Governance FAQs

The governance framework of the Company is set out in its Articles of Association (**Articles**) and the Shareholders' Agreement. These provide a high level framework for the Company's affairs, governance and relationship with its stakeholders and its shareholders. The Articles, Shareholders' Agreement and information about the governance framework are available on the Company's website at www.cocacolaep.com/about-us/governance. The governance arrangements of CCEP were approved by the free float shareholders of the Company.

Why does CCEP voluntarily apply the UK Corporate Governance Code?

As a company with a standard listing, we are not obliged to comply with the 2018 UK Corporate Governance Code (the **UKCGC**), but do so voluntarily, within the constraints of the Shareholders' Agreement and our Articles.

We have chosen to comply with the UKCGC where possible and explain areas of non-compliance to demonstrate our commitment to good governance as an integral part of our culture. Save as set out below, CCEP comply with the UKCGC.

Which provisions of the UKCGC has CCEP not complied with and why?

The instances where CCEP's practices vary from the principles and provisions of the UKCGC are set out below.

	Provision	Explanation
Chairman	9	• The Chairman, Sol Daurella, was not considered independent on either her appointment or election, within the meaning of the UKCGC. • Sol is an excellent Chairman and acts in the interests of all shareholders. • We benefit from her vast knowledge of, and long-term commitment to, the Coca-Cola system and her extensive experience and leadership skills, gained from her roles as director and CEO of large public and private institutions across many different sectors.
Annual re-election	18	• The UKCG provides that all directors should be subject to annual re-election. • Sol Daurella, the Chairman, will not stand for re-election by shareholders at the AGM during the first nine years of her tenure. • This is outlined in the Shareholders' Agreement and recognises the importance of Sol's extensive experience and knowledge of the beverage industry, and the significant shareholding of Olive Partners, S.A. (**Olive**) in CCEP.
Remuneration Committee composition	32	• The Remuneration Committee is not comprised solely of independent non-executive directors (**INEDs**), although it is comprised of a majority of INEDs. • Under the terms of the Shareholders' Agreement, for as long as Olive owns at least 15% of CCEP's equity and European Refreshments Unlimited Company (**ER**), a subsidiary of The Coca-Cola Company, owns at least 10%, they may each nominate at least one member of the Remuneration Committee.

		• As a result, the Remuneration Committee is comprised of five directors, of which the majority are INEDs (John Bryant, Tom Johnson and Christine Cross[1]). • The Directors nominated by Olive and ER bring their deep understanding of all aspects of CCEP's markets to the Remuneration Committee.
Remuneration Committee setting executive director remuneration	33	• The Remuneration Committee is not solely responsible for setting the remuneration of the Chairman and CEO. • Instead, the Board (excluding any Director whose remuneration is linked to the decision) determines their remuneration, including the Non-executive Directors (**NEDs**), on the recommendation of the Remuneration Committee and following rigorous analysis and debate. • To date, the Board has followed all of the Remuneration Committee's recommendations.

Differences between the UKCGC and the Nasdaq corporate governance rules (the Nasdaq Rules)

The Company is classed as a Foreign Private Issuer (**FPI**) in the US. It is therefore exempt from most of the Nasdaq Rules that apply to domestic US listed companies, because of its voluntary compliance with the UKCGC. Under the Nasdaq Rules, the Company is required to disclose differences between its corporate governance practices and those followed by domestic US companies listed on Nasdaq.

The differences are summarised below.

Director independence	• The Nasdaq Rules require a majority of the Board to be independent. The UKCGC requires at least half of the Board (excluding the Chairman) to be independent. • The Nasdaq Rules contain different tests from the UKCGC for determining whether a director is independent. • The independence of CCEP's NEDs is reviewed by the Board on an annual basis, taking into account the guidance contained in the UKCGC and criteria established by the Board. • It has been determined that a majority of the Board is independent, without explicitly taking into consideration the independence requirements outlined in the Nasdaq Rules.
Board Committees	• CCEP has a number of Committees whose purpose and composition are broadly comparable in purpose and composition to those required by the Nasdaq Rules for domestic US companies. • However, other than the Audit Committee, committees members are not all INEDs, although in all cases the majority are. • Each committee has its own terms of reference (broadly equivalent to a charter document) which are reviewed annually and can be found on our website at www.cocacolaep.com/about-us/governance/committees.

[1] Christine Cross will retire from the end of the 2023 AGM to be held on 24 May 2023 and Nancy Quan, subject to her election at the AGM, will be appointed as an INED and member of the Remuneration Committee.

