

AT GROUP LEVEL, A BOARD OF DIRECTORS COMPRISED OF 12 MEMBERS IS ESTABLISHED IN COCA-COLA HELLENIC BOTTLING COMPANY AG

28 countries in Europe, Asia and Africa
BUSINESS ETHICS AND ANTI-BRIBERY

Conducting all business activities with integrity and respect for society is of primary importance for the Company. Coca-Cola HBC Russia has a strong foundation in business ethics and maintains well-established processes and systems for managing financial and non-financial dimensions of performance.

Such an approach builds the trust and reputation of the Company. We have regular COBC and Anti-bribery online and classroom trainings for all our employees and targeted Anti-bribery trainings for what we consider “risk zone” employees. We have also established an anti-bribery due diligence process on third parties representing us with government authorities. General provisions of the Anti-Bribery Policy are also included in standard contracts with suppliers and contractors. We assume responsibility at the highest level for environmental, social and governance issues related to the business.

In the event of violation of the Code of Business Conduct, employees have to report it in any way convenient for them, for example, via the whistle-blower “Speak-Up” line, available in all Coca-Cola HBC countries in local languages (website http://www.coca-colahelp- lenic.ethicspoint.com and/or via phone), during audits or assessment of internal management methods, or in person. Allegations received related to issues not covered under the Code of Business Conduct were routed to the appropriate department for appropriate handling. All allegations involving potential COBC violations were investigated in accordance with the Group Code of Business Conduct Handling Guidelines. Coca-Cola HBC Group, together with the Chief Financial Officer and the Legal Director, as well as the Audit Committee of the Board of Directors, supervises compliance with ethical standards. The Company’s Legal Department is responsible for compliance with ethical standards; the HR Department is responsible for employee training. All procedures related to combating corruption are controlled by the Legal Department of the Company. A single case of violation of the Anti-Bribery Policy was registered in 2017, and disciplinary measures were taken based on the findings of the investigation.

ANTI-BRIBERY TRAININGS FOR WHAT WE CONSIDER “RISK ZONE” EMPLOYEES

The company performs its activities in a modern business environment with dozens of various risks that may result in a negative impact on financial results. The purpose of the risk management system, which operates both at the Group and the country levels, is to lower the threat level to an absolute minimum and not to miss existing opportunities at the same time.

The enterprise risk management programme is led by the Group Chief Risk Officer (CRO) who works in close collaboration with the risk owners in specialised functions on specific business risks. The Group’s Board is ultimately responsible for the Group’s risk management and internal control systems, and for reviewing their effectiveness.

The Board of Directors is responsible for the development and efficient functioning of the risk management and internal control systems in the Group.

RISK MANAGEMENT

The Board of Directors is responsible for the development and efficient functioning of the risk management and internal control systems in the Group.

The Board determines a list of principal risks. Such risks are relevant for all 28 countries where the Company is present, including Russia taking into account regional aspects. The key sustainability risks of Coca-Cola HBC Russia are listed below.
<table>
<thead>
<tr>
<th>Description</th>
<th>Potential Impact</th>
<th>Key mitigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evolving consumer preferences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insufficient adaptation to current trends related to consumers’ aspiration to lead a balanced lifestyle</td>
<td>• Loss of consumer base • Lowering of trust in the brand</td>
<td>• Developing innovations and expanding the product portfolio • Expanding the assortment of zero- and low-calorie beverages • Lowering the volume of standard packaging • Reducing calories in beverages • Increasing labelling informativeness • Assistance with a balanced lifestyle by means of consumer engagement programmes</td>
</tr>
<tr>
<td>Declining consumer demand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Challenging and unstable macroeconomic, political, and social conditions</td>
<td>• Loss of consumer trust and subsequent lowering of demand • Pressure of inflation • Social instability • Safety of people and assets</td>
<td>• Measures aimed at offering the right brand at the best price, in the right package, and through the right channel • Reliable methods and procedures for providing safety and protection of people and assets • Strategies of response to crisis situations and ensuring continued operation</td>
</tr>
<tr>
<td>Climate, carbon and water</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Failure to meet our stakeholders’ expectations in making a positive contribution to the sustainability agenda, particularly relating to climate change, packaging waste and water usage</td>
<td>• Long-term damage to the Company’s reputation • Reduced business profitability</td>
<td>• Collection of packaging waste from consumers, waste recycling • Use of renewable energy sources • Increasing energy efficiency of assets • Water stewardship</td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The occurrence of quality issues, or the contamination of our products</td>
<td>• Damage to the brand and reputation of the Company • Loss of consumer trust • Reducing sales and net revenue</td>
<td>• Systematic control over product quality • Reliable response systems, enabling us to resolve quality issues quickly and efficiently and guarantee it to customers and consumers of the Company’s products</td>
</tr>
<tr>
<td>Regulatory challenges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-compliance with legislation of a country in which the Company or its related parties are present</td>
<td>• Damage to the Company’s reputation • Financial penalties • Costs of legal disputes</td>
<td>• Annual explanation of the management’s position • Training activities and increasing awareness of the Code of Business Conduct • Training activities related to Anti-Bribery Policy issues • Conducting internal audit • Internal control system • Customer Hotline for notifications of cases of violations • Constant dialogue of the legal service with regulators</td>
</tr>
</tbody>
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</tr>
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<tr>
<td>People attraction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Failure to attract and retain a sufficient number of qualified and experienced personnel in a competitive labour market</td>
<td>• Failure to meet targets on growth and development</td>
<td>• Development of the employer’s brand • Training personnel for taking key positions in the Company • Enhancing leadership and talents • Searching for common values with communities for shaping the Company’s image as a responsible employer</td>
</tr>
<tr>
<td>People engagement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inability to ensure ongoing engagement of our workforce</td>
<td>• Failure to meet targets on growth and development</td>
<td>• Elimination of obstacles to increasing labour productivity • Improving personnel welfare • Enhancing leadership skills of managers for better motivation inside teams • Creation of an inclusive environment allowing each employee to realise his or her potential</td>
</tr>
<tr>
<td>Strategic stakeholders relationships</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Termination of current agreements or unfavourable terms of their extension</td>
<td>• Negative impact on business profitability</td>
<td>• Constant control over efficiency of cooperation with strategic partners by the management • Joint work with partners for the sake of growth and development • Engagement of partners in joint projects and business planning to resolve strategic issues • Organisation of forums with the participation of the Company’s senior management and stakeholders</td>
</tr>
<tr>
<td>Occupational health and safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety management for employees of the Company, its contractors, and suppliers, especially when conducting ground and sea transportation</td>
<td>• Fatality and injuries of the Company’s employees, contractors, and third parties • Losing motivation and engagement of employees</td>
<td>• Development of production programmes, procedures, and policies • Monitoring performance of staff members and contractors</td>
</tr>
</tbody>
</table>

RISK ASSESSMENT WHEN COOPERATING WITH STAKEHOLDERS

Performance number of different stakeholders ranging from regulators, suppliers, and customers to academics, NGOs, communities and media can impact, and in turn can be impacted, by Coca-Cola HBC Russia’s operations and hence its ability to create value now and in the future. To assess this impact, the Company has a structured and comprehensive stakeholder mapping process in place:

### Types of relations between stakeholders and the Company and the degree of their Impact

#### Active engagement
- District and city administration
- Coca-Cola HBC Russia, Head of Community and Sustainability
- Customers, distributors
- Employee representatives
- Consumers

Intensively and fully engaged in processes of planning, forecasting, and implementation of programmes on a regular basis.

#### Regular notification
- Academic community

Should be actively engaged in the process of CSR development and informed on a regular basis.

### Engagement if necessary
- Providers of capital and/or investors
- Insurance companies
- Suppliers and contractors
- Dominant companies
- Public organisations, mass media

Should be engaged in partner relations and in the work process, and informed about results of performance, if necessary.

### Monitoring
- Neighbours
- Other suppliers
- Landlords

Should be monitored and informed if necessary.

### Active engagement
- Public organisations, mass media
- Dominant companies
- Suppliers and contractors
- Insurance companies
- Providers of capital and/or investors

The Company’s top managers should be actively engaged in the process of CSR programmes on a regular basis.

### Stakeholder Engagement

Coca-Cola HBC Russia understands its role and importance in establishing mutually beneficial relationships with all groups of stakeholders. The Company has been analysing and considering their opinion to guide its business decisions for many years.

In order to always meet expectations of customers and effectively respond to shifting conditions in the non-alcoholic beverage market, the Company studies the impact of customers on its performance. The Coca-Cola Company, together with external experts, conducts research regarding this subject. Results of such research allow the Company to bring out the issues that are most important to customers. For example, if someone has complaints about the quality of products, the Company takes measures and tightens control over the quality of drinks and then informs customers about it.

Interaction with stakeholders often occurs within the framework of big international industry events, where all the Company’s departments are widely presented. In 2017, Coca-Cola HBC Russia’s employees took part in 21 events, 10% of which were attended by representatives of senior management. The Company’s top managers participated in the Russian Investment Forum in Sochi, Gaidar Forum, St. Petersburg International Economic Forum, the Russian Retail Week, and other significant events held in 2017.

To strengthen the level of trust of all stakeholder groups, the Company regularly discloses information about its sustainability activities in a separate report and on the corporate website. The Company follows best practices in non-financial reporting and organises stakeholder panels when preparing each sustainability report. Such events are held for business partners, customers, suppliers, representatives of executive authorities, and other stakeholders interested in them. Every participant can share his or her opinion on disclosed information and make proposals for improvement of the reporting.

Following results of the panel, the Company finalises its report according to given recommendations and considers them when preparing reporting for subsequent periods.

**Types of big events with participation of Coca-Cola HBC Russia in 2017**

- Key economic and industrial events: 10%
- Events for personnel development: 17%
- Events for improving production, procurement, and logistics: 14%
- Financial and law events: 15%
- Events for sales development: 8%
- Occupational safety and ecology events: 2%
- Events for product quality, public affairs, and communications: 34%
Procurement is a fundamental part of the Company’s business, as the quality of manufactured products and rendered services depends on it to a large extent. Procurement takes place in almost all activities of the Company, starting from supply of required resources and materials for production at the plants, to product delivery to points of sale.

The Procurement Department is a crucial partner of the Company’s operating functions, which is constantly looking for new solutions and ways to improve efficiency in existing processes. The activities of this function are not limited to vendor selection. Procurement also evaluates their performance and regularly provides them with feedback. As a result, the Company improves its service level and gains more opportunities for business sustainability together with its partners.

Improvement of the vendor and contractor selection and management of relations with them in compliance with the best sustainability practices became one of the key areas of procurement activities in 2017.

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Assessing sustainability indicators when selecting suppliers of ingredients and materials is a long-term practice in the Company. The principal criterion of such assessment is authorization provided by The Coca-Cola Company, which is required for procurement of ingredients and primary package, which is in direct contact with drinks. In the course of authorization, the supplier undergoes an audit for compliance of ingredients and materials with quality requirements set by The Coca-Cola Company, testing of ingredients and materials, as well as a social audit. A social audit includes verification of the supplier’s compliance with the corporate social responsibility requirements set out in The Coca-Cola Company’s Supplier Guiding Principles and reflecting adherence to common values and ethical standards.

Coca-Cola HBC Russia has developed its own requirements for suppliers, which comprise the quality management system in accordance with ISO 9001, risk assessment and internal audit of quality and food safety, the approved production process, control and monitoring procedure, use of only those chemical additives which are permitted by law and specifications, and planning and management of development of new product types, including their analysis, verification and validation, etc.

Since 2017, all suppliers of the Company have been annually assessed according to sustainability criteria, both for direct and indirect procurement. When deciding to execute a contract with a supplier for direct procurement, the assessment results according to sustainability criteria are of significant importance, increasing from 10% to 15% in the reporting year.

