

SUSTAINABILITY REPORT 2016

Coca-Cola Hellenic Bottling Company Armenia



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About the Report

The Report is prepared by Coca-Cola Hellenic Bottling Company Armenia and is outlining industrial, socio-economic and ecological programs run by the Company. The report also shows achievements in the above mentioned programs which altogether are shaping the Company's Sustainability Strategy.

The main priorities of this report are description of programs and achievements

in Product Quality, Employees Health and Safety, Environmental Protection and Community Support areas.

From this year the Company has established annual reporting cycle. The current report is covering results of Company in the period Jan 1st – Dec 31st 2016, including main Sustainability Targets and success achieved.



Letter from General Manager

From the very beginning of our journey we have begun to adopt serious sustainability targets and commitments which were embedded in our Company's mission and values. Corporate Social Responsibility plays a considerable role in our business plans. In every aspect of our business we are committed to inspire a better future for our people and the communities we serve. These commitments represent an inseparable part of our overall strategy and are in the grounds of our business Growth Story.

We have a well-established Sustainability Plan with stretch targets across a wide variety of social and environmental issues that are vital for our business. While we bring into life sustainable initiatives and programs, as well as progress from year to year, we recognize the need to report quantifiable metrics and targets related to our social performance and economic impact. I would like to draw your attention on the ambitious targets Coca-Cola HBC has announced which means that we will continue to concentrate our efforts on water and energy usage optimization, sustainable packaging as well as realize number of initiatives all this in aim to augment the Community well-being.

I would like to give the importance to employees' engagement in Sustainability initiatives stressing upon how every single one of us at Coca-Cola Hellenic Armenia can contribute to supporting business growth and assure a sustainable future for

it. Within our Company we know that these issues as well as the new Sustainable Development Goals cannot be tackled by one company or industry sector working alone. Private sector, governmental and non-governmental organizations will need to work in close partnership to build a more sustainable world. We will continue to work with stakeholders as we currently do on environmental issues and will seek for new partnerships towards positive changes.

We have been demonstrating exceptional work for keeping with our commitments. And we're receiving recognition for our achievements which may also be the measurement of our Sustainability progress.



Christoph Speck

General Manager

Coca-Cola Hellenic Armenia

About Coca-Cola Hellenic Bottling Company Armenia

Coca-Cola Hellenic Bottling Company Armenia (CCHBC Armenia) is a subsidiary of one of the world's largest producers of soft drinks, the Coca-Cola Hellenic Bottling Company. CCHBC Armenia has been operating in Armenia since 1996. The operation has started by purchase of damaged premises of Yerevan Lemonade Plant and establishment of new production facility in accordance to The Coca-Cola Company standards and requirements.

We are the sole authorized bottler of products of The Coca-Cola Company in Armenia. As part of Coca-Cola Hellenic, we are also the only distributor of other brands of Coca-Cola Hellenic Bottling Company, such as Dobry and Rich juices and nectars, Nestea teas, Burn energetic drinks and Powerade sports drink.



"Coca-Cola"



"Coca-Cola Zero"



"Fanta"



"Sprite"



"Bonaqua"



"Burn"



"PowerAid"



"Nestea"



"Dobry"



"Rich"



"Schweppes"

Coca-Cola Hellenic Bottling Company Armenia

Vision and Strategy

In Coca-Cola HBC our corporate vision is to become the undisputed beverage leader in every country where we do business.

Our approach reflects who we are and how we behave.

Our values

Everything starts with our values. They are what make us different and motivate, inspire and energize us to help us reach our goals.

- Authenticity: we have deeply felt values, act with integrity and do what is right, not just easy
- Excellence: we strive to amaze, with passion and speed
- Learning: we listen and have a natural curiosity to learn
- Caring for our people: we believe in our people, invest in them and empower them
- Performing as one: we believe in the power of working together contributing in every interaction
- Winning with customers: our customers are at the heart of everything we do

Our people

Our people play a fundamental role in the sustainable growth of our business. This is why we are committed to recruiting, developing and engaging talent and

encouraging a high performance mindset across the business.