Audit Committee	• The Audit Committee is comprised only of INEDs (who are also deemed independent under the Nasdaq Rules). • However, the responsibilities of the Audit Committee (except for applicable mandatory responsibilities under the Sarbanes-Oxley Act) follow the UKCGC's recommendations rather than the Nasdaq Rules, although they are broadly comparable. • One of the Nasdaq's similar requirements for the Audit Committee states that at least one member of the Audit Committee should be a financial expert. The Board has determined that Dessi Temperley, John Bryant, Dagmar Kollmann, and Garry Watts possess such expertise and are therefore deemed the audit committee financial experts as defined in Item 16A of Form 20-F. • It was further determined that none of the Audit Committee members had participated in the preparation of the financial statements of the Company or any of its subsidiaries. • More information about the Audit Committee is set out in the Audit Committee report on pages 111 to 116 of CCEP's 2022 Integrated Report and Form 20-F, including compliance with the requirements of Rule 10A-3 under the US Securities Exchange Act of 1934, as amended, and Rule 5605(c)(2)(A) of the Nasdaq Rules.
Shareholder approval of equity compensation plans	• The Nasdaq Rules for domestic US companies require that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions to those plans. • CCEP complies with UK requirements that are similar to those of the Nasdaq Rules as recently evidenced when shareholders were asked to vote on the new Employee Share Purchase Plan (**ESPP**) at the 2022 AGM and will also be asked to vote on a new Long-Term Incentive Plan (**LTIP**) at the AGM in May 2023.
Code of Conduct	• The Nasdaq Rules require relevant domestic US companies to adopt and disclose a code of conduct applicable to all directors, officers and employees. • CCEP has a Code of Conduct (**CoC**) that applies to all Directors and senior financial officers of the Group. • If the Board amends or waives the provisions of the CoC, details of the amendment or waiver will appear on the website. No such waiver or amendment has been made or given to date. • View our CoC at http://www.ccepcoke.online/Code-of-Conduct-Policy • CCEP considers that the CoC and related policies address the Nasdaq Rules on the codes of conduct for relevant domestic US companies.
NED meetings	• The Nasdaq Rules require INEDs to meet without the rest of the Board least twice a year. • The UKCGC requires NEDs to meet without the Chairman present at least once annually to appraise the Chairman's performance. • The NEDs have regular meetings without management present and have separate meetings of INEDs at least twice a year.

Rule 9 Waiver Resolution

Why does CCEP ask that approval be granted for a waiver of the mandatory offer provisions set out in Rule 9 of the Takeover Code at its AGM each year (the Rule 9 Waiver Resolution)?

- Rule 9 of the Takeover Code applies when any entity holds 30% or more of the voting rights of a company.
- When a company purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights will be an acquisition for the purpose of Rule 9.
- CCEP currently has one shareholder, Olive Partners (**Olive**), which owns over 30% of our outstanding shares and so any share repurchase would automatically trigger Rule 9 of the Takeover Code and result in an obligation on Olive to make a general offer to shareholders for all the remaining equity share capital of CCEP.
- Therefore, the intention of the Rule 9 Waiver Resolution is to enable CCEP to make share repurchases without triggering any obligation on Olive to make a general offer for the Company.

How can CCEP be sure that Olive will not make a takeover attempt for CCEP? Is "creeping control" a concern?

- No. Olive has confirmed that it (i) has no intention of changing its approach with respect to CCEP as a result of any increase in its shareholding due to any share repurchase and (ii) it has no intention to seek any change in the composition of the Board or to the general nature or any other aspect of the Company's business.
- Given Olive's stated position, CCEP believes that any concerns over "creeping control" are unfounded.
- The CCEP Board and management firmly believe the Rule 9 Waiver Resolution is in the best interests of shareholders as they provide the ability to repurchase shares, enabling CCEP to continue to deliver long-term shareholder value.

Why is authority sought to allow CCEP to buy back its own shares on- and off- market at its AGM each year?

- The proposals relating to on-and off-market buy backs are made in order to have maximum flexibility in managing CCEP's capital resources and/or to offset the dilutive effect of the issues of new shares under CCEP's share award plans.
- The Directors will only buy back shares when they consider that such purchases would be in the interests of CCEP and the shareholders generally, and could be expected to result in an increase in the earnings per share of CCEP.
- CCEP Board and management firmly believe these resolutions are in the best interests of shareholders as they provide the ability to repurchase shares, enabling our Company to continue to deliver long-term shareholder value.

Board composition

What progress has CCEP made towards achieving its Board diversity and ethnicity goals?

- We are pleased to announce that subject to the election of the Directors proposed at our AGM in May 2023, we will have achieved our 33% female Board membership target and met our ambition to appoint at least one Director from an ethnic minority background. Female representation on our Board will increase to 35.3% from 29.4% in 2022.