The sustainability criteria are used also for supplier assessments within the framework of indirect procurement. At the pre-qualification stage, tender participants fill in questionnaires and provide a self-assessment of their compliance with the Company’s requirements regarding occupational health and safety, human rights, product quality, principles of agriculture, and impact on local communities. The Company’s further actions depend on the classification of each supplier in one of three zones: Green, Yellow and Red. If the supplier landed in the red zone and failed to take actions to improve the situation, the Company considers the possibility of terminating cooperation with the organisation. According to results of the assessment for 2017, 98% of suppliers which performed self-assessment were placed in the green and yellow zones. The weight of the sustainability criteria also amounts to 15% when selecting suppliers for indirect procurement.

A quantitative performance assessment of suppliers of goods and services is performed every six months. A five-point scale is used for evaluation in certain categories. Apart from economic characteristics and quality, environmental and occupational health and safety performance of the entity is also subject to evaluation.

All suppliers of the Company are evaluated upon rendering their services and assigned a certain rating. In 2017, additional attention was paid to compliance with all occupational health and safety requirements. The score received by the supplier upon completion of works is used to determine the winner of the subsequent tender and is registered in the cooperation record.

**Supplier Sustainability Assessment**

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INTRODUCTION OF ONLINE PLATFORMS

The Company actively supports and promotes the introduction of digital technologies. A pilot project based on the EcoVadis Platform was launched in 2017 in order to improve the efficiency of the supplier pre-qualification process. This Platform allows the Company to keep track of all suppliers and their performance efficiency according to 21 sustainability criteria. All information about suppliers, which is uploaded into the Platform, is verified by specialists. As a result, the Company receives access to reliable, comparable and complete information, which is used for selection of a contractor and further risk assessment and, if necessary, management. The Platform is also very useful for suppliers. First of all, it provides the basis for the determination of the business areas subject to improvement and development of a clear action plan. Another significant advantage is the possibility of comparing own indicators with the results of similar companies, thus sharing experience with each other.

As of today, Coca-Cola HBC AG evaluates the performance of more than 85% of suppliers in all countries of operations through the EcoVadis Platform.

21 sustainability criteria in the EcoVadis system

- Environmental: energy efficiency, greenhouse gas emissions, water use, biodiversity, local pollution, materials, chemicals, waste, product use, product end-of-life, customer health and safety, sustainable consumption
- Social: employees, health and safety, working conditions, social dialog development, management and training, child and forced labour, discrimination, fundamental human rights
- Ethical: corruption and bribery, anticompetitive practices, responsible information management
- Supply chain: environmental performance, social practice

CONTRIBUTING TO THE DEVELOPMENT OF THE COMPANY'S REGIONAL OPERATIONS

Coca-Cola HBC Russia contributes to the development of Russian regions, increasing the share of procurement from local suppliers every year. In 2017, local sourcing accounted for 98% of the total. Apart from boosting economic activity in the regions of the Company’s operation, such an approach supports the business development of local suppliers and facilitates their compliance with international quality and environmental protection standards.

To improve the management efficiency of working with contractors and financial planning, the Company reduced their number in indirect procurement, by increasing the number of plants served by a supplier and its supply volumes, as well as building long-term relationships. In 2017, the number of suppliers decreased by 19% vs. 2016, comprising 4,931 companies; in 2018 we plan to further reduce this to 4,000. On the other hand, the Company strives to expand competition in direct procurement, which is currently limited to a small number of suppliers who underwent special selection procedures of the Company.

21 sustainability criteria in the EcoVadis system

Online registration and qualification of suppliers. Assessment prioritization

Multiple data collection and analysis by CSR experts

Easy to use and dynamic scorecard available online. Scoring of supplier performance and qualitative information

Online Corrective Action Plan: scorecard to improve suppliers' performance

Change in the number of suppliers of Coca-Cola HBC Russia in 2015–2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6,079</td>
</tr>
<tr>
<td>2016</td>
<td>5,881</td>
</tr>
<tr>
<td>2017</td>
<td>4,931</td>
</tr>
</tbody>
</table>

Components of supplier assessments:

- Policies: mission statements, policies, objectives, management of goals
- Actions: measures and actions implemented (procedures, training, equipment, etc.)
- Results: report KPI reporting
- Endorsements: endorsement of external CSR initiatives
- Certification: certificate and labels (ISO 14001 and others)
- Coverage: implementation coverage of measures and actions

Environmental: energy efficiency and greenhouse gas emissions, water use, biodiversity, local pollution, materials, chemicals, waste, product use, product end-of-life, customer health and safety, sustainable consumption

Social: employees, health and safety, working conditions, social dialog development, management and training, child and forced labour, discrimination, fundamental human rights

Ethical: corruption and bribery, anticompetitive practices, responsible information management

EcoVadis Platform operation

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Online Corrective Action Plan: scorecard to improve suppliers' performance

>85% of suppliers in all countries of operations through the EcoVadis Platform

98% is sourced from local suppliers
In 2017, the Company held an important event called Sustainability Day, to which the key direct and indirect procurement suppliers were invited. During the event, the Company provided detailed information about its goals and strategic priorities in sustainability, including social projects, and shared its experience in building a responsible supply chain. In turn, supplier representatives shared their views, provided their input and informed the audience about their actions and roadmap to enter the sustainability pathway. Discussions included matters of the Company’s interaction with its partners in the area of sustainability, new areas of cooperation were discovered, and initiatives were set out for the future. Participants of the event greatly appreciated the importance and usability of the provided information, proving its relevance.

The Company recognizes and values suppliers’ efforts to raise the bar and comply with high standards of responsible business activities and awards the best of them on an annual basis. In 2017, the Company held an event called The Best Supplier of Coca-Cola HBC Russia for the eighth time.

**SUSTAINABLE AGRICULTURE**

Global climate changes are contributing to a decrease of crop yield in certain regions around the world. This raises demand for agricultural products and results in higher prices and limited availability, which in turn undermines food security. According to UN assessments, growing climate threats will lead to a decrease in production of agricultural products by 15-50% by 2050. Meanwhile, their production should increase by 60% by then to satisfy the needs of the growing population. To face these challenges, farmers and producers all over the world are switching to sustainable practices of farming, which allow an increase of yield in the sector and adaptation to changes in the environment.

Each product manufactured by the Company contains organic ingredients procured from suppliers and producers. Development of sustainable farming practices in organisations that are part of Coca-Cola HBC Russia’s supply chain enables us not only to answer global challenges, but also to increase the level of wellbeing of local communities in the regions where we are present. In 2017, the Company developed its own approach to sustainable farming based on the principles of environmental protection and respect for human rights. This approach will allow the Company to provide reliable and regular supplies of agricultural raw materials, as well as to meet stakeholders’ expectations.

Aiming to develop practices of sustainable farming, the Company set a target for 2020 to ensure that 100% of raw materials in the supply chain will correspond to the standards of products of the sustainable agriculture sector. This target applies to sweeteners, fruit, and other ingredients.

To achieve this target in Russia, our juice producer JSC Multon seeks to buy apples, tomatoes, oranges, and peaches only from certified suppliers. Over the next five years, JSC Multon plans to establish its own farm for growing apples in Russia and substitute 30% of total purchases of raw materials.

**Types of ingredients, producers of which must be certified by the Company**

- **Sweeteners**
  - Cane sugar
  - Beet sugar
  - Corn/High-Fructose Starch (HFSS)
  - Stevia

- **Fruit**
  - Apples
  - Oranges
  - Peaches
  - Tomatoes
  - Lemons
  - Mangos
  - Grapes

- **Other ingredients**
  - Coffee
  - Tea
  - Soy
  - Palm oil
  - Pulp and paper
In order to achieve the targets set out, the Company created a Sustainable Development of Agricultural Sector Policy. It determines requirements for partners in the area of sustainable supply chain, including 15 principles and 69 criteria which are divided into three categories:

- respecting legislation regarding human rights in the workplace;
- ensuring efficient use of natural resources and maintaining productivity of agricultural territories;
- managing the supply system and monitoring compliance with legislation, processes of quality assurance, and safety of suppliers’ employees.

PRINCIPLES OF THE SUSTAINABLE DEVELOPMENT OF AGRICULTURAL SECTOR POLICY

Human and workplace rights
- Freedom of association and collective bargaining
- Work hours and wages
- Eliminate discrimination

Environment
- Water management
- Energy management and climate protection
- Soil management
- Crop protection
- Conservation of natural habitats and ecosystems
- Management systems, record keeping, and transparency
- Business integrity

JSC Multon has successfully increased the share of purchases from Russian suppliers since 2016. Thus, an Astrakhan partner supplied 45% of tomatoes in 2017, which used to be purchased in full from China before. Having relied on a long-term partnership, the Company’s Procurement Department advises its Astrakhan business partner on indicators of quality of raw material production, selection of equipment, and preparation for audits, which will allow assessing production in the context of sustainable development. The Company also purchases tomato paste from Kabardino-Balkarian suppliers.

A special procedure for its implementation was developed to bring suppliers’ activities in compliance with the requirements of the Guidance. To confirm their adherence to the principles of sustainable farming, suppliers must demonstrate compliance with international and national standards for each category of the assessment. During the certification procedure, a supplier must register on the Sustainable Agriculture Initiative (SAI) Platform. This requires undergoing an external audit and receiving an independent assessment, which is compared to the supplier’s self-assessment within the Guidance.

The independent assessment is published on the SAI Platform, and results of the audit must confirm that products comply with the requirements of sustainable farming. The supplier further learns about the Company’s requirements in the field of sustainable development and chooses an audit programme depending on the indicators it is prepared to disclose. The supplier conducts a self-assessment of compliance, results of which are compared to results of the independent audit and published on the SAI. Thus, the Company uses this platform to choose tested suppliers with an assessment corresponding to the Guidance requirements.

JSC Multon has started implementing the Guiding principles in 2017 and launched the preparatory stage. Each supplier was given a description of the Company’s sustainability goals for 2020. Consequently, JSC Multon informed the suppliers about the opportunity to register on the SAI Platform and offered its help in choosing an audit company and preparing for a 2018 audit. If a supplier successfully passes the audit and is ready to guarantee the supply of raw materials up to 2020, and their costs correspond to the Company’s policy, a contract for procurement of goods will be concluded until 2020.
04. CARING FOR CONSUMERS

3 TIMES has the number of zero-calorie beverages produced by the Company grown since 2015.
“An established system for quality management and food safety is the most important aspect to ensuring that our products are of high quality. The key elements are employee competence, commitment to work in compliance with quality standards, stable operational processes at all levels, and a risk-oriented approach that allows us to preventively solve potential issues, especially those related to food safety. We also employ established methods to analyse the root cause of deviations to avoid recurrence by taking the mitigation measures.”

Natalya Polozova, Country Sustainability Manager, Coca-Cola HBC Russia

“Coca-Cola HBC Russia is one of the first food producers in the Russian Federation to implement a management system that conforms to the requirements of international quality and food safety standards. The Company’s performance has had a positive impact on the overall industry development, as suppliers and contractors in the Coca-Cola HBC Russia supply chain across the country have gradually started to implement these standards.”

Konstantin Timoshechkin, Regional Manager CBE, Eastern Europe – SGS

“The Company has a comprehensive quality and food safety management system in place, based on the ISO 9001, FSSC 22000 international standards, the requirements of The Coca-Cola Company (KORE), and best corporate practices with consideration of Russian legal requirements. The Company monitors the operation of the system and constantly takes measures for its improvement, allocating all required resources, while it takes into account the system requirements in its business planning processes. The Company regularly educates its employees on the importance of effective quality and food safety management.

A separate division is in charge of quality and food safety in the Company. Quality managers are responsible for handling these issues at each of the 10 plants of the Company, and at the country level these issues fall within the competence of the Country Sustainability Manager and four functional managers across the country. This division is also responsible for management of the Company’s environmental management activities. Coca-Cola HBC Russia has committed to certifying its production sites and confirms compliance with international and corporate standards on a regular basis during audits. All the 10 plants of the Company are certified in accordance with quality management standards (ISO 9001) and food safety management standards (FSSC 22000). Certification audits are performed every three years by an independent party to confirm compliance with the standards, as well as annual compliance audits. Every two years, the Company holds unannounced selective audits by international experts in accordance with the KORE standard and the Internal Cross Audit Programme to control compliance with requirements of the quality and food safety management system, environmental protection, and occupational health and safety.”