Strategic framework

It all comes together in our strategic framework, driven by four strategic priorities: community trust, consumer relevance, customer preference and cost leadership.



Coca-Cola Hellenic Bottling Company Armenia

Sustainability Strategy

Corporate Social Responsibility and Sustainability are indispensable parts of our Company's culture. They guide our decisions and long-term investments to ensure we deliver lasting values.

Our business strategy is built on the fundamental principle of creating and sharing value with all of our stakeholders: consumers, customers, communities, employees and shareholders. This defines how we run our business, carry out our activities and develop our relationships.

We work with our stakeholders to identify the material issues to our business. Our sustainability commitments come from linking our material issues to our strategic priorities.

The four strategic objectives at the core of Coca-Cola HBC's sustainability approach are

- Assuring high quality of our products,
- Promoting health & wellness of our employees and consumers,
- Minimizing our environmental impact across all of our Value Chain,
- Giving back to our communities.



Coca-Cola HBC Sustainability 2020 commitments

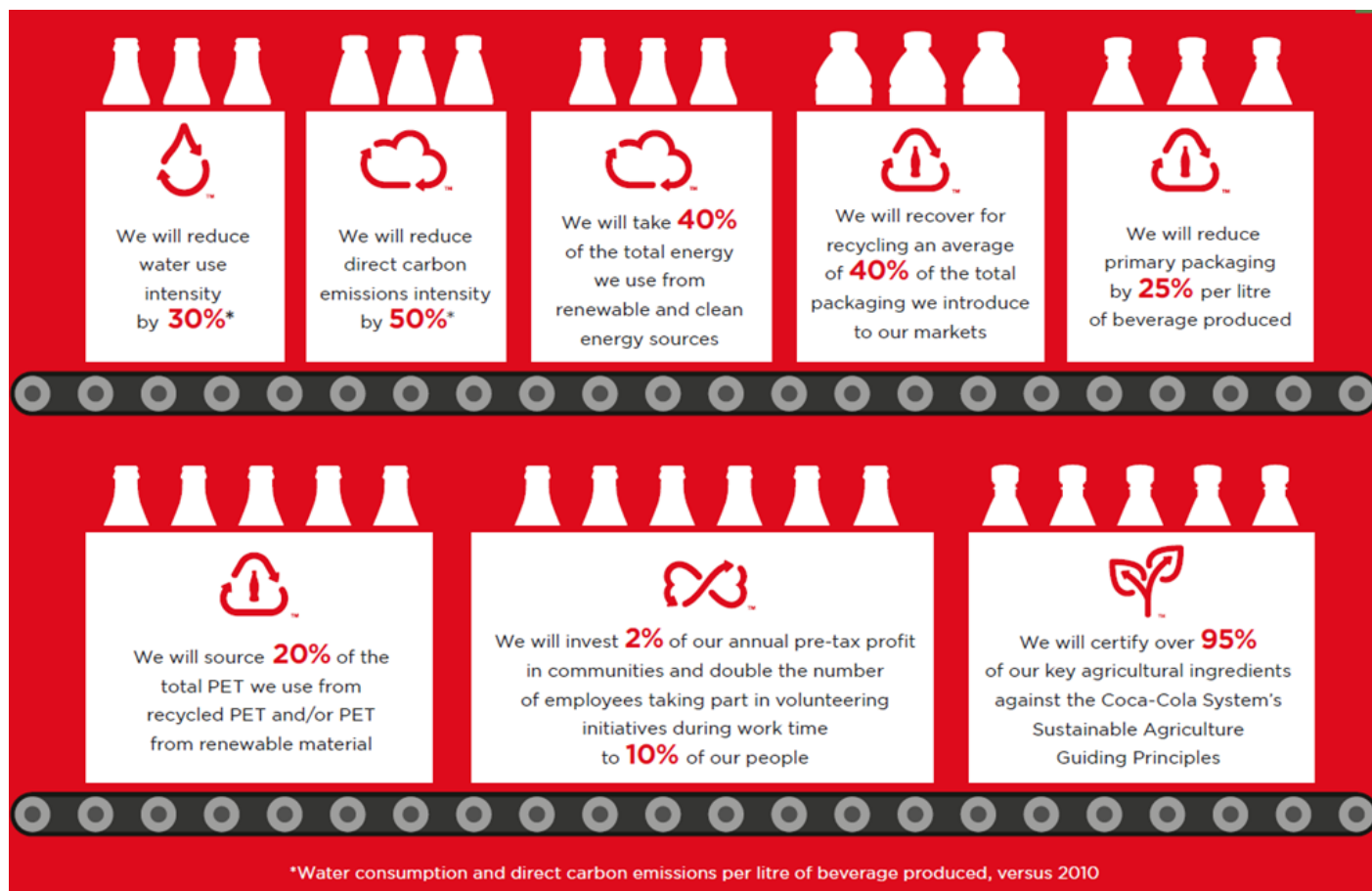
On 8 September 2016, Coca-Cola HBC received the honor of being named the world sustainability leader in the beverage industry for the third consecutive year by Dow Jones Sustainability Indices. On the basis of our transparent and consistent sustainability performance, we are now announcing ambitious new sustainability targets.

