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 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 apply the UKCGC to demonstrate our commitment to good governance as an integral part of our culture.
- As provided in the UKCGC, we follow the UKCGC on a comply or explain basis.

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. Save as set out below, CCEP complies with the UKCGC.

	Provision	Explanation
Chairman	9	• The Chairman, Sol Daurella, was not 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	• Sol Daurella, the Chairman, will not be subject to re-election during her nine year tenure following the completion of the Merger. • Her extended term recognises the importance of her 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, while Olive. holds at least 15% in CCEP's equity and European Refreshments (**ER**) holds 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 (Chris Cross, Tom Johnson, Garry Watts).

		• 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, CEO and Non-executive Directors (**NEDs**). • Instead, the Board (excluding any Director whose remuneration is linked to the decision) determines their remuneration 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.

Why does CCEP not follow some of the NYSE Rules even though it is listed on the NYSE?

- The Company is classed as a Foreign Private Issuer (FPI). It is therefore exempt from most of the NYSE Rules that apply to domestic US listed companies, because of its voluntary compliance with the UKCGC.
- However, under the NYSE Rules, the Company is required to provide an annual written affirmation to the NYSE and disclose significant differences between its corporate governance practices and those followed by domestic US companies listed on the NYSE.
- The significant differences are summarised below:

Director independence	• The NYSE 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 NYSE 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 NYSE 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 NYSE Rules for domestic US companies. • However, other than the Audit Committee, the Committee 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 can be found on our website at www.cocacolaep.com/about-us/governance/committees.
Audit Committee	• More information about the Audit Committee is set out in its report, including compliance with the requirements of Rule 10A-3 under the US Securities Exchange Act of 1934, as amended, and Section 303A.06 of the NYSE Rules. • The Audit Committee is comprised only of INEDs (complying with the NYSE Rules). • However, the responsibilities of the Audit Committee (except for applicable mandatory responsibilities under the Sarbanes-Oxley Act (SOX)) follow the

	UKCGC's recommendations rather than the NYSE Rules, although they are broadly comparable. • One of the NYSE's similar requirements for the Audit Committee states that at least one member of the Audit Committee should have accounting or related financial management expertise. The Board has determined that John Bryant, Dagmar Kollmann, Dessi Temperley and Garry Watts possess such expertise and are therefore deemed the audit committee financial expert as defined in Item 16A of Form 20-F.
Corporate governance guidelines	• The NYSE Rules require relevant domestic US companies to adopt and disclose corporate governance guidelines. • There is no equivalent recommendation in the UKCGC. • However, the Nomination Committee reviews the Board's governance guidelines, as required by its terms of reference.
Shareholder approval of equity compensation plans	• The NYSE 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 NYSE Rules. • However, the Board does not explicitly take into consideration the NYSE's detailed definition of "material revisions".
Code of Conduct	• The NYSE Rules require relevant domestic US companies to adopt and disclose a code of business conduct and ethics for their directors, officers and employees. • CCEP has a Code of Conduct (CoC) that applies to all our people, including the Directors and the 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. • Our CoC is available at http://www.ccepcoke.online/Code-of-Conduct-Policy • CCEP considers that the CoC and related policies address the NYSE Rules on the codes of conduct for relevant domestic US companies.
NED meetings	• The NYSE Rules require NEDs to meet regularly without management and independent directors to meet separately at least once 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. • There are also meetings of the INEDs as required and at least once a year.

<u>Rule 9 Waiver Resolution</u>

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?[1]

- 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.

<u>Board composition</u>

What is CCEP doing to improve diversity on the Board?

- Developing a diverse Board is a key focus. Cognitive diversity is important to good decision making, and we have paid particular attention to this in our succession planning. This is driven by diversity of background, including gender and ethnic diversity. It is part of the INED selection criteria and diversity is a key and factor in considering potential INED candidates.
- Gender diversity is going in the right direction. In 2020, female representation on the Board increased to 29.4% compared to 23.5% in 2019. We have not yet reached the 33% set by the Board and our INED selection criteria. We are committed to reaching this target by 2023. 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.
- In addition, our INED selection criteria states our ambition to appoint at least one Director from an ethnic minority to the Board, which we have not reached. We take meeting these targets seriously and are pleased to see movement in the right direction.

[1] The proxy advisor, Institutional Shareholder Services (ISS), recommends a vote against Rule 9 Waiver Resolutions based on the application of its standard policy as a result of undefined "concerns over creeping control".

- Nevertheless, we have more to do and we continue to be committed to paying attention to gender and ethnic diversity in our succession planning and pipeline.

Remuneration

Why does the annual bonus scheme lack a feature compulsorily deferring a portion of awards into shares?

- The Remuneration Policy was developed in the context of the Company moving from a US-centric to a more European-centric company
- The implementation of the Remuneration Policy already extended the time horizons of the previous variable pay arrangements. The inclusion of bonus deferral was considered as part of determining the overall Remuneration Policy but were not considered appropriate at this stage of the evolution of our framework.
- The CEO has significant alignment with shareholders via his LTIP awards and shareholding guidelines. He is required to hold 300% of his base salary in shares. At 31 December 2020, he held shares worth 602% of salary.
- The Remuneration Committee is committed to ensuring that the Remuneration Policy and its implementation remain compliant with all legislative requirements as they come into force and is aligned with evolving best practice.
- In this context, the Committee implemented a two year post-vesting holding period in respect of the CEO's LTIP awards from 2019.

Why is the vesting of LTIP awards based on performance against ROIC 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.
- Whilst ROIC is only measured in the final year of the performance period, at any one time there are multiple LTIP awards in flight, which means that ROIC 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?[2]

- 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 2020 and 2021 LTIP, 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.

[2] The proxy advisor, Glass Lewis, believes that long-term incentive plans which include relative measures provide a more complete view of overall Company performance.

- Our CO_2e measure assesses reduction in emissions relative to a 2019 base line, and the targets are based on our three year and long-term roadmap for reduction in CO_2e emissions across the entire CCEP value chain. Given the continued uncertainty in respect of volumes over the next three years the targets are neutral to any changes in respect of volume and are set on a relative, rather than an absolute, basis. This will 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?

- The bonus 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 multiplier allows us to target specific annual strategic objectives (including non-financial objectives). This includes things such as synergy targets as well as embedding our new culture.
- 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 (CO_2e) across CCEP's entire value chain (15% weighting), was included for the first time in the 2020 LTIP reflecting the importance of sustainability in our long-term strategy. The targets are aligned to our revised long-term ambitions to keep the global temperature rise to within 1.5°C, with verified science based targets.

Why did you exercise discretion for the CEO's 2020 annual bonus and 2018 LTIP vesting?

- For the Remuneration Committee, a key challenge was to ensure that remuneration outcomes for our people continued to reflect our underlying philosophy.
- In particular, incentive schemes should deliver outcomes which align with business performance (in the context of COVID-19) and appropriately reflect the experiences of shareholders and wider stakeholders, whilst also continuing to act as an incentive to engage our people to deliver the best possible results.
- The Remuneration Committee is confident that the discretion applied to the CEO's annual bonus and 2018 LTIP was appropriate reflecting the range of factors outlined in the Statement from the Remuneration Committee Chairman on pages 92-94 of the 2020 Integrated Report and in the Annual Report on Remuneration on pages 98-100 of the 2020 Integrated Report.
- These factors include the previous application of downward discretion, recognising company and management performance in each of the last three years including through the challenges of 2020, and applying a consistent approach for all participants across these incentives.

Why have you not disclosed the full year bonus targets for 2021 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 all 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.