Konstantin Timoshechkin, Regional Manager CBE, Eastern Europe – SGS

THE COMPANY’S QUALITY PRINCIPLES AND OBLIGATIONS

100 plants are certified according to quality management standards

COCA-COLA HBC RUSSIA IS ONE OF THE FIRST FOOD PRODUCERS IN THE RUSSIAN FEDERATION TO IMPLEMENT A MANAGEMENT SYSTEM THAT CONFORMS TO THE REQUIREMENTS OF INTERNATIONAL QUALITY AND FOOD SAFETY STANDARDS

Konstantin Timoshechkin, Regional Manager CBE, Eastern Europe – SGS

THE COMPANY'S QUALITY PRINCIPLES AND OBLIGATIONS

Complete trust of consumers in the Company and leading positions in the market are based on the high quality of manufactured products.

The Company has a comprehensive quality and food safety management system in place, based on the ISO 9001, FSSC 22000 international standards, the requirements of The Coca-Cola Company (KORE), and best corporate practices with consideration of Russian legal requirements. The Company monitors the operation of the system and constantly takes measures for its improvement, allocating all required resources, while it takes into account the system requirements in its business planning processes. The Company regularly educates its employees on the importance of effective quality and food safety management.

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Apart from standard programmes of product quality management in production, Coca-Cola HBC Russia has implemented several additional initiatives providing for more efficient prevention of product quality problems.

The Company constantly monitors the shelf life of products both at warehouses and sales points so that the consumer always receives a high-quality product and no goods with expired shelf life are available in the market. This indicator is controlled based on a special standard determining the optimal shelf life after production, during which the carbonisation level and all organoleptic properties of the product are completely preserved. The average shelf life at the Company’s warehouses is 21.6 days for soft drinks and 34.1 days for juices. Market monitoring of this indicator is performed in the course of the monthly TAM (Total Asset Management) audit. The audit is performed at sales points with the largest sales volume, which are selected on a quarterly basis. Based on results of audits in 2017, the share of products with expired shelf life in the market amounted to 0.59% for sparkling soft drinks and 0.17% for juices, 30% and 41% less against 2016, respectively. Problems related to product quality can be caused by equipment failures, which the standard technical maintenance programme cannot prevent. Based on experience, the Company has identified the processes and equipment units with the highest failure risk and developed a Critical to Quality Maintenance Matrix. The Matrix is a set of equipment checks in addition to standard maintenance programmes, which are mandatory and performed at all production lines, water purification systems, treatment plants, the washing system and the ventilation system. Such an approach provides for timely identification and resolution of cases of inconsistency affecting product quality, as well as preventive estimation of possible risks. Activities performed under the Matrix are carried out on a monthly basis. In 2017, technical audits of the equipment maintenance processes were performed at the Company’s plants, allowing for identification of a number of deviations and development of a work plan for their liquidation. For deficiencies arising that could carry potential risks, all similar equipment was inspected at all the plants and appropriate changes were made to maintenance plans.

Internal Back2Basics Audits have been performed at all the plants since 2017. Such an audit provides for identification of critical cases of inconsistency, which may result in violation of food safety requirements and reduction of product quality. A list of high risks is prepared based on results of the audit and an action plan for their reduction is developed.

Coca-Cola HBC is implementing a special “Maturity Matrix” project to develop the production culture and improve the quality, environmental protection, and food safety management system. The project allows assessing the efficiency of the system of each of the three aforementioned fields based on key performance indicators, preventive measures, and competencies of employees. Apart from product quality indicators and environmental indicators, the criteria related to personnel training, assignment of responsibilities, risk assessment, accounting, and information exchange are subject to assessment. Depending on the results, one of four maturity levels is assigned to the management system. Such assessment is performed once a year in all the countries of the Group’s operations.

Regular and consistent development of production management systems allowed Coca-Cola HBC Russia to increase its overall indicator by 3 p.p. to 76%, which corresponds to the Adherence Level.

"Maturity Matrix"

Criteria for the assessment of maturity applicable to quality

- Violations and penalties of supervisory authorities
- Consumer complaints
- Compliance with product shelf life
- Number of audits failed
- Incidents related to product quality

Key performance indicators
- Implementation of the equipment inspection matrix
- Number of defects per million of product units
- Knowledge and measurements
- Human resources and skills
- Leadership and production culture
- Process organisation

Maturity level assessment

Passive approach Compliance Adherence Key values

| 0% | 40% | 60% | 80% | 100% |

2017 SUSTAINABILITY REPORT
The Company actively develops its production culture, implementing projects for raising awareness among employees. The Company provides quality and food safety training to employees in the form of an extended induction course for new employees, additional video instructions, as well as scheduled and unscheduled on-site training of personnel.

The Company has developed incentive programmes for employees: the best regions are nominated after reaching specific targets, followed by voting and selection of the best quality practices. Since 2016, the Company has been annually holding the "Best of the Best" contest which includes the assessment of each plant according to 19 sustainability indicators.

The "Sustainability News" project was launched in June 2017. Every month the Company holds special sessions for a wide range of participants, starting from senior management to line staff at the plants. A wide range of topics related to quality, food safety and environmental protection is discussed at the sessions, along with consideration of the strategies and business plans of the Company, legislative amendments and new projects, announcement of Coca-Cola HBC Group news and incident investigation findings.

The Company maintains high service quality when delivering products to its customers and regularly improves its existing practices. The Company monitors warehouse operations and controls regular loading and unloading of products ensuring that there is no vehicle idle time for efficient management of the respective processes. The quality of service in delivering products to the customer is assessed by an integrated indicator, DIFOTAI (Delivered in Full, On Time, Accurately Invoiced). In 2017, the indicator of Coca-Cola HBC Russia decreased by 0.53 p.p. vs. the previous year and amounted to 97.63%, still higher than the average indicator among the countries in which Coca-Cola HBC operates (96.3%).

A special hotline aimed at timely communication with customers’ employees in charge of product distribution and timely response to their complaints and recommendations is operating in the Company.

<table>
<thead>
<tr>
<th>Instruments</th>
<th>Description</th>
<th>Performance in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tel Sell</td>
<td>Active telephone sales and processing of incoming order requests of customers</td>
<td>The percentage of customer audience coverage increased by 5% against 2016 and reached 28%</td>
</tr>
<tr>
<td>Back-Office</td>
<td>Order processing</td>
<td>9.5 million orders were processed in 2017</td>
</tr>
</tbody>
</table>
The consumer satisfaction level in relation to the Company’s product quality is one of the main indicators of production management efficiency. A 24-hour Consumer Hotline is operating in the Company to accept queries from consumers. The number of queries accepted by the Consumer Hotline increased by 40% to 449,000 in 2017.

The Company has a system for processing consumer complaints. Upon receipt of each complaint, the whole batch of product is checked, and possible mistakes in the logistic chain are excluded. When the investigation is completed, its results are sent to the complainant. To take into account consumer opinion on product quality, the Company uses the number of complaints per million of sold product units as an indicator. This indicator was 0.15 in 2017, exceeding the figure for the previous year by 1.7 times. However, only one of every 30 complaints was substantiated. Organisational and technical measures were taken based on the results of investigation of 11 queries in 2017. For example, the blow moulding machine settings were reviewed based on three complaints about non-standard packaging.

In the event of an incident related to non-compliance with requirements and processes related to food safety and quality the Company personally contacts the consumer to suspend sales of such products.

**Consumer Satisfaction Level in Relation to the Company’s Product Quality is One of the Main Indicators of Production Management Efficiency**

### AN EVOLVING PORTFOLIO, FOR A HEALTHIER WORLD

We support our consumers in their intent to maintain a balanced lifestyle and produce a wide range of drinks meeting their needs. We are scrupulous about our marketing activities and indicate all required information about our products on the package. These ideas form the basis of our new strategy on renewing category growth which divides the way to the target into two key development areas: “inside the bottle” and “outside the bottle”.

**“Inside the bottle” we:**
- reduce sugar in our drinks;
- develop new and improve existing drink recipes;
- offer a wider range of drinks to fit every taste.

**“Outside the bottle” we:**
- sell about a quarter of our drinks under the Coca-Cola brand in packages of 0.33 l and less;
- provide reliable information about the nutritional value of our drinks, placing information about the sugar contents and energy value on the front side of the package;
- do not promote our products to children under 12 and do not sell sparkling beverages in schools.

**Support a balanced lifestyle**

- **OUTSIDE THE BOTTLE:**
  - Convenient smaller package
  - Accessible information on the package
  - Responsible Marketing Policy

- **INSIDE THE BOTTLE:**
  - Reduce sugar
  - Improve drink recipes
  - Different drinks
  - Responsible Marketing Policy
Consumers are becoming more sensitive to calorie and sugar intake, as well as to the use of natural ingredients, in drinks. The Coca-Cola system supports consumers in their intent to maintain a balanced lifestyle and offers a wide range of low and zero-calorie beverages and drinks with reduced sugar content. Since 2015, the share of zero-calorie beverages produced has increased almost three times. In 2017, we launched a low-calorie version of Sprite, and reduced sugar in Fanta Orange and Schweppes Bitter Lemon. In 2018, we plan to launch zero-calorie Sprite Watermelon-Cucumber, as well as new low- and zero-calorie beverages.

Since 2009, Coca-Cola together with other industry leaders has come up with a Responsible Marketing Charter aimed at helping parents to cultivate a desire for a balanced lifestyle in their children. In accordance with this initiative, we refrain from advertising drinks to the audience under 12. The initiative covers mass media with an audience of children under 12 accounting for at least 35% of the total. Pursuant to this obligation we:

- do not sell sparkling soft drinks in schools and do not place any advertising in them;
- do not run advertising in mass media mainly focused on children under 12, including TV shows, printed media, websites, social networks, films, as well as SMS and email marketing, and do not publish such advertising on our own websites;
- do not develop marketing events mainly focused on children under 12, in particular, do not use images of celebrities and characters, games and contests, and toys, which are mainly popular among children under 12;
- do not provide branded sponsorship of sporting and entertainment events mainly focused on children under 12.

This undertaking is enshrined in the Global Responsible Marketing Policy of The Coca-Cola Company, approved in 2015. In addition to the policy, methodological recommendations have been developed with practical instructions for their implementation, which are binding, in particular, on advertising and communication partner agencies and their employees. Compliance with the policy is strictly controlled and monitored by the Company’s internal auditors.
05. CARING FOR OUR PEOPLE

94% is the level of the Sustainable Engagement Index in 2017.
**OUR COMPANY IS A FAMILY THAT LOOKS AFTER ITS MEMBERS, AND OUR RELATIONSHIPS ARE BASED ON EQUAL OPPORTUNITIES**

Irina Petrova

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**Why is Coca-Cola HBC Russia a company where people want to stay?**

“Our Company is a family that looks after its members, and our relationships are based on equal opportunities and mutual respect. The Company supports employees who want to show their worth, helps them to advance in their career and achieve their goals.”

Irina Petrova, Country HR Manager, Coca-Cola HBC Russia

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**Why is Coca-Cola HBC Russia an attractive employer for you?**

“An opportunity to get an internship or a job in the Company is great career start for any applicant. There are no random people in Coca-Cola HBC Russia: every candidate goes through several stages of selection. Thus, the Company’s team is comprised of motivated, qualified and well-educated people. Global brand and reputation, as well as long-term honest and trusting relationship between the employer and employees were the crucial factors for me when I chose to work for Coca-Cola HBC Russia.”

Alexander Ivshin, Intern, Coca-Cola HBC Russia

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**HUMAN RESOURCES MANAGEMENT**

**HUMAN RESOURCES (HR) MANAGEMENT SYSTEM**

Employees are the main component to the successful development of Coca-Cola HBC Russia. The Company creates all conditions necessary for professional advancement and development of its employees, providing for annual growth of productivity and involvement of each team member into solution of production tasks. It is our people that our Company’s key partner in achieving its sustainability objectives.