Our 2020 new sustainability targets are the following:

These eight new targets build on the carbon and water commitments we announced last year to reduce water consumption and the direct carbon emission intensity of our company by 30% and 50% respectively by 2020.



ROBECOSAM
Sustainability Award
Industry Leader 2016



We have always been committed to sustainable operation and the results of our efforts are tangible.

From 2011 CCHBC Armenia has:

- Reduced the water consumption by 15% while increased production volumes by 20%
- Reduced the Carbon footprint of our products by 12%
- Reduced Energy Consumption by 36%

These ambitious and measurable results emphasize our commitment to inspire a better future for everyone!



Food Quality and Safety

We are targeting not only to satisfy our consumers but also overcome their expectations. We reach these targets by strict compliance to international standards of soft drinks manufacturing, continuous application of new technologies, regular and robust control over production processes and continuing enrichment of product portfolio.

In the production facility of our company we have established Food Quality and Safety compliance programs ensuring:

- Good Manufacturing Practices and Quality Control compliance of each production cycle
- Hazard Analysis of Critical Control Points (HACCP) principles implementation
- Compliance to applicable local laws and regulations
- Compliance to International FSSC 22000 standard
- Compliance to the Company Internal specifications

Among our key quality performance programs we execute:

- Production lines statistical process control
- Products sensory analysis program
- Marketplace product quality monitoring
- Marketplace product age monitoring
- Consumer and customer complaints management

The company is constantly monitoring the compliance with Good Manufacturing Practice Principles in all production stages, from raw material receipt until finished products distribution to customers. Every month unscheduled audits take place in all areas to assess the compliance with Good Manufacturing Practice principles.

Our Quality Control operates according to the latest food technology laboratory methods. We are constantly updating our laboratory control equipment.

Application of principles of Hazard Analysis Critical Control Point is one of the fundamentals that assure safe manufacturing of our products. Every year our Company is successfully passing FSSC 22000 recertification audit by SGS, one of the worldwide leading auditing companies.

To assure all bottles released from the plant have compliance with the highest quality standards, we practice the Statistical Process Control approach to measure the main quality parameters. The method allows us to predict possible defect rate of product and to apply quality preventive actions before the defect occurs.

Our Company is also applying internationally validated Sensory Training Program to assure that all the quality control personnel is well trained on detection of all possible taste deviations of the product.

Production quality monitoring is not



the only approach before releasing product from the plant. Product Quality Marketplace monitoring is another program we run to assure our products offer best refreshment experience to our consumers. This program covers not only local manufacturing and storage chain, but also goes deeper and sees whether transportation, remote storage and shelves storage affect on the final product. The program is run by independent organization which randomly and anonymously purchase products from the marketplace and send to third laboratory for analysis. Coca-Cola HBC Armenia has reached a leading position in product Quality Index amongst all Coca-Cola plants in the first quarter of 2016.

Marketplace product age monitoring is another program which assures our consumers get the freshest product. Similar to Marketplace Quality program, Marketplace Age monitoring is run by independent audit company. In 2016 we reached leading position in Carbonated Drinks category amongst Group companies.

