

Chairman's statement

Overseeing an era of growth

Integrating entrepreneurial drive and leadership with risk management is vital as we steer our Company through its next stage of growth.



Dear Stakeholder

In my first letter to you as Chairman, I take great pride in reporting on the good progress we have made in fine-tuning our governance and achieving sustainability and financial targets. Delivering these strong operational and financial results in the face of ongoing adversity is testament to the value of the clear strategy pursued at all levels of the business to build on the strong foundations we have established over the course of the last several years.

2016 highlights

There was a real sense of change and optimism in the business in 2016. With a renewed focus on revenue growth management, our people have a strong belief that we can improve the value we get from every case we sell by understanding our consumers' preferences and working with our customers. The recovery in our margins in our European markets strengthened our conviction to continue optimising our production, logistics and route-to-market elsewhere, particularly in Russia and Nigeria. Invigorated by another year of improvement in operational and financial results, the Board prioritised medium-term strategy, governance and risk management to steer the business through a new era of growth.

A values-based culture

Our Company has been successful by serving the long-term interests of all stakeholders while consistently delivering strong financial performance in the short term. In this report, we describe our business model and how we operate, the markets we serve and our strategy and priorities. We also explain how we serve the interests of our customers and consumers and the communities in which we operate. Our approach is integrated into how we lead and motivate our people and use our financial, physical and human assets. Effective corporate governance is about integrating entrepreneurial drive and leadership with effective oversight and monitoring, setting the corporate culture to maintain high standards of performance and conduct as well as maintaining good financial control and risk management. Within this report, we describe how we achieve effective integration of all these vital elements. We are proud to sell a wide range of excellent products from our portfolio of world-famous brands.

Our values-based culture encourages continual improvement in consumers' experience of our products, and constant focus on improving the way our business works. We set high standards for integrity, authenticity and ways of working, and our culture supports hard work, respect and taking ownership, enabling everyone associated with our business to take pride in their work. We hope that as you read the individual sections of this report you will get a strong sense of our corporate culture, and how important it is to us all.

Making a net positive impact

The success of our business is largely dependent on the strength and well-being of the communities we are part of. We have therefore worked consistently to ensure that our business generates a positive socio-economic contribution and improves overall quality of life across our markets. To ensure our business has a net positive impact, sustainability initiatives are primarily focused in three key areas: minimising environmental impact, collaborating with our partners to develop a sustainable value chain and supporting and developing community well-being. In an effort to combat unemployment, in 2016 we embarked on an ambitious programme to empower youth in our markets. I encourage you to read about this and our other sustainability initiatives, throughout this report. Our efforts in the area of sustainability are being recognised internationally and I am particularly proud of Coca-Cola HBC being named industry leader amongst beverage companies in the Dow Jones World and Europe Sustainability Indices (DJSI) for the third consecutive year in 2016. Our Company is the only beverage company to have achieved this distinguished track record.

Board priorities for 2017



- Continue oversight of regulatory and compliance risk
- Monitor the implementation of the Group's integrated supply chain infrastructure optimisation
- Aligning with The Coca-Cola Company in the implementation of the key strategic priorities of the Group
- Overseeing strategy in order to achieve the Group's 2020 growth objectives
- Continue to focus on leadership and development of talents

Changes in governance

During the year, the Board and its committees undertook an externally-facilitated evaluation in addition to monitoring and ensuring the Group's strategic progress. The Board appointed Ahmet Bozer, Bill Douglas, Reto Francioni and Ryan Rudolph as new non-Executive Directors following the retirement from the Board of George A. David, Irial Finan, Sir Michael Llewellyn-Smith and Nigel Macdonald. The Board, in recognition of his exceptional contribution and long-standing dedication to the Group, named George A. David Chairman Emeritus of the Company with effect from 24 June 2016. I would like to also personally thank Irial, Sir Michael and Nigel for their outstanding support and guidance to the Board all these years. Between them, the new Board members, Ahmet, Bill, Reto and Ryan, bring a wealth of relevant financial, legal, operational and international experience as well as diverse skills and personalities to the Board. The Board has concluded that Bill and Reto are independent in character and judgement and that they meet the independence criteria for the purposes of the UK Corporate Governance Code.

Proposed dividend reflects progress

On behalf of the Board, I would like to congratulate our employees on the excellent progress they made on all fronts in 2016 and encourage them to continue to be innovative, agile and ambitious. I would also like to thank Dimitris and his team for their efforts in driving our business forward. I am confident that we will continue our progress in 2017 in line with our 2020 strategic plan.

In light of our Company's 2016 performance and our confidence in management's ability to continue to grow the business, I am pleased to report that the Board is proposing a full-year dividend payment of 0.44 Euros per share. This represents a 10% increase compared to the dividend paid out from 2015 profits.

I would like to thank all of our shareholders for their continued confidence in our business. I look forward to seeing you at the Annual General Meeting.

Anastassis G. David
Chairman

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