In 2017, Coca-Cola Hellenic Bottling Company AG completed the introduction of a new blueprint for the HR Department in all countries of its operations. Transformation of the HR Department resulted in three key changes: global centres of expertise were established in the Company and business partnership models were introduced. In addition to that, the knowledge and skills of service employees improved considerably. Global centres of expertise are managed at the Group level and are intended to improve the efficiency of human resources development and recruitment, as well as cultivation.

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**HR Department operating model**

- Development of competencies
- Attracting talent
- Talent development
- Global centres of expertise
- Business partnerships
- Operations support centres of expertise
- Human resources administration and regulation of labour relations
- Accounting and planning, Remuneration management
- Compensation and Benefits

125 employees manage all HR-related issues in the Company.
of leadership skills. Centres solve the tasks of not only Coca-Cola HBC Russia, but also those of subsidiaries in Belarus and Armenia and of JSC Multon. The Group has identified three areas for establishing business partnerships: commercial function, supply chain function and support function. The structure of each of the three areas reproduces the structure of the respective service. The Company has established local centres of expertise for human resources administration and regulation of labour relations, for accounting, planning and control of remuneration, as well as the centralised salary department.

A team of 125 employees manages all HR-related issues in the Company.

Switching to the new model allowed the Company to considerably improve a wide range of indicators, which determined the financial result to a large extent. According to 2017 figures, 97% of key positions, crucial to successful commercial performance were occupied by employees whom the Company strives to develop as successors for senior positions (vs. 90% in 2016). The succession level in key positions reached 72% in 2017, more than a 24% improvement vs. 2016. Moreover, the new model allowed the improvement of training efficiency. Almost 90% of employees were promoted upon completion of the accelerated development programme. Professional expertise and knowledge received at Coca-Cola HBC Russia provide employees with the possibility to move up the career ladder; not only inside the Company, but also across the Group’s operations in other countries. The level of employee engagement is one of the most important performance indicators of the HR Department. Despite significant changes in organisational processes, our Sustainable Engagement Index remained at the level of 94% in 2017.

As a result of improved performance efficiency of the HR management service, Coca-Cola HBC Russia was recognised as the best company in the sector of Fast Moving Consumer Goods (FMCG) by human resources processes, according to HeadHunter, and it occupied high positions in ratings of the most attractive employers.

**Coca-Cola HBC Russia believes that respect for human rights is a key to sustainability of the Company and the regions of its operations. The Company’s principles in this area are determined in the respective internal policy based on universally recognised human rights and freedoms. The HR Department is in charge of observing human rights in the Company.**

The Company provides equal opportunities to all its employees and finds discrimination in labour relations unacceptable in any of its aspects. The Company uses a fair approach based on the capacity of an employee to meet the requirements of his or her position in all issues related to HR management. This principle is enshrined in the Company’s Equality Policy Statement. The HR Department controls the observance of the Statement by all employees.

The Company notifies its employees of changes in labour conditions and other significant changes at least two months in advance in strict compliance with the law. When entering into collective agreements, it is mandatory that this condition be included in them.

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### HR awards of Coca-Cola HBC Russia

**HeadHunter: Rating of Russian Employers 2017**

- 1st place in the sector of fast moving consumer goods (FMCG);
- 7th place in the overall standings

**Employer Rating according to Changellenge**

- 3rd place in the sector of fast moving consumer goods (FMCG);
- 13th place in the overall standings

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The support function includes Finance, Public Affairs and Communications, Human Resources, Legal department.
In 2017, the Company’s headcount decreased by 901 employees vs. 2016, and amounted to 7,546 employees, 126 of whom worked on a temporary basis. The turnover rate in the reporting period averaged 5.7% throughout the Company. The highest rate was registered in the central office, Siberian and Far Eastern Regions, while the lowest rate was in Moscow and the South Regions. The Company strives for a gender and age balanced employee base. However, due to production specifics, and age balanced employee base.

The Company strives for a gender and age balanced employee base. Despite this, the percentage of women increased for more than 25% of recruitment.

Since 2017, the Company has started to actively use digital technologies for recruitment. A digital bot named Robot Vera became a pilot project and accelerated this process considerably. Trial use of the bot for selection among two thousand applicants showed that its operating speed was dozens of times faster than human working speed. Based on the results of the pilot project, a decision was made to continue using the bot for selection candidates for the Rise Management Trainee Programme, and to start using it for recruitment for mass positions, in particular sales representatives, production operators and drivers.

In 2017, in order to optimise the recruitment process, a planning system was introduced, which allowed performing preliminary recruitment before a vacancy was opened, and the Company also reached cooperation agreements with several more recruitment websites.

A strategy of cooperation with key universities was developed and respective agreements were signed in 2017. The Company selected the top-20 priority universities from across the country, with which active cooperation commenced: representatives of Coca-Cola HBC Russia attend recruitment fairs and give lectures and master classes for priority professors. The Company also participates in Russian leading case championships “Changellenge” as a partner.

The absence of professional experience is not an obstacle to starting a successful career at Coca-Cola HBC Russia. In 2017, a three-month spring on-the-job training programme was introduced for graduate students. In the event of successful on-the-job training, a student can join the team of Coca-Cola HBC Russia as a specialist or participant of the Rise Management Trainee Programme for future managers. Speeding up the adaptation process of new employees is an important task for the HR function. In 2017, the Company launched the HELO Platform, which unified the whole recruitment cycle, including adaptation support for new employees. A special induction plan is developed for each new team member of the Company. The plan includes required training, introduction to corporate procedures and policies, and other important aspects required for quick adaptation and effective work from the very first weeks of working for the Company.
In 2017, the Company’s employees spent 142,200 hours on training, with 76% in manager training and 24% in training of specialists and workers.

When undergoing external training, an employee remains employed and business travel arrangements are made, if necessary.

In 2017, Coca-Cola HBC Russia has completed reorganising its corporate training programmes. The Company has developed mandatory leadership training for each management level. Such programmes help employees develop at their current positions. A total of eight programmes were developed and included both basic and additional programmes. Changes were also made in e-courses. Part of them was transferred from the SAP System to a new system named HELO. Nine employees completed the Leadership Development Programme, and each of them was promoted.

In the reporting period, 190 employees completed accelerated development programmes that are intended to prepare their participants for moving up to the next level. Almost 90% of the programme participants were promoted.

In the course of the year, the accelerated development programmes faced a number of changes, including the launch of a new programme for senior management successors, development of an individual design for each programme, and introduction of mentorship as an instrument of personal and career development of participants.

The Company continues to implement the Rise Management Trainee Programme, developed especially for young graduates. It is a two-year programme, during which the participants get work experience at different departments of the Company and develop from recent graduates to managers. 23 employees completed this programme in 2017. For the first time this year, a mentor selected among the best managers of the Company who had undergone special training is assigned to each programme participant. The mentor shares his or her experience and provides feedback and recommendations. The mentor also cultivates a responsible attitude to work of his or her direct report and the desire to share personal opinions and points of view.

During the reporting year, an annual performance assessment was carried out for 37% of the Company’s employees. According to the rating, 95% of individual development plans were implemented, in line with our 2017 target.

Coca-Cola HBC Russia provides its employees with a competitive salary package and increases it annually in accordance with market trends based on reviews of remuneration levels in the industry.

In 2017, the average salary amounted to 68,700 rub and the minimum salary was 14,000 rub (183% of the minimum wage in the respective region).

In some regions there is a difference in the starting salary among men and women since job specializations and characteristics differ depending on the gender.

Coca-Cola HBC Russia uses not only salary, but also other incentive methods for remuneration of its employees.

The Company provides a wide range of benefits for its employees, including voluntary medical insurance, life insurance, as well as partial compensation of costs for meals and child recreation.

The Company developed a “Major League” Internet platform for non-financial recognition of employees intended to improve performance efficiency and the “Incentive and Recognition” indicator in the employee engagement survey. The platform allows nominating colleagues for various professional achievements, adherence to the values and innovations in work, as well expressing gratitude in the section “Say thank you” section.

The platform interface became more user-friendly and simple in 2017.

**Average number of training hours per employee in 2015–2017**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>50</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Specialists and workers</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

* Clock hours.

**Ratio of starting salary of men and women to minimum salary in the region in 2017**

<table>
<thead>
<tr>
<th>Region</th>
<th>Minimum wage in the region</th>
<th>Starting salary, rub</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Central office</td>
<td>7,800</td>
<td>27,208</td>
</tr>
<tr>
<td>Central</td>
<td>7,800</td>
<td>14,290</td>
</tr>
<tr>
<td>Moscow</td>
<td>7,800</td>
<td>30,000</td>
</tr>
<tr>
<td>Siberia and Far East</td>
<td>7,800</td>
<td>17,200</td>
</tr>
<tr>
<td>South</td>
<td>7,800</td>
<td>15,447</td>
</tr>
<tr>
<td>North-West</td>
<td>7,800</td>
<td>26,727</td>
</tr>
<tr>
<td>Ural</td>
<td>7,800</td>
<td>20,542</td>
</tr>
</tbody>
</table>

68.7 THOUSAND RUB average salary in 2017
The Company continues to cooperate with FIFA and awards tickets to football matches to its team members and their families. Children of employees of Coca-Cola HBC Russia have the opportunity to take famous sportsmen to the pitch, become members of the ball boy team, or be the flag bearers before the start of the competitions.

In 2017, we introduced the “Be Well” Platform containing all information on corporate discounts to fitness clubs, gyms and sections for employees, bank and other discounts. The platform informs employees about medical insurance, morning exercises and other topics, which are relevant for a healthy lifestyle.

The Company regularly holds events to promote physical activity. A programme of competitions and master classes is developed every year for each region and is based on interests and wishes of employees. Coca-Cola HBC Russia holds a corporate football league championship, with the participation of teams from all regions of its operations. Sports achievements of employees are recognised on the information platform motivating colleagues to do sports on a regular basis. Every year the Company determines the level of sustainable engagement and satisfaction by conducting a poll on engagement and adherence to values called “My Voice”. The main indicators of this study are the Values Index, the Sustainable Engagement Index, and the Ambassadorship Index. Each index is calculated on the basis of unique criteria and key questions. Based on the results of 2017, the indicators remained high and Coca-Cola HBC Russia became the first one in terms of the level of employee engagement among 28 countries, which demonstrated the sustainable growth of the corporate culture.


<table>
<thead>
<tr>
<th>Year</th>
<th>Payroll</th>
<th>Year</th>
<th>Payroll</th>
<th>Year</th>
<th>Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>9,689,755</td>
<td>2016</td>
<td>8,516,263</td>
<td>2017</td>
<td>6,8725</td>
</tr>
</tbody>
</table>

Average salary in Coca-Cola HBC Russia in 2015–2017, rub.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Salary</th>
<th>Year</th>
<th>Average Salary</th>
<th>Year</th>
<th>Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>93,281</td>
<td>2016</td>
<td>93,281</td>
<td>2017</td>
<td>93,281</td>
</tr>
</tbody>
</table>

Total costs for employee benefits of Coca-Cola HBC Russia and other payments in 2015–2017, mln rub

<table>
<thead>
<tr>
<th>Year</th>
<th>Costs</th>
<th>Year</th>
<th>Costs</th>
<th>Year</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>313</td>
<td>2016</td>
<td>281</td>
<td>2017</td>
<td>266</td>
</tr>
</tbody>
</table>

“Learning Friday Club”

In 2017, the HR Department launched a “Learning Friday Club” project. All employees of the department can take part in weekly online learning sessions with topics being selected by the participants themselves. Managers of divisions act as speakers at such sessions. As each employee can select the most interesting lectures, 90% of the department employees participate in this project.