Consumer opinions and complaints are under our Company's primary attention. From 2016 we utilize new Consumer Complaints Management cross-functional program ensuring every complaint is registered and resolved timely and positively. In 2016 we have reached to the 100% positive resolution of all complaints.



Local Sugar Use

In 2016 we have achieved Coca-Cola certification of local sugar producer, Akhuryan Sugar plant. The plant has undergone robust three-stage certification and now we can use locally produced sugar. Use of local sugar will allow us to safeguard sugar supply, minimize local stock and support socio-economic development of Shirak Marz.



New Syrup Treatment Technology

In parallel with Local Sugar authorization, in our Plant, we have launched a new state-of-the-art sugar syrup filtering system. The system clarifies white syrup



making the quality of our products more superior.

International Food Safety Standards compliance



In August, our plant has successfully undergone the External Audit for the compliance with the International Food Safety FSSC 22000 Standard. Compliance with the Standard assures production of our products in accordance with international food safety requirements.



Health and Safety

Health and Safety of our employees are primary focus for our Company. In order to assure workplace of our employees is safe we practice a three-pillar approach: a) full compliance to local and international applicable H&S laws and regulations, b) full training and education provision for all employees, c) raising the H&S culture companywide.

Compliance to local and international H&S laws and regulation is achieved through annual compulsory recertification of all dangerous objects and equipments, pressure vessels and electrical equipment and certified check of all tools used for dangerous work. Every year we pass the audit of the compliance with International OHSAS 18001 Occupational Health and Safety Standards by SGS with sustainable success.

To raise H&S awareness of employees and all visitors, we provide induction training for anyone before every entry to the plant. Periodic refreshment trainings



for employees are also performed. In addition to this, employees, engaged in a

dangerous work, have passed compulsory annual State training and certification.

To respond to crisis situations, such as fire or earthquake, our Company has established local emergency response teams. Members of these teams also undergo compulsory annual training in collaboration with Ministry of Emergency Situations.



Company has also a network of internal First Aiders who are employees of various departments. They are annually trained by Red Cross Armenian to provide initial first aid to their peers.



In order to raise company employees H&S culture and engagement, we run “Near Miss”, “Walk the Talk” and “Tool Box” talk programs.

“Near Miss” program encourages our employees to report about any dangerous condition at the workplace which potentially could harm other employees. In 2016, there have been reported 22 Near Miss Cases, 6 cases more than last year.

“Tool Box” program is designed to develop safety topics discussions in “supervisor – employee” network. “Tool Box” topics include all the relevant aspects of H&S, ensuring the understanding and awareness rising on shop floor. In 2016, 318 “Tool Box” Talks were performed, by 178 talks more than last year.

“Walk the talk” program establishes a safety dialog between area managers and

employees raising the engagement of all parts in the H&S topics. In 2016, 19 “Walk the Talks” were performed by various department managers.

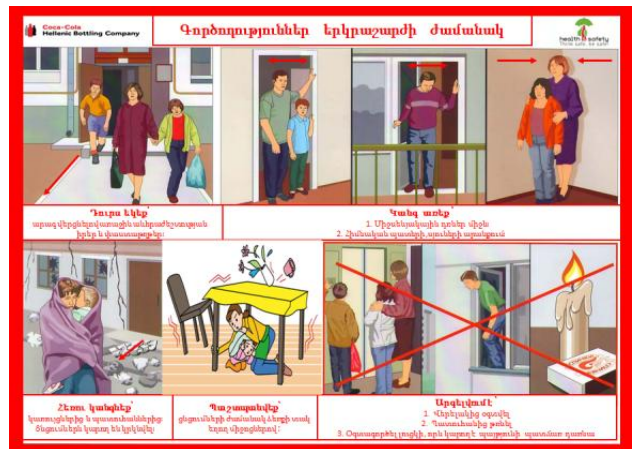
We are constantly increasing **visualization of H&S risks**. In 2016, we have developed visual guideline to newly established Syrup Treatment Room, enabling employees to faster and easier know the risks in the area and how to be protected.