- The Board considers that it would be appropriate to have 40% gender diversity overall and will, with its stakeholders, work towards that as a longer-term aim.
- The Board continue to recognise the benefits that diverse characteristics have to offer and in 2022, the Board's diversity policy and INED selection criteria were updated building on what was already there to include aspects such as age, sexual orientation, disability, socio-economic background as well as educational and professional background.
- We remain committed to reporting on our progress transparently and making our Board more representative, in particular paying attention to gender and ethnic diversity in our succession planning and pipeline.
- Read more in the Nomination Committee report on pages 108-110 of CCEP's 2022 Integrated Report and Form 20-F.

Remuneration

Why is the vesting of LTIP awards based on performance against ROIC and EPS targets measured in the final year of the performance period only instead of over the entire three year performance period for LTIP awards?

- ROIC is used as a measure of capital efficiency and reflects how well the Group generates comparable operating profit relative to the capital invested in the business.
- EPS is a common measure of the earnings we return to our shareholders, and serves as an indicator of our profitability.
- Whilst ROIC and EPS are only measured in the final year of the performance period, at any one time there are multiple LTIP awards in flight, which means that our performance in each year impacts our executives' incentive outcomes, ensuring alignment with shareholders' interests and incentivising sustained performance and growth.

Why are the performance targets attached to awards made under the Company's LTIP based solely on absolute measures? ROIC/EPS/CO_2e?

- Prior to each LTIP grant, the Remuneration Committee selects performance measures and weightings and determines targets. Performance measures may be financial, non-financial, share price based, strategic, or determined on any other basis that the Remuneration Committee considers appropriate reflecting strategic priorities.
- Based on our current strategic priorities, for the LTIP awards since 2020, EPS, ROIC and CO2e reduction measures were selected.
- EPS is a common measure of the earnings we return to our shareholders, and is typically measured on an absolute basis.
- ROIC is used as a measure of capital efficiency and reflects how well the Group generates comparable operating profit relative to the capital invested in the business. Although an absolute measure it is typically used by investors on a relative basis to compare returns against the cost of capital.
- Our CO2e measure assesses reduction in emissions, and the targets are based on our three year and long-term roadmap for reduction in CO2e emissions across the entire CCEP value chain. The targets are neutral to any changes in respect of volume and are set on a relative, rather than an absolute, basis. This aims to ensure that management continues to be incentivised to increase volumes and ensures that there are no windfall gains if volumes decline.

How are your variable pay arrangements aligned with your strategy? Why have you chosen the various performance measures?

<u>Annual Bonus</u>

- The Annual Bonus (AB) is based on both financial and individual performance measures.
- The AB uses a balanced mix of financial metrics clearly aligned to the strategy and the KPIs we use externally and internally (Operating Profit (50%) Revenue (30%) Operating Free Cash Flow (20%))
- The individual performance measures allows us to target specific annual strategic objectives (including non-financial objectives) which are aligned to the key longer-term strategic objectives of the business.

<u>LTIP</u>

- The financial LTIP measures (EPS and ROIC) are equally weighted (42.5% on each) and provide a balance between incentivising long-term profitable growth and delivering our strategic objective around disciplined investment and optimising the capital structure.
- The non-financial LTIP measure, reduction of GHG emissions (CO2e) across CCEP's entire value chain (15% weighting) reflects the importance of sustainability in our long-term strategy.

Why did you exercise discretion for the CEO's 2020 LTIP vesting?

- A key objective for the Remuneration Committee is to ensure that remuneration outcomes for our people continue to reflect our underlying philosophy.
- In assessing the formulaic vesting outcome of the 2020 LTIP, the Committee additionally undertook a holistic assessment of overall performance over the three year period to determine whether the formulaic outcome was an appropriate vesting level for all participants and reflected underlying Company performance.
- As in previous years, the Committee took into account a wide range of performance reference points, including financial performance, returns to shareholders, the stakeholder experience and our sustainability achievements, as described in the Integrated Report.
- As a result of the assessment the Committee determined the overall performance of the business to be strong. However, the Committee considered it appropriate to apply downwards discretion in respect of the final vesting level for the CO2e reduction measure and cap this at target. This reduced the overall vesting level to 1.85x target, and the Committee believes this to be a fair reflection of overall performance.

Why have you not disclosed the full year bonus targets for 2023 in the annual report? When will you disclose these?

- Aligned with the approach taken in previous years, we are committed to full retrospective target disclosure on the bonus and disclose in full the financial targets that apply to the prior year bonus retrospectively in the remuneration report each year
- We consider our annual bonus targets, which are primarily based on financial metrics, to be commercially sensitive and have not disclosed them prospectively. We state in our remuneration report our intention to disclose these in next year's remuneration report. This approach is in common with typical market practice.