Results of My Voice in 2015–2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Ambassadorship Index</th>
<th>Year</th>
<th>Sustainable Engagement Index</th>
<th>Year</th>
<th>Values Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>91</td>
<td>2016</td>
<td>91</td>
<td>2017</td>
<td>95</td>
</tr>
<tr>
<td>2016</td>
<td>94</td>
<td>2017</td>
<td>94</td>
<td></td>
<td>95</td>
</tr>
<tr>
<td>2017</td>
<td>95</td>
<td></td>
<td>95</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
OCCUPATIONAL HEALTH AND SAFETY

The Company's successful long-term development plan is closely connected with ensuring occupational safety of both its employees and contractors, as well as suppliers and business partners, and other third parties. The Company management believes that every employee has a fundamental right to a safe work environment and considers work in this area to be of high priority.

OPERATION OF THE MANAGEMENT SYSTEM

The Company’s key principles and approaches to ensuring the safety of its employees and assets are enshrined in the Occupational Health and Safety Policy of Coca-Cola HBC Russia.

In order to reach the ultimate objective set out in the policy and to ensure continuous improvement of the OHS system, the Company sets specific target values on an annual basis for occupational health efficiency, as well as safety culture indicators and an action plan are developed to achieve them. Occupational safety is a centralised function of the Company, and related activities are carried out by 35 employees. The Country Health and Safety Manager reports directly to the Country General Manager. Six regional managers are responsible for this function in the respective regions of operations, while at a local level this responsibility is imposed on senior occupational safety specialists and other professionals.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of fatal accidents</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Number of serious accidents</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Number of accidents with time loss of more than 1 day in terms of 100 full-time working days</td>
<td>0.18</td>
<td>0.18</td>
<td>0.16</td>
<td>0.18</td>
<td>0.15</td>
<td>0.24</td>
</tr>
<tr>
<td>Number of registered “near miss” events</td>
<td>1,994</td>
<td>3,798</td>
<td>5,819</td>
<td>5,799</td>
<td>6,106</td>
<td>6,764</td>
</tr>
<tr>
<td>Number of safety behavioural audits (“walk the talk”)</td>
<td>2,132</td>
<td>3,490</td>
<td>4,250</td>
<td>4,741</td>
<td>3,636</td>
<td>4,971</td>
</tr>
<tr>
<td>Number of “toolbox talks”</td>
<td>14,744</td>
<td>24,996</td>
<td>29,856</td>
<td>31,778</td>
<td>12,732</td>
<td>14,774</td>
</tr>
</tbody>
</table>

COMPLIANCE CONTROL AND CERTIFICATION

When performing its activities, the Company is guided by the requirements of Russian law, requirements of The Coca-Cola Company (KORE), as well as the international standard OHSAS 18001 and internal standards and instructions.

To maintain a high level of occupational health and safety, the Company pays particular attention to regular control and monitoring of processes, and conducts tours of the production areas, warehouses, and external territories of plants and offices. In 2017, the number of internal inspections of compliance with occupational health and safety requirements increased almost 6 times vs. the previous year. The fact that in 2017 the Company’s facilities successfully passed 10 inspections performed by Russian executive bodies showcases the Company’s full compliance with Russian laws on occupational health and safety.

The Company’s OHS management system complies with the international standard of the Occupational Health and Safety Assessment Series (OHSAS) 18001. In 2017, all Coca-Cola HBC Russia’s plants successfully passed annual supervision and recertification audits.

A special inspection of labour conditions was conducted at 311 workplaces in the reporting year to identify potential hazardous factors within the working environment and work flow, as well as to take measures to reduce their negative impact on employees.

All Coca-Cola HBC Russia’s plants successfully passed annual supervision and recertification audits.
RAISING AWARENESS AND DEVELOPING COMPETENCES

Occupational health and safety (OHS) awareness among employees is constantly growing as a result of regular training. Employees receive special occupational health and safety training in compliance with the law. The total number of trained employees exceeded 3,700 people in 2017.

To improve safety levels, introduce best OHS practices at facilities and share OHS-related experience, Coca-Cola HBC Russia launched the “Base Line Assessment” project in 2017. The project had already been implemented and widely acknowledged in other countries of Coca-Cola HBC Group’s operations, prompting the decision to introduce it in Russia. Scheduled visits of plants are carried out by OHS experts from other production facilities within the Company and the Group to conduct expert diagnostics and assessment of the current safety status. This process is not an internal audit, but is designed as a means to search collaboratively for solutions to identified problems and share best practices. A positive outcome of the project was raising awareness and involving not only managers but also operating personnel to interact directly with the group of experts. In 2017, the project’s main focus was on the LOTO (lockout-tagout) work permit system, on working at heights and on fork-lift trucks, on equipment of protection guards, on separation of traffic and pedestrian routes, and on safety issues related to contractors.

To raise awareness among employees and visitors to the plants regarding the main risks and dangers of production sites, as well as to reduce the number of unsafe actions at the plant in St. Petersburg, a project was launched to implement visual representation of risks and occupational health and safety requirements. Special coloured markings and signs were placed around the plant’s premises. In 2018, the project will be implemented at all the other facilities of the Company.

To share experience between different business functions, special days are dedicated to occupational health and safety in the logistic and production departments on a monthly basis. These meetings include discussion of accidents’ root causes, along with educational activities, best practices, and identification of problem areas. In addition, brief safety discussions were held every other week in the Commercial function.

The “WeKnow” System was established in Coca-Cola HBC Group to share the best practices and lessons learnt. In 2017, Coca-Cola HBC Russia registered 233 best practices, 38 of them were recognised to be unique and information about them was shared across the Group.

Articles dedicated to different safety issues were published on the Company’s corporate website 2-3 times per month to inform employees about the importance of occupational health and safety.

A week was dedicated to occupational health and safety in 2017 with the main focus on behavioural safety, given that most accidents are caused by failure to follow the correct procedure, underestimation of risks, or insufficient awareness of own safety.

In addition, the World Day for Safety and Health at Work was held in 2017, dedicated to optimisation of Occupational Health and Safety data collection and use.

DEVELOPING SAFETY CULTURE AND REDUCING THE ACCIDENT RATE

Despite the Company’s long-term efforts to ensure occupational health and safety, in 2017, the industrial accident rate increased by 15% compared to 2016. More than one third of accidents in the reporting year were caused by third parties, including 3 fatal accidents. The main causes of these accidents were traffic incidents and equipment-related incidents, accounting for 40% and 15% of all the accidents respectively.

The Company continues to introduce best practices aimed at developing a safety-oriented culture among employees, which have proven to be successful. Almost 5,000 safety behavioural audits (Walk The Talk) were conducted in 2017. In the course of such audits, department managers observe employees, as they perform their tasks. Following the results of these observations, a disciplinary conversation is held, which includes encouraging the employee to adopt safe work methods and identify any unsafe actions they have performed. As a result, employees’ responsibility for their own safety increases.

The Company also holds brief conversations related to different safety issues (“Toolbox Talks”) at various times during the year, which help to raise employee awareness of occupational health and safety.

Occlusional health and safety ambassadors identified more than 6,700 “near miss” actions and conditions, 17% higher compared to 2016. This shows a positive trend, as the current efforts are aimed at identifying an increasing number of “near miss” actions and conditions in order to improve the level of occupational health and safety. Eliminating the causes of “near miss” events and increasing the number of active employees allows for stable improvement of the safety level at the Company’s facilities.

![Number of employees who underwent special OHS training in Coca-Cola HBC Russia in 2015–2017](chart)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3,729</td>
</tr>
<tr>
<td>2016</td>
<td>1,208</td>
</tr>
<tr>
<td>2015</td>
<td>1,391</td>
</tr>
</tbody>
</table>

> LTAR is calculated as a total number of accidents with time loss of more than 1 day per 100 full-time working days.
OCCUPATIONAL HEALTH AND SAFETY SYSTEM DEVELOPMENT PLANS FOR 2018

In order to improve the safety of working at heights in 2018 and reduce the respective risk level, personal protective equipment and new engineering equipment for working at heights were acquired for all the 10 plants. This equipment will be used for technical maintenance of roofs, working at heights on fragile surfaces and working at fixed workstations.

To prevent occupational diseases and the spread of bacterial and virus infections, as well as to comply with current legal healthcare requirements, a large-scale project will be implemented in 2018 to conduct employee medical examinations and vaccinations. The aim of the project is to introduce a systematic and unified approach across the country for organising and conducting preliminary and regular medical examinations, as well as provide vaccinations for the Company employees.

Moreover, in 2018, the Company will implement the “Behavioural Based Safety” Initiative. This is aimed at encouraging employees at all levels to personally participate in occupational safety topics, thus improving their own responsibility for their safety. Any employee can observe how their colleagues work, pointing out any unsafe behaviour to them and trying to identify the reasons for this. Based on the results of these observations, the collected statistics will help to eliminate the root causes of unsafe employee behaviour, take corrective measures and teach employees how to see and identify the risks around them.

In 2018, the main focus of accident rate reduction activities will be on increasing traffic safety to prevent incidents and develop a safe driving culture, as well as to improve safety when operating equipment.

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FLEET SAFETY

The Company’s efforts to improve the safe driving culture and introduce engineering vehicle safety systems resulted in further reduction of the number of traffic incidents involving employees. In 2017, the main causes of traffic incidents involving Company vehicles were related to not following the rules for passing crossroads, crossing into oncoming traffic, and speeding in poor weather conditions.

To raise awareness, regular meetings for Traffic Safety. In addition, online road safety seminars were launched during 2017 for all employees. Besides, all drivers attend refresher courses. In the event of violations of traffic safety rules, the drivers are sent for re-qualification. Traffic safety committees operate in all locations of the Company and are responsible for developing traffic safety action plans, monitoring their implementation.

Moreover, a number of regular events were held in 2017, such as the driving skills championship and the traffic safety day, which was attended by employees of the Advocacy Department of the General Administration for Traffic Safety. In addition, various promotion campaigns were organised to ensure the observation of safe distances and speed.
FIRE SAFETY

The Company pays particular attention to fire safety: all Company facilities are equipped with modern fire-fighting equipment, while employees undergo regular training sessions.

In 2017, more than 5,000 fire-fighting briefing sessions were provided to Company employees, which included information on fire safety requirements, use of fire protection equipment, and an action plan in case of fire. To improve the training process for the Company’s employees and contractors, a film on fire safety was released.

A set of organisational measures was made and shown during the sessions. A total of 66 practical training sessions were held in 2017 to train the employees for emergencies, including 13 training sessions with the participation of fire-fighting units from the Ministry of Emergency Situations. The Company performs internal control of its facilities for compliance with fire safety requirements in the course of fire-fighting audits, which increased in number 1.5 times in the reporting year.

Considerable work was carried out to supply the Company production facilities with fire-fighting equipment. In particular, fire alarm systems were upgraded, and modern fire-fighting doors, sprinklers and fire warning systems were installed at a number of plants. Emergency exit doors at some facilities were equipped with special panic bars, which unlock the door by pushing down once on the bar.

INDUSTRIAL SAFETY

The Company operates 37 Hazardous Industrial Facilities (HIF), 25 of which are classified as Hazard Class III (medium) and 12 as Hazard Class IV (low). To prevent accidents at these HIF, the Company operates an industrial safety management system which fully complies with Russian laws. A set of organisational and technical measures is in place to ensure accident-free operation of the Company’s hazardous industrial facilities, including regular production control. In 2017, 48 internal inspections were performed as part of the production control system, as well as 13 internal industrial safety audits.

In 2017, a safety management system for contractors was introduced, in order to improve the safety culture of contractors, and reduce the accident rate, the number of unsafe actions and violations, and the financial and reputation risks. The new system is developed on the back of the best international and Russian practices and allows the Company to implement risk-oriented management at all stages of the contract life cycle: from the terms of reference to the completion of the contractual relationships and performance evaluation.

Since 2017, all terms of reference have been developed considering the OHS requirements depending on the type of planned works.

All potential contractors undergo preliminary assessment, which serves to exclude those who do not comply with the OHS requirements before signing the contract. This assessment includes the evaluation of the required qualification and the training status of workers, regularity of medical examinations, availability of certified special clothing and footwear, as well as the corresponding licences, availability and state of the required equipment, experience in performance of similar works, feedback, recommendations, and other factors.