To assure our employees are protected during emergency situations such as earthquake or fire, we perform annual emergency preparedness drills with participation of Arabkir Fire Department. In 2016, contracted employees also took part in the drill. During the drill 3 different groups of contractors were present in the plant. All personnel had been evacuated within 6 minutes which is 4 minutes better than last year.



In November 2016, annual Health and Safety Week took place within all Coca-Cola Hellenic Bottling Companies. In our plant, we focused on such topics as actions during emergency situations, fire safety, driving and pedestrian safety, first aid and ergonomics. Trainings have been carried out in all departments with discussions and trainings over above mentioned topics. We have also developed a brochure describing first actions during earthquake which has been provided to all company employees.



Environmental Impact

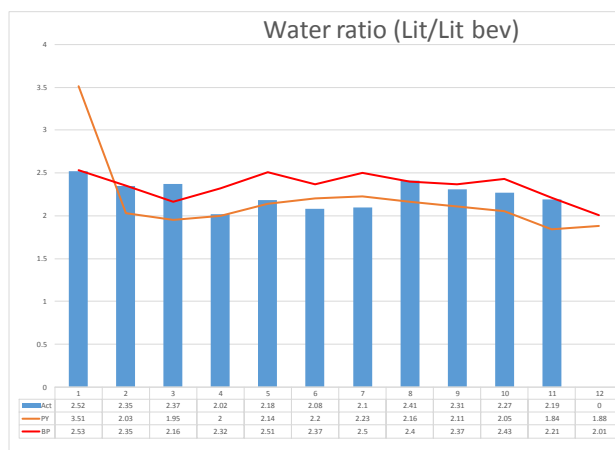
Minimizing our environmental impact across the whole Value Chain is one of the core targets for us. We've been setting annual improvement targets since 2004 and are working towards ambitious 2020 goals.

We minimize our environmental impact through targeting to:

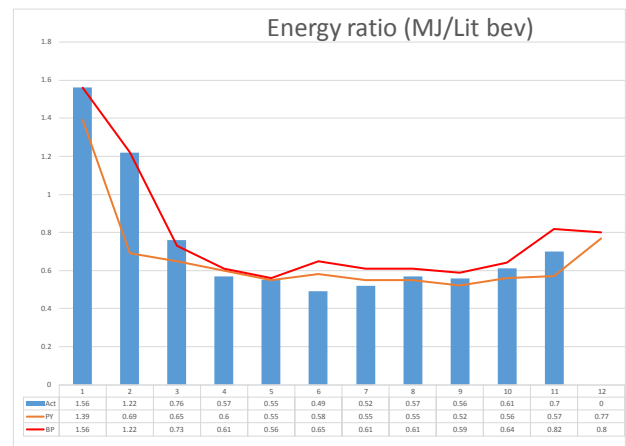
- Reduce our water usage per liter of beverage
- Reduce our Energy usage per liter of beverage
- Increase recycling of waste
- Strictly manage dangerous waste
- Engage our employees to Environment protection topics

Water use efficiency

Despite of having new syrup treatment technology applied this year, we have managed to keep water use within planned targets.



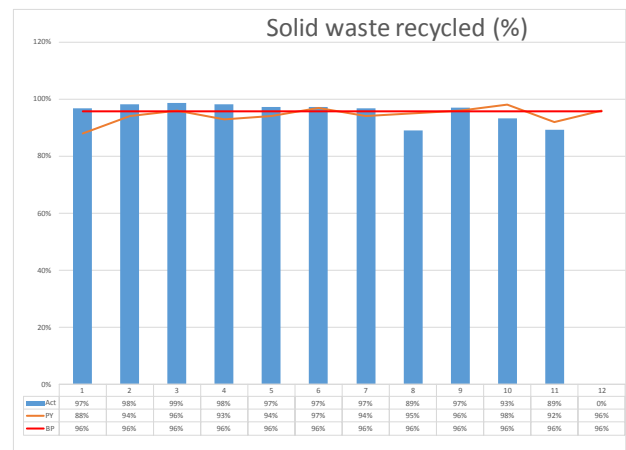
Energy use efficiency



Although we had new energy consumption processes in 2016, we have managed to keep our energy use efficiency within planned targets.