In accordance with the new system requirements, all contracts are divided into three categories depending on the risk level: red, yellow, and green. When conducting a risk assessment, factors taken into consideration include, among others, the number of employees involved, the participation of sub-contractors, the duration of works and availability of hazardous works, and the contract amount. The set of safety requirements to be applied to the contractor is determined depending on the risk level. The work permit is provided in strict compliance with OHS requirements.

During the contract period, contractors undergo regular audits for compliance with the OHS requirements. In 2017, the number of these inspections increased eight times.

Any contractor is subject to mandatory evaluation with regard to the work results and completion of the contract, which is then taken into consideration for future projects.

The accident rate among contractors has already been reduced to zero in the first year of applying the new approach, mainly as a result of the active measures taken by the Company to improve the level of employee control and awareness. Further development of the system will be focused on strengthening the achieved results.

Main steps of the contractor safety management process

01. Developing the terms of reference with consideration of the OHS requirements
02. Preliminary qualification for occupational health and safety; tendering process
03. Signing a contract which includes OHS requirements and responsibilities
04. Preparation and obtaining permits for implementation of works
05. Performance of works, regular control of compliance with OHS requirements
06. Completing performance of the contract and subsequent assessment according to OHS

THE COMPANY PAYS PARTICULAR ATTENTION TO FIRE SAFETY: ALL COMPANY FACILITIES ARE EQUIPPED WITH MODERN FIRE-FIGHTING EQUIPMENT

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06. Completing performance of the contract and subsequent assessment according to OHS
06. CARING FOR THE ENVIRONMENT

BY 82 TONNES consumption of aluminum raw materials reduced due to the simplification of the beverages packaging
How does the "Separate with Us" project turn separate waste collection into a trend? Is this trend turning into a habit?

“A unique feature of “Separate with Us” is that the project involves mostly young people – the most appropriate to set the tone for new trends! It’s becoming cool to separate waste, and more and more young people are talking about this movement on social media, following examples of teen idols and famous bloggers. The right attitude to waste collection is spreading like a virus; more and more people are getting involved in the project, and I am sure that it is today’s youth who are turning separate waste collection from a trend into a habit. In this way, they are putting bottom-up pressure on the government policy from below and demanding access to proper waste recycling.”

Lyubov Melanevskaya, Regulatory Manager Coca-Cola HBC Russia

Why is separate waste collection important to you? What do you consider to be the most valuable outcome of the “Separate with Us” project?

“The main result of implementing separate waste collection is that a large part of the population becomes involved in the process of caring for the environment, which provides significant and organic support to waste handling providers as well as manufacturers interested in promoting waste collection. “Separate with Us” enables to effectively promote and implement separate waste collection through an integrated mix of informative and educational measures and infrastructural aspects.”

Konstantin Rzaev, Executive Partner EcoTechnologies Group of Companies

Why is separate waste collection important to you in particular? What do you consider to be the most valuable outcome of the “Separate with Us” project?

“Separate waste collection is essential in order to recycle waste in an efficient manner, which is a progressive and civilized way to manage waste that preserves valuable natural resources. As someone who has been separating waste at home for years, I sincerely hope that one day this practice becomes common and widespread in our country. The “Separate with Us” project is valuable because, on the one hand, it encourages different groups in society to properly collect and manage waste, and on the other hand, it gives them access to the necessary infrastructure to do this.”

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Coca-Cola HBC Russia focuses on water stewardship, climate protection, promotion of green packaging, as well as improvement of the efficiency of raw materials and supplies utilization, in order to minimize its environmental impact. The Company widely introduces water recycling systems on its production lines, equips its plants with local treatment facilities, decreases power consumption, which results in the reduction of air pollutant emissions, and exercises strict control of emissions when using cooling agents in refrigeration equipment. The Company implements projects for reduction of product package weight, separate collection and treatment of consumer packaging waste, as well as industrial waste management.

The Company actively introduces environmental strategies and targets in its business planning process. Every year, strategic plans and target values for key indicators by priority environmental areas are developed at the Coca-Cola Hellenic Bottling Company AG level. Each country of the Hellenic Bottling Company’s operations makes its contribution to the achievement of long-term targets. At Coca-Cola HBC Russia, target values are distributed among plants in accordance with their production volume. To reach the set targets, each plant develops a plan of environmental protection activities and reports the achieved results twice a month.

The Company is guided by the The Coca-Cola Company KORE corporate standard for improvement of its environmental activities efficiency and constant monitoring of environmental performance. The Company’s plants are regularly audited for compliance with corporate environmental requirements.

An environmental management system certified under ISO 14001:2015 is in effect at all the plants of Coca-Cola HBC Russia. The plants confirm compliance with the standard requirements every year in the course of supervision and recertification audits.
### WASTE AND SUSTAINABLE PACKAGE

To improve production resource efficiency and reduce negative impacts, Coca-Cola HBC Russia is focused on waste management in three areas: reduction of total waste, growth of the share of recycled waste, as well as reduction of waste for landfill disposal. Target values and action plans are shared with all the plants of the Company for each of these three areas.

In 2017, total waste at the Company’s plants amounted to 8,710 tonnes, with the majority (96.6%) classified as low-hazardous and non-hazardous waste and only a small part (3.4%) considered as high hazard class.

The specific volume of waste per 1 litre of beverage produced at the Company’s plants remained stable in 2017, at the level of the previous year, at 5.9 g/l. The volume of waste for disposal per 1 litre of beverage produced decreased by 9% to 0.83 g/l. The Company’s actions taken for development of waste recycling allowed increasing the percentage of recycled waste to 86%.

Package weight reduction projects were implemented to improve production resource efficiency. The implementation of such projects at the plants in Istra and Rostov provided for reduction of PET consumption by 0.5% or 63 tonnes in 2017. This reduction stemmed from a decrease in Nestea bottle weight by 14%. Total consumption of aluminium declined by 2.2% or 82 tonnes due to the reduction in the aluminium package weight of our drinks.

### EXTENDED PRODUCER RESPONSIBILITY (EPR)

The Company develops management procedures not only for industrial waste, but also for consumer packaging waste, creating conditions for its separate collection and recycling. The global target of The Coca-Cola system by 2030 is 100% collection and recycling of the primary package equivalent released into the market. Russian legislation related to extended producer responsibility provides for extra incentives for the Company to achieve this ambitious target.

The Coca-Cola system in Russia is one of the first representatives of the business community that has implemented the extended producer responsibility principle across its territory, on a voluntary basis. A large-scale project called “Separate with Us”, launched in 2016, is targeted at development of the environmental culture and promotion of separate waste collection. This example is unique for the whole country. The project includes activities in two areas: infrastructural and educational.

#### Specific volume of waste per 1 litre of finished products at the Company’s plants in 2015-2017, g/l

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6.24</td>
<td>6.24</td>
</tr>
<tr>
<td>2016</td>
<td>6.46</td>
<td>6.46</td>
</tr>
<tr>
<td>2017</td>
<td>5.93</td>
<td>5.93</td>
</tr>
</tbody>
</table>

#### Volume of waste for disposal per 1 litre of manufactured products at the Company’s plants in 2015-2017, g/l

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.11</td>
<td>1.11</td>
</tr>
<tr>
<td>2016</td>
<td>0.76</td>
<td>0.76</td>
</tr>
<tr>
<td>2017</td>
<td>0.83</td>
<td>0.83</td>
</tr>
</tbody>
</table>

#### Percentage of the Company’s recycled waste in 2015-2017, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>82.30</td>
<td>82.30</td>
</tr>
<tr>
<td>2016</td>
<td>84.00</td>
<td>84.00</td>
</tr>
<tr>
<td>2017</td>
<td>85.90</td>
<td>85.90</td>
</tr>
</tbody>
</table>

#### Cumulative results of the project “Separate with Us” for 2016-2017

- **Number of involved cities**: 25
- **Number of installed containers for plastic package**: 2,500
- **Total volume of collected packaging waste**: 30,000 tonnes
Plastic package lifecycle of Coca-Cola HBC Russia

Development of a closed package lifecycle will not only improve the utilisation efficiency of raw materials, but also significantly reduce the impact on the environment as a result of the Company’s product packaging. As of today, The Coca-Cola system in Russia has already done a lot to establish such a cycle, with results of the “Separate with Us” project representing evidence of success reached in solving this challenging task. EcoTechnologies, a key partner of the project’s infrastructure, installs special containers for separate collection of packaging waste, its transportation and recycling. At the treatment plant sorted plastic is resorted, washed, crushed and further used as a plastic raw material.

In 2017, 4% of the total plastic used for packaging production became recycled plastic. This target is to reach 6% in 2018.

ENERGY EFFICIENCY AND CLIMATE CHANGE

In addition to reducing energy consumption in absolute terms, energy use per litre of beverage produced decreased from 0.59 mJ/l to 0.53 mJ/l in 2016–2017, and almost reached the planned value for 2017 established at the level of 0.52 mJ/l. Reduction rates of energy consumption per 1 litre of finished product in 2017 exceeded the same indicator for 2016 five times.

The Company is implementing employee incentive projects regarding water and energy saving initiatives, including the Carbon & Water Reduction Award.

23 engineering projects for improvement of energy efficiency of equipment and processes were implemented at the Company’s plants during 2017, resulting in the reduction of energy consumption by 36,762 GJ. Energy efficiency projects, providing for the reduction of energy consumption by another 81,195 GJ, are planned for implementation at the Company’s plants in 2018.

Carbon reduction represents one of the important results of the energy efficiency improvement projects implemented at the Company’s plants.

Energy usage ratio per 1 litre of finished product in 2015–2017, mJ/l

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.60</td>
<td>0.59</td>
<td>0.54</td>
</tr>
</tbody>
</table>

Total energy consumption in 2015–2017, GJ

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,368,190</td>
<td>1,226,220</td>
<td>1,183,877</td>
</tr>
</tbody>
</table>

23 engineering projects implemented to improve the energy efficiency of equipment and processes
Joint action of the Company’s plants in 2017 resulted in the reduction of direct carbon emissions by 18.7%, to 82,300 tonnes of CO₂ equivalent. The share of indirect carbon emissions in consumption of purchased energy for the reporting period decreased by 1.7% to 58,300 tonnes of CO₂ equivalent.

Specific carbon emissions per litre of manufactured products of the Company amounted to 63 g of CO₂ equivalent, 15.6% less than in 2016.

The Company constantly monitors carbon emissions with consideration of performance indicators of the equipment used for manufacturing, supply and storage of products. An industrial environmental control system for CO₂ emissions operates at each plant.

**Biogas project development in the Company**

Industrial waste water from the plant in Istra is processed at local treatment facilities. Biogas is generated at one of the water processing stages under anaerobic conditions, during decomposition of organic waste water components. Before 2016, biogas was flared, however the plant’s management decided to use it as fuel for process water heating. In 2017, a number of technical changes were introduced, resulting in improved stability of the system’s operation. In 2017, the project allowed reducing natural gas consumption in the boiler house by 80,000 m³ and further reduction by 120,000–180,000 m³ is planned in 2018. The project also provides for annual carbon reduction by more than 500 tonnes of CO₂ equivalent.

**RESPONSIBLE WATER USE**

The Company’s key performance indicator in water stewardship is water intensity, defined as the use of water per litre of beverage produced. This indicator includes not only consumption of water used for production of drinks, but also water consumed during secondary processes, such as equipment maintenance, car washing, and office needs. The Company’s actions for efficiency improvement of production processes resulted in the constant reduction of water intensity-of-use per 1 litre of finished product. In 2017 it declined by 6% to 1.92 l/l.

Total water consumption is also being reduced consistently. The Company is decreasing water intake from both municipal and underground sources. Total water consumption was reduced by 4.6% vs. 2016, with reduction of water well intake accounting for 83% of the decline. Reused water volume remained at the level of 2016, while its contribution to the total slightly increased.