Waste utilization efficiency

In 2016 we kept our promise to Environment and recycled 96.8% of the solid waste generated in our plant. All waste which is dangerous to Environment, including oils, petrol and diesel and various chemical materials is separated within company premises and discarded minimizing impact on environment.



Near Loss promotion

One of the programs aiming to increase employees' awareness and engagement in Environmental protection is Near Loss program. All our employees are encouraged to report any water, energy or waste loss/improper use which help to use resources more efficiently. In 2016, we had 103 Near Loss cases reported compared to 34 cases last year.

River Cleaning

In order to raise culture and awareness of our employees on importance of Environment protection and act as an example to other companies, every year we organize campaigns on cleaning river



basing from plastic waste.

This summer, more than 100 people our company and our partner, Art Lunch, gathered near Dalar River and cleaned more than 5.5 Km of river basin. This year, our company employees' children have also joined us!

More than 220 bags of non degradable waste were collected. We will continue our

efforts to raise Environmental issues within our communities!



Fleet Safety and Environmental impact review

Main Sustainability aspects of our Fleet are driving safety improvement and carbon emission reduction.

Driving safety is measured via amount of car accidents per million kilometers driven. This year in comparison to last year, our fleet overall driven mileage has increased by 7%, while amount of accidents decreased by 16%.

In order to decrease carbon emission from our fleet, eco-driving culture is being developed among company drivers.

Specific training and presentations were developed to teach more efficient driving



skills. As a result, this year, in comparison to 7% more driven kilometers, drivers used in average 4.4% less fuel per 100 km which reduced total carbon emission by 6.6% and carbon emission per kilometer of driven by 12.7% as compared to last year! Another interesting initiative has been launched in 2015. In order to prolong car tires use, tires re-grooving has been applied to big size truck tires. This means to apply new tire shape on already used

tire and giving second life to the old tire. From 2015 we have re-used 56 tires resulting to saving 1680 kg of rubber.



Community Well-being

Our mission requires us to improve quality of life and invest in local communities and so we have integrated corporate responsibility and sustainability into our business. We aim to operate in a responsible way by engaging stakeholders and communities to support their sustainable development.

Through our core business activities - which generate income for employees, supplier payments and government taxes - our focus remains to invest in community partnerships and projects that address environmental and social issues.

Our community investment programs focus on three areas:

- Water stewardship,
- Active lifestyles,
- Youth development

Water Stewardship

Apart from implementing a successful business activity in Armenia, already for 20 years, as a responsible member of the society, our key priorities have always been to contribute to the community and benefit the socio-economic growth of the country.

The decreasing groundwater reserves and the uncontrolled use of the artesian water by fish farms has left around 30 communities in the Ararat and Armavir provinces without reliable access to drinking or irrigation water.

On July 20, 2016 we have signed a Memorandum of Understanding with the United States Agency for International Development (USAID) and the Ministry of Nature Protection of the Republic of Armenia, which aimed at improving water stewardship across Armenia and particularly contributing to conservation, effective use and management of water resources in Ararat valley: a very important community in terms of its agriculture and fish production industry.



Thanks to this long term cooperation we will consistently address a number of issues in Ararat Valley, enabling the inhabitants to irrigate additional land, thus improving their socioeconomic condition and changing their lives for the better.

This partnership will support some of the activities implemented under the USAID's Advanced Science and Partnerships for Integrated Resource Development Project (ASPIRED) aimed at curbing the groundwater extraction in Ararat Valley and bringing it to sustainable levels. It will not only help to solve the responsible water



management but will as well further raise the awareness among the Armenian community for efficient use of water and natural resources.



In 2016, the joint efforts of the USAID and Coca-Cola allowed rehabilitating the irrigation network on over 40 ha of agricultural land in Hayanist community. Further, the parties will contribute to the installation of the Supervisory Control and Data Acquisition (SCADA) Systems at 20 fish farms to improve water management on a greater area facing groundwater shortages.

Active Lifestyle

The Coca-Cola Company together with Repat Armenia Foundation and Yerevan Municipality announced the launch of Coca-Cola Yerevan Half Marathon project, which aims at supporting active lifestyle and the development of the running culture in Armenia.

Yerevan Half Marathon has already become an important event and the race and was included in international marathon

calendars. This year it hosted around 1500 participants from more than 40 countries.

Coca-Cola Yerevan Half Marathon included two components: a running development program - a series of open trainings for runners, organized from August till November - and a major running event – the Coca-Cola Yerevan Half Marathon run - which will take place on October 16.

The reason we supports this program is that we, as well as “The Coca-Cola Company always prioritize the wellbeing of consumers and the communities, where we operate. Community wellbeing and active and healthy lifestyle in particular, is a key pillar in our global CSR strategy.



We are active in supporting not only international sport initiatives, such as UEFA and FIFA championships, Olympic Games, but we also put our efforts in promoting sports initiatives popular locally. On the one hand, it aligns fully with our aim to promote active lifestyle in Armenia, which is becoming more and more popular over the recent years, on the other – Coca-Cola Yerevan Half Marathon, serves as a great





occasion for a celebration, creating a festive mood of unity.

Coca-Cola Half Marathon was open for both professional and recreational runners, regardless of their experience level. It had four distances: 1 km, designated specially for kids from 6-12 years old, as well as 5km, 10km and then has managed to become an important sports event, attracting numerous participants from all over the world to visit Yerevan and try their best in the running race.

Coca-Cola Yerevan Half Marathon had as well a charity component: runners with disabilities had participated in the race, competing on the 5 km course. In addition, participants of the Half Marathon could support 4 selected charitable activities, making donations online, while filling in their registration forms.

New Year Initiative

Special New Year initiatives of Coca-Cola Hellenic Armenia have already become traditional, seeking to unite people and fill their busy pre-holiday routine with joy. In the framework of New Year initiatives, our employees collected sweets and candies as

well as other presents for children of orphanage.

These gifts were intended for Vanadzor city's orphanage children. Santa and his team visited the children by sharing with them the festive mood, toys and sweets.

Celebration of National Festive

Youth empowerment projects play an essential role. Within these activities we have long-lasting cooperation with "ORRAN" NGO. A number of camping trips and holidays in the country have been organized for disabled children.

We have congratulated all children on their special day, pledging to continue supporting children-related events and initiatives in future.



Apart from business activity, we have always prioritized our involvement in the life of the Armenian Community. Together with our partners we have organized a number of events to make that beautiful day more festive for children living both in Yerevan and the provinces. A series of events were launched on Sunday, May 29 with an



open air children's concert and a special event with participation of famous cartoon characters. This charitable event was aimed at supporting children from vulnerable families

This year we have supported our long-term partner ORRAN charitable organization, providing soft drinks and juice for the special event organized for 200 kids. A concert and games awaited children at the park near the Municipality, prior to which, with the support of Coca-Cola Hellenic Armenia, they received treats of fruit juice and ice cream in the streets of Kentron district.

On June 1, we were participating in a number of other activities, organizing, in particular, giveaway of juice, candy and presents with several partnering supermarkets.

Support to the International Festival of Puppet Theatres

During its 20 years of activity, we have always prioritized its involvement in the social and cultural life of the society. During this period, we have supported a number of projects and events. This year we have participated in the organization of the International Festival of Puppet Theatres "Tumanyan Fairy Tale Day" which kicked off in Armenia for the 11th year in a row on September 9, in collaboration with the International Puppetry Association



Armenia (UNIMA-Armenia). Supporting this festival is of particular importance to us as it brings joy and happiness to children both in Yerevan and in the provinces. Theatres from Georgia, Russia, Italy, Hungary, Ukraine and other countries, as well as those from Artsakh and the Armenian provinces participated in the festival this year.

This festival aims to develop the art of puppetry, strength intercultural relations, introduce the international puppetry culture as well as both Armenian and international fairy tales to our young audience.

During the festival, puppet shows were staged, master classes and puppet making lessons were offered, daily evening clubs, excursions were held and films were screened in Yerevan, Gyumri and various communities across Shirak and Lori provinces.





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