More than 80% of waste water from the Company’s facilities is discharged into public sewage systems. Total water discharge in 2017 remained almost unchanged year-on-year amounting to 179 million m³.

To improve the utilisation efficiency of water resources, the Company actively implements environmental protection projects. In particular, an upgrade and commissioning of local treatment plants at numerous production facilities, as well as design of storm water treatment plants, are planned for 2018. Four engineering projects for reduced water consumption which were implemented at the Company’s plants in 2017 resulted in reduction of waste water by 21,500 m³. In 2018, 14 engineering projects are planned for implementation, which will allow reducing water consumption at the Company’s plants by 131,000 m³. More than one-third of reduced water consumption, or 50,000 m³, will result from installation of a reverse osmosis system at the plant of JSC Multon in Schelkovo.
### Sustainable Transportation

Systematic reduction of a negative impact from vehicles is one of the Company’s priorities in the area of environmental sustainability.

14% of our cars were updated in 2017. In 2015–2017, motor fuel consumption declined by 30.8%, with diesel accounting for less than half (41.6%) of this reduction.

In 2017, diesel and gasoline mileage declined by 30% and 10%, respectively. Liquefied petroleum gas mileage declined by 9% or 352,000 km.

A car-sharing system was tested in 2017 as part of our initiatives for reduction of fuel consumption. It provides for reduction of corporate non-target mileage and the vehicle fleet, as well as more efficient distribution of the Company’s resources.

In 2017, a “Day without a Car” was held during which employees were suggested to refrain temporarily from using personal cars and use public transport, a bicycle, or simply take a walk. A number of training sessions were held for drivers of the corporate car fleet in 2017 which provided information about the main reasons of fuel misuse.

To reduce exhaust emissions from trucks, the Company performs regular GPS checks of routes of motor vehicles delivering finished product all over the country. Such checks provide for constant improvement of the product delivery routing table and the utilisation efficiency of motor vehicles.

### Motor fuel consumption in 2015–2017, thousand litres

<table>
<thead>
<tr>
<th>Fuel Type</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquefied petroleum gas</td>
<td>2</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Diesel</td>
<td>18</td>
<td>10.4</td>
<td>7.5</td>
</tr>
<tr>
<td>Gasoline</td>
<td>1.7</td>
<td>8.9</td>
<td>6.9</td>
</tr>
</tbody>
</table>

### Mileage by fuel type in 2015–2017, thousand km

<table>
<thead>
<tr>
<th>Fuel Type</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquefied petroleum gas</td>
<td>112,939</td>
<td>98,894</td>
<td>108,177</td>
</tr>
<tr>
<td>Diesel</td>
<td>33,333</td>
<td>23,700</td>
<td>105,089</td>
</tr>
</tbody>
</table>
CARING FOR LOCAL COMMUNITIES

Community investment by The Coca-Cola system in Russia in 2017

>128 MLN RUB
The Coca-Cola system brings joy to people’s everyday lives — what is most valuable about our charity and volunteering projects?

Alisa Vasilyeva, Country Sustainability and Community Manager, Coca-Cola HBC Russia

How does participating in Coca-Cola’s volunteering programmes help you in your personal development?

Alisa Vasilyeva

“Social programmes implemented by The Coca-Cola system in Russia are our contribution to developing the kind of society we would all like to live in — stable, based on trust and mutual respect, with equal opportunities for all. The most valuable aspect of these projects is the opportunity to do good and bring some joy to the lives of those who haven’t had it easy. We are proud that our employees actively participate in volunteering programmes and strive to improve the world around them, because we believe that corporate social responsibility is intrinsic to a mature and successful business.”

Lyudmila Kalashnikova, Volunteer, Novosibirsk

The Coca-Cola system in Russia pays special attention to community investment, implementing projects in two key areas: social and environmental.

Social projects are mainly intended for youth development and communities’ wellbeing. Environmental projects are primarily aimed at solving problems with waste and water pollution.

The Company implemented over 20 social and environmental projects in 2017, which covered more than 300,000 people throughout Russia. The Coca-Cola system in Russia’s corporate social responsibility activities is coordinated by a team of specialists from Coca-Cola Soft Drink Consulting LLC, central support office of Coca-Cola HBC Eurasia and key regions of Coca-Cola HBC Russia’s presence.

This year The Coca-Cola system in Russia invested more than 128 million rub in communities. The greatest support was provided to youth development and promotion of the practice of separate waste collection. The Company cooperates with various non-profit organisations, including the Red Cross and the World Wildlife Fund. An increased number of projects results in the growth of the list of organisations we work with. In 2017, their number reached 40.

Coca-Cola HBC Russia is targeting at involving 40% of employees in social and environmental initiatives. Almost 4,000 people participated in them in 2017. To improve this indicator, we are currently developing a Policy on Volunteering in Working Hours, under which employees will be able to spend up to eight hours of their working time per year on volunteering projects.

Social programmes implemented by the Coca-Cola system in Russia are our contribution to developing the kind of society we would all like to live in.

Alisa Vasilyeva

Social programmes implemented by The Coca-Cola system in Russia are our contribution to developing the kind of society we would all like to live in — stable, based on trust and mutual respect, with equal opportunities for all. The most valuable aspect of these projects is the opportunity to do good and bring some joy to the lives of those who haven’t had it easy.

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How does participating in Coca-Cola’s volunteering programmes help you in your personal development?

“I see how strongly volunteering has influenced my life in the past five years that I have been participating in Coca-Cola’s charity programmes! First of all, my life is full of exciting moments and diverse interaction. I feel happy, and my way of thinking has become more positive. There are so many opportunities for self-development; I am constantly learning something new. It’s interesting how child development and socialisation programmes have helped me grow and change as a person. Now, I’m surrounded by very kind people who inspire me and who I wish to be like. All in all, I think life is beautiful and it is something to enjoy, so I want to help people who don’t have this feeling. I see how my empathy skills are developing and my social skills are improving. Being able to do good and help others brings me great happiness.”

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In 2017, The Coca-Cola system in Russia implemented 10 social projects in four priority areas:

- youth development and fighting unemployment;
- social adaptation and career guidance for children;
- support of children from deprived backgrounds;
- support for disaster victims.

One of the key areas for youth development is cooperation with universities. Within this area, lectures and seminars, business cases, career fairs and other events are held. A long-term partnership with the Russian Presidential Academy of National Economy and Public Administration (RANEPA) can serve as a successful case of such interaction. In 2017, for the sixth time running, The Coca-Cola system in Russia supported the Summer Campus of the RANEPA, which gathered students from all over the world to acquire practical skills in design work.

In addition, The Coca-Cola system in Russia involves students of partner universities in environmental and volunteer projects, and invites them to plant tours. In 2017, almost 8,000 teenagers and students visited Coca-Cola HBC Russia’s plants and learned about work specifics of various departments of the Company. For foreign students such tours are conducted in English.

In addition to that, the Company arranges plant tours aimed at raising sustainability awareness. Since 2006, Coca-Cola HBC Russia has been supporting the Junior Water Prize, the largest independent contest among high-school students dedicated to the conservation and restoration of water resources. Within the contest there is the “Conservation and restoration of water resources in the Volga river basin” nomination the Company has established. The contest is included in the list of events of the Ministry of Education and Science of the Russian Federation based on which talented young people are awarded prizes within the “Education” national project. The competition has an international scope: the winner of the Russian stage goes to Sweden to take part in the World Water Week in Stockholm. There the winner represents the country in the international competition of water projects, competing with the winners from more than 30 countries. In 2017, the winner of the Junior Water Prize was a schoolboy from Zelenogorsk, Krasnogorsk Krai, who presented a project of reservoir biological rehabilitation.

Especially for young women who have difficulties with employment, The Coca-Cola system in Russia and “Charities Aid Foundation” (CAF) non-profit organization have launched a programme aimed at supporting those who want to start their business from scratch or get help. The “Youth Empowered” project is planned for launch in 2018. It is intended for training of young people in various skills required for building a successful career.

Collaboration with the State Hermitage allows us to support young restorers through providing grants for studying in the world’s best museums. Subsequently, all who went through the training share their experience with their colleagues in the regions organizing special workshops. Such support allows not only to preserve and develop the Russian restoration school, but also to keep young talents.

Coca-Cola HBC Russia also continues implementation of the “Growing Kindness” project aimed at social adaptation and career guidance of children from orphanages.

In December, The Coca-Cola system in Russia held the traditional “Coca-Cola Christmas Caravan” event. During this event, volunteers arranged a celebration for 13,000 children from 69 Russian cities and held various master classes aimed at social adaptation and career guidance of children.

More than 2,000 volunteers and 114 partner companies were involved in the event. The “Coca-Cola Christmas Caravan” in the Ural Region was awarded in the “Corporate Social Responsibility Projects” nomination of an internal corporate competition.

During the summer of 2017, approximately 20,000 children from all over the country participated in the traditional annual tournament called “Leather Ball — COPA Coca-Cola”. The tournament winners went to an international football camp and played a match against the Russian football team.

In partnership with the “Yelena Ishibayeva Charity Foundation” and the “Naked Hearts” Foundation, The Coca-Cola system in Russia is actively supporting inclusion through the construction of sporting facilities accessible to people regardless of their physical abilities. We also collaborate with the Special Olympics, featuring all opportunities for inclusion of people with disabilities in the community.

The Coca-Cola system in Russia continues to work with Russian Red Cross. This cooperation includes support to victims of natural disasters and other emergency situations as floods. Together with the Russian Red Cross, The Coca-Cola system in Russia supplied 27,000 litres of BonAqua drinking water to residents of the Altai Krai, Tyumen and Omsk Regions who suffered from floods.

In May 2017, due to strong floods, the water level in the Ob river reached critical points. Almost 13 thousand residents of the Altai Krai, Tyumen and Omsk Regions were affected, faced with lack of drinking water. This problem is one of the most acute in such emergency situations as floods. Together with the Russian Red Cross, The Coca-Cola system in Russia supplied 27,000 litres of BonAqua drinking water to residents of the Altai Krai, Tyumen and Omsk Regions who suffered from floods.
ENVIRONMENTAL PROJECTS

Waste disposal is one of the key elements of The Coca-Cola system sustainability agenda in Russia.

Our global target is 100% collection and recycling of the primary package equivalent by 2030. For this purpose, we work in two areas: promotion of separate waste collection and protection of water bodies from pollution, including packaging waste.

The “Separate with Us” project, intended for promotion of the separate waste collection culture and practice in Russia, reached the sustainable growth stage in 2017. The educational part of the project is aimed at introducing the population to the separate waste collection culture and is implemented by the ERA Foundation. A specific approach and work format was developed for each target group: lessons for school children, courtyard festivals for local communities, quests for university students, and a flash mob for all young people. 445,000 people participated in the project in 2017.

In 2017, eco-lessons were arranged for school children and teachers of the 7th-11th grades, which provided in a game format training on separate waste collection, as well as information on international experience. More than 360,000 schoolchildren and teachers participated in those lessons.

In addition to that, more than 100 courtyard festivals called Eco-Yards took place in 34 cities of the country and were attended by some 11,000 people from all age groups. Such events are intended for raising awareness of waste separation among adults and children.

Environmental quests held in universities challenge students to pass through all stages of introducing separate waste collection at their educational institutions. Over the course of the project, 183 universities and more than 30,000 students participated in environmental quests, with 25 universities having implemented separate waste collection on a permanent basis and established the Association of Green Universities of Russia.

Those who could not participate physically in clean-ups joined “Separate with Us” online. The flash mob format includes solving creative tasks and sharing results in social networks. For three months, more than 10,000 people throughout Russia participated in the first series of the flash mob.

Coca-Cola HBC Russia’s efforts on combating the waste problem are not limited to organising separate waste collection. In 2017, volunteers of the “Green Teams” project, including 1,400 employees of the Company, cleared 99 km of coastline along the most important water bodies of Russia of rubbish, planted trees, and collected 110 tonnes of waste for recycling.

In 2017, the Company continued the implementation of “Living Volga”, “For the Clean Future of Baikal Lake”, and “Black Sea Day” projects aimed at conservation and recovery of water resources. The “Living Volga” project was implemented in cooperation with the World Wildlife Fund, ERA Foundation, and other partners. In 2017, eco-lessons attended by 50,000 school children were given within the framework of the project’s educational part.

The “Black Sea Day” project covered five cities of Krasnodar Krai, where Eco-Yards were held for the first time. Furthermore, environmental stewardship programmes were implemented on the Black Sea coast and eco-lessons were given at schools. “For the Clean Future of Baikal Lake” project expanded its geography, which enabled residents of Ulan Ude to participate in it for the first time. The project volunteers cleared 5 km of the shore of Lake Baikal of rubbish and collected 3 tonnes of waste.

In 2018, the key target of the Company’s water projects will be finding a solution for the problem of pollution of water bodies with packaging waste. The Company will continue implementing initiatives for coastline cleanup of the most valuable Russian water bodies and plans to involve even more participants and partners in its educational programmes.

In 2018, the Company participated in the “Green Teams” project

In 2018, 1.4 thousand employees of the Company participated in the project “Separate with Us”.

In 2018, more than 650 thousand school children attended eco-lessons within the framework of the project “Separate with Us”.

Details of the infrastructural part of the project are provided in the section “Waste and green packaging” of the chapter Caring for the Environment.
08.
ABOUT OUR REPORT
REPORT BOUNDARIES

This Report is the 11th Coca-Cola HBC Russia’s Sustainability Report. Our previous report was prepared for the 2015-2016 period and included the analysis of the performance of three companies: Coca-Cola Soft Drinks Consulting LLC, Coca-Cola HBC Russia, including JSC Multon. This year, the Company reverted to an annual reporting cycle and narrowed down the boundaries of the 2017 Report to two companies: Coca-Cola HBC Russia and JSC Multon.

The Sustainability Report is an important part of stakeholder engagement. The Report fully discloses complete and reliable information on the Company’s priority areas for sustainable development in Russia to a wide range of stakeholders.

CONTENTS

The report is in accordance with the Global Reporting Initiative (GRI) Standards, core option. A list of GRI indicators is available in Appendix 1 to this Report.

DETERMINING MATERIAL ISSUES

Coca-Cola HBC has defined the 12 most important sustainability issues that currently affect the operation of the Group or may affect it in the future. These issues are key in Sustainability Reports of all companies of the Group. At the same time, each of these companies must independently determine the materiality of each issue considering the regional operating specifics and can add no more than three extra topics to the list.

To determine the degree of materiality of the key topics and to identify extra topics, the Company conducted an online poll, in which more than fifty stakeholders from different groups took part. The Company also analysed internal documents, media publications and non-financial reports of its Russian and foreign peers.

Based on the results of the analysis, the Company identified 19 issues for the Report, which were divided into several areas defined by the Group and added other issues due to regional operating specifics. The results of the analysis formed the basis for the Matrix for significance assessment of material topics for internal and external stakeholders of Coca-Cola HBC Russia.

The Report complies with GRI reporting principles, including balance, comparability, accuracy, timeliness, clarity and reliability.
Corporate volunteering is a key tool for increasing employee engagement, which helps to contribute to community development and reduce the negative impact on the environment. Corporate volunteering is an important element of corporate culture and an effective tool for achieving the Company’s sustainable development goals.

<table>
<thead>
<tr>
<th>Issue/topic</th>
<th>Significance for stakeholders</th>
<th>Grounds for the importance of the issue for the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling and waste management</td>
<td>4.78</td>
<td>4.75 The Company produces large amounts of waste, including packaging waste made from different materials. Collecting and recycling packaging waste and reusing materials are key factors in the Company’s sustainability.</td>
</tr>
<tr>
<td>Reducing energy and resource consumption</td>
<td>4.00</td>
<td>4.45 The Company’s business model involves using different materials and energy, which leaves a large ecological footprint. Reducing its consumption of energy and resources helps the Company to improve sustainability results and reduce the negative impact on ecosystems.</td>
</tr>
<tr>
<td>Responsible use of package</td>
<td>4.44</td>
<td>4.60 Beverage package production is integral to the Company’s business. Packaging waste leaves a significant ecological footprint. By reusing materials for package production and recycling package, the Company guarantees high levels of sustainable development.</td>
</tr>
</tbody>
</table>

### Economic dimension

<table>
<thead>
<tr>
<th>Issue/topic</th>
<th>Significance for stakeholders</th>
<th>Grounds for the importance of the issue for the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct and indirect economic impacts</td>
<td>4.56</td>
<td>4.15 The success of our Company is dependent on the development and prosperity of the communities in which we operate. Investing in regional development, creating new jobs, paying taxes and engaging with the local community all lead to increased consumer welfare and business growth.</td>
</tr>
<tr>
<td>Corporate governance, business ethics and anti-corruption</td>
<td>3.89</td>
<td>4.28 Conducting all business activities with integrity and with respect for society is an issue of primary importance for our Company. This includes ensuring zero tolerance for corruption, observing our Code of Business Conduct and ensuring independence with regard to the Board of Directors.</td>
</tr>
<tr>
<td>Product quality and integrity</td>
<td>4.78</td>
<td>4.58 Product quality directly affects the Company’s reputation and business growth. The Company offers the highest quality products which satisfy consumer needs.</td>
</tr>
<tr>
<td>Diversification of the product portfolio</td>
<td>4.00</td>
<td>3.45 It is important for the Company to produce drinks that people like drinking and want to drink. Therefore, the Company broadens its product portfolio, aiming to satisfy everyone’s needs and strengthen its leading position in the non-alcoholic beverage market.</td>
</tr>
<tr>
<td>Procurement, transparency and competitiveness</td>
<td>3.33</td>
<td>3.88 The Company upholds the principles of competitive and transparent procurement in accordance with legal requirements and to support a competitive market environment.</td>
</tr>
<tr>
<td>Sustainable sourcing</td>
<td>5.00</td>
<td>4.76 Using raw materials produced by suppliers leaves a significant environmental, social and economic footprint. As an integral part of the business model, the operation of the suppliers directly affects the Company’s sustainability performance and commitments.</td>
</tr>
<tr>
<td>Youth development</td>
<td>4.50</td>
<td>4.80 Youth unemployment is a major issue in many countries. The Company runs training and internship programmes at its plants and creates opportunities for professional and business skills development.</td>
</tr>
</tbody>
</table>

### Environmental dimension

<table>
<thead>
<tr>
<th>Issue/topic</th>
<th>Significance for stakeholders</th>
<th>Grounds for the importance of the issue for the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of greenhouse gas emissions</td>
<td>3.67</td>
<td>4.20 Climate change represents a potential risk to the Company due to increasing energy prices, carbon taxation, etc. Energy management is a strategic priority for the Company. The Company sees business benefits from investing in energy efficiency and using renewable energy solutions.</td>
</tr>
<tr>
<td>Water stewardship</td>
<td>4.33</td>
<td>4.45 Water is our primary ingredient. It is a key aspect of our manufacturing process and essential for growing the agricultural ingredients we use in our products. Having access to sufficient quantities of safe and good quality water is vital for our business, for the health of our consumers and ecosystems, and for sustaining communities and supporting economic growth.</td>
</tr>
</tbody>
</table>
Distribution of materiality assessment of topics among external stakeholders

- Youth development
- Sustainable sourcing
- Procurement transparency and competitiveness
- Diversification of the product portfolio
- Product quality and integrity
- Corporate governance, business ethics and anti-corruption
- Direct and indirect economic impacts
- Responsible use of package
- Reducing energy and resource
- Recycling and waste management
- Water stewardship
- Reduction of greenhouse gas emissions
- Corporate volunteering
- Incentives
- Respect for human rights
- Occupational health and safety
- Staff learning and development
- Health and nutrition
- Responsible marketing

Distribution of materiality assessment of topics among internal stakeholders

- Youth development
- Sustainable sourcing
- Procurement transparency and competitiveness
- Diversification of the product portfolio
- Product quality and integrity
- Corporate governance, business ethics and anti-corruption
- Direct and indirect economic impacts
- Responsible use of package
- Reducing energy and resource
- Recycling and waste management
- Water stewardship
- Reduction of greenhouse gas emissions
- Corporate volunteering
- Incentives
- Respect for human rights
- Occupational health and safety
- Staff learning and development
- Health and nutrition
- Responsible marketing
During the preparation of each report, the Company conducts public hearings at which representatives of different stakeholder groups can express their opinions on its contents and on the completeness and quality of the information disclosed. Recommendations from participants of the public hearings on the 2015–2016 Report are considered in the current Report.

MAIN TOPIC OF THE REPORT

In this Report we have disclosed all aspects of our sustainability performance in 2017 supporting them with the real-life examples from the experience of our stakeholders. Each section of the Report starts with our internal and external stakeholders telling stories about the influence the Company has had on their lives or their influence on the Company’s activities. The people featured in each story vary in terms of their activity, professional status and interests. They include volunteers, top-managers and trainees, but they all share one common interest — Coca-Cola HBC Russia.

RESTRICTIONS

The Company’s plans expressed in this Report are of a provisional nature. Their implementation depends on external factors, therefore actual results achieved during the subsequent reporting periods may differ from the results stated in the 2017 Report.

APPENDIX.
GRI CONTENT INDEX

Table showing accordance of the information given in the Report with GRI Standards, core option.

<table>
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<tr>
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<th>Title of the disclosure</th>
<th>Section of the Report</th>
<th>Pages in the Report</th>
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<tbody>
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<td>1. About the Company</td>
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<tr>
<td></td>
<td>Activities, brands, products, and services</td>
<td>1. About the Company</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Location of headquarters</td>
<td>1. About the Company</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Location of operations</td>
<td>1. About the Company</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Ownership and legal form</td>
<td>1. About the Company</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Markets served</td>
<td>1. About the Company</td>
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</tr>
<tr>
<td></td>
<td>Scale of the organisation</td>
<td>1. About the Company</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Information on employees and other workers</td>
<td>5. Caring for Our People</td>
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<tr>
<td></td>
<td>Supply chain</td>
<td>3. Responsible Decision Making</td>
<td>34–41</td>
</tr>
<tr>
<td></td>
<td>Significant changes to the organisation and its supply chain</td>
<td>No significant changes took place during the reporting period.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Precautionary Principle or approach</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>External initiatives</td>
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<tr>
<td></td>
<td>Memberships of associations</td>
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<td>Strategy</td>
<td>Statement from senior decision-maker</td>
<td>From the director general</td>
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</tr>
<tr>
<td></td>
<td>Key impacts, risks, and opportunities</td>
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<td>30–31</td>
</tr>
<tr>
<td>Ethics and integrity</td>
<td>Values, principles, standards, and norms of behaviour</td>
<td>3. Responsible Decision Making</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Mechanisms for advice and concerns about ethics</td>
<td>3. Responsible Decision Making</td>
<td>28</td>
</tr>
</tbody>
</table>

The electronic version of the 2017 Report is available on the Company’s web-site: https://ru.coca-cola-hellenic.com/ru/sustainability/.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Title of the disclosure</th>
<th>Section of the Report</th>
<th>Pages in the Report</th>
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</thead>
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<td>25−27</td>
</tr>
<tr>
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<tr>
<td>102-40</td>
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<td>3. Responsible Decision Making</td>
<td>32</td>
</tr>
<tr>
<td>102-41</td>
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<td>3. Responsible Decision Making</td>
<td>60</td>
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<td>Consolidated financial statements are issued for Coca-Cola HBC Group. The Sustainability Report presents information only about the companies of the Group which operate in Russia.</td>
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| Sector Disclosures | FP1 Percentage of purchased volume from suppliers | 3. Responsible Decision Making | 37 |
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|                   | FP2 Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard | 4. Caring for Consumers | 34−35 |
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2017 SUSTAINABILITY REPORT

COCA-COLA HBC RUSSIA
ОТЧЕТ ОБ УСТОЙЧИВОМ РАЗВИТИИ
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ЗА 2017 ГОД