

# Coca-Cola Europacific Partners plc

## Audit Committee Terms of Reference

There shall be an audit committee (the **Committee**) of the board of directors (the **Board**) of Coca-Cola Europacific Partners plc (the **Company**). The Committee, any sub-committee of the Committee and the provisions of these Terms of Reference are subject to the terms, restrictions and conditions of: (i) the shareholders' agreement entered into among the Company, European Refreshments, Coca-Cola GmbH, Vivaqa Beteiligungs GmbH & Co. Kg, (together **Red**) and Olive Partners S.A. (**Olive HoldCo**) in respect of the Company; and (ii) the articles of association of the Company (the **Articles**) (including, in each case, the rights of Red and Olive HoldCo thereunder), and subject thereto:

- a. the Committee shall exercise the powers, authorities and discretions delegated to it by the Board, in accordance with and subject to the limitations set out in these Terms of Reference and the Company's Chart of Authority; and
- b. the Committee shall comply with any and all relevant obligations under law and/or regulation, which may be applicable to the Committee.

The Company is the holding company of a group of companies (the **Group**) and, where appropriate, references to the Company should be taken to include the Group.

### Operations of the Committee

#### **1. Committee Membership**

The Board shall appoint a minimum of three and a maximum of five Directors to constitute the Committee and the Board shall appoint one of such Directors to act as the chairman of the Committee (the **Committee Chairman**). Each member of the Committee shall be an independent (noting the definition of independence contained in Section 301 of the Sarbanes-Oxley Act of 2002 (**SOX**) and considerations set out in the UK Corporate Governance Code (the **Code**)) non-executive director, and at least one member of the Committee should also be a member of the Remuneration Committee. Committee members may be replaced by the Board.

The Committee Chairman shall be appointed for a term of up to three years which, if recommended by the Committee, may be extended by the Board for an additional term of three years (up to a maximum term of six consecutive years) provided that the Committee Chairman continues to be eligible for membership of the Committee.

Appointments to the Committee shall be for a period of up to three years (or until a member's earlier resignation or death), which may be extended by the Board for up to two further periods each of up to three years (up to a maximum of nine years), if the relevant director continues to be eligible for membership of the Committee which includes continuing to be independent.

The independence and financial expertise of Committee members will comply with all statutory and regulatory requirements. All Committee members shall be financially literate. At least one member of the Committee shall have recent and relevant financial experience with competence in accounting and/or auditing or otherwise be considered an "audit committee financial expert" (an **Audit Expert**) as defined by the New York Stock Exchange (the **NYSE**).

Director's fees (including any equity-based awards) are the only compensation a Committee member may receive from the Company.

Without the approval of the Board, members of the Committee shall not serve on more than two additional audit committees of other public companies, and the Committee Chairman of the Committee shall not serve on more than one other audit committee of a public company.

## **2. *Schedule and Notice of Meetings***

The Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and shall hold additional meetings as required.

Meetings of the Committee shall be convened by the Secretary at the request of its members or, if considered necessary, at the request of the independent audit firm's lead partner or the Company's internal audit officer.

The Committee Chairman, the Secretary (as defined below) at the request of the Committee Chairman, or any member of the Committee may call special meetings.

Meetings of the Committee may be held in person or telephonically.

The Committee shall periodically meet separately with management, internal audit, and the independent auditors.

The Company Secretary (or his or her nominee) shall act as the secretary of the Committee (the **Secretary**) and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

## **3. *Quorum and meeting attendance***

The quorum necessary for the transaction of business shall be two Committee members. Ideally, at least one of the members present in any quorum should be an Audit Expert.

## **Responsibilities and Duties**

The primary responsibility of the Committee is to oversee the Company's financial controls and reporting processes on behalf of the Board and to make regular recommendations and reports on its activities to the Board.

The following shall be the principal duties of the Committee in carrying out its oversight responsibilities.

### **1. *Financial Reports***

a. The Committee will monitor and review:

- The integrity of the Company's annual audited financial statements and other periodic financial statements prior to the filing or distribution of the reports containing the financial statements, and review and report to the Board on significant financial reporting issues and judgements which those statements and reports contain.
- The judgments used about the quality, not just the acceptability, of significant accounting principles, the reasonableness of significant judgments and the clarity and completeness of the disclosures in the financial statements, taking into account the independent auditor's view on the financial statements.
- All material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

- The results of the annual audit, other periodic reviews and any other matters required to be communicated to the Committee by the independent auditors under auditing standards applicable to the Company.
  - Each proxy statement or proxy statement equivalent.
  - Earnings press releases, as well as financial information and earnings guidance provided to analysts, including the presentation of financial information in earnings press releases.
  - Any material written communications between the independent auditors and management.
  - Significant audit adjustments detected by the independent auditor that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted.
  - Any consultations on significant auditing or accounting issues, including but not limited to unexpected events, regarding the Company, between the audit team and technical specialists.
  - Critical accounting policies and financial statement presentations, including significant changes in the Company's selection or application of accounting policies.
  - Major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
  - The effect of new regulatory and accounting standards and initiatives on the Company's risks and liabilities, financial statements, other public disclosures and internal controls.
  - Accounting for and disclosure of related party transactions.
  - The going concern assumption and viability statement.
  - Any other matters that are significant to the integrity and oversight of the Company's financial reporting process, including any other financial reporting issues required to be discussed under applicable laws and regulations.
- b. The Committee will normally review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with prompt reporting requirements under any law or regulation.
- c. The Committee will review any disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during all relevant certification processes about significant failings or weaknesses in the design or operation of internal controls over financial reporting and any fraud involving management or other employees who have a significant role in the Company's internal controls over financial reporting.
- d. The Committee will recommend to the Board whether the Company's annual audited financial statements should be included in the Company's Annual Report on Form 20-F for submission to the Securities and Exchange Commission.
- e. Where requested by the Board, the Committee will review the content of the annual report and accounts and provide advice on whether the annual report and accounts, taken as a

whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

## **2. Interaction With Management**

- a. The Committee shall review the Company's disclosure controls and procedures, and shall review management's conclusions about the effectiveness of such disclosure controls and procedures, including any material non-compliance with them.
- b. Management will provide to the Committee explanations of changes in accounting standards and rules promulgated by all relevant accounting standards authorities or other regulatory bodies that have (or may have) a material effect on the Company's risks and liabilities, financial statements, other public disclosures and internal controls. Periodically, the Committee will receive other summaries and presentations to enhance the financial reporting education of the Committee.
- c. Management will notify the Committee when it receives any inquiries from regulatory bodies regarding the Company's accounting practices or financial reporting.
- d. The Committee will discuss planned significant changes in accounting principles, policies and internal controls and emerging business issues that could significantly affect financial results.
- e. Management will notify the Committee when it seeks a second opinion on a financial accounting or reporting matter from an accounting firm other than the independent auditors.
- f. The Committee will provide governance and oversight of the Company's compliance, operational and financial risk assessments, which are part of the broader Enterprise Risk Management (**ERM**) program. In connection with this governance and oversight, the Committee will review the ERM methodology, the delegation of responsibility for specific risk areas among the Board committees, and risk assessments of the Company executives responsible for audit, ethics and compliance, and risk and meet with such executives as deemed necessary (on an annual basis at a minimum) regarding relevant compliance, operational and financial risk assessments and ERM topics.
- g. The Committee will provide governance and oversight of the Company's Business Continuity Management (**BCM**) program. In connection with this governance and oversight, the Committee will review the BCM policy, management systems, impact analysis, and recovery capabilities as deemed necessary (on an annual basis at a minimum).
- h. The Committee will review summary reports of significant unethical or illegal acts by the Company's employees and management's corrective actions.
- i. The Committee will review the adequacy and security of the Company's whistleblowing policy and other arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action as well as review any reports produced in connection therewith, reporting to the Board as appropriate.
- j. The Committee will review the Company's systems and controls for the prevention of bribery and corruption and receive reports on any non-compliance.

- k. Management will provide the Committee with regular reports from the Company's senior legal counsel and, when appropriate, the Company's outside legal counsel, relating to:
- Significant legal proceedings involving unethical or illegal acts by the Company's officers or employees.
  - Other significant legal activities concerning litigation, contingencies, claims or assessments that may have a material impact on the Company's financial position or results of operations.
  - Compliance policies and procedures on all significant regulatory matters facing the Company.
  - Material violations of securities laws or breaches of fiduciary duty.
- l. The Committee will provide governance-level oversight by review of the content, operation, implementation and effectiveness of the ethics and compliance program, which provides reasonable assurance that the Company identifies and mitigates compliance risks, including obtaining from the applicable member of management, reports on such program and reviewing the effectiveness of such program at least annually.
- m. The goal of the ethics and compliance program will be consistent with the requirements of all applicable laws, rules and industry practices in geographies where the Company does business.
- n. The Committee will assist the Board in fulfilling its oversight responsibilities relating to:
- the establishment and implementation of all processes and controls necessary to measure progress against the agreed form Annual Business Plan and Long-Term Business Plan and provide assurance that the financial results of the Company and its subsidiaries are reliable and reported in a timely manner, the assets and reputation of the Company and its subsidiaries are safeguarded and the Company and each of its subsidiaries complies with all applicable laws, regulations or rules of any relevant stock exchange.
  - the Company's ongoing performance against the Annual Business Plan, such performance to be reviewed quarterly and annually as the Committee deems appropriate.
  - the Company's dividend policy.
  - the Company's capital structure.
  - any capital expenditure for property, plant or equipment, as is outlined, from time to time, in the Company's Chart of Authority.
  - the alignment of the Company's capital allocation process and business strategy, including investments in information technology and business process transformation activities.
- o. The Committee will periodically evaluate the performance of, and returns upon, approved capital expenditures and shall report to the Board the results of its evaluation.
- p. The composition and remit of the Committee will meet all rules and regulations of all relevant regulatory and listing bodies, and shall recommend to the Board, for its approval

from time to time, such amendments to these Terms of Reference as necessary to conform to those rules and regulations.

### **3. Independent Auditors**

- a. The Committee will consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in respect of a firm of independent auditors for appointment, re-appointment or removal as the Company's auditors.
- b. The Committee will consider and make recommendations to the Board regarding the termination of the engagement of the Company's independent auditors and a replacement where identified.
- c. In connection with a. above, the Committee will be responsible for any necessary tender process as often as is required by applicable law or regulation to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditors with those of other audit firms and, in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.
- d. If an independent auditor resigns, the Committee will investigate the issues leading to this and decide whether any action is required.
- e. The Committee will be responsible for the terms of engagement of the Company's independent auditors (whose identity will be approved by the Board and the Company's shareholders), their compensation (for both audit and non-audit services as appropriate), ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted, and oversight of the work of the independent auditors, including resolution of disagreements between management and the independent auditors regarding financial reporting. The independent auditor will report directly to the Committee.
- f. The Committee will:
  - Review, based on the recommendation of the independent auditors, the scope and plan of the work to be done by the independent auditors for each year.
  - Confirm that partners who will participate in the audit comply with the rotation and non-audit compensation requirements of all relevant regulatory bodies.
  - Monitor, review and approve proposed and actual audit fees compared to the overall fee income of the independent audit firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements and guidance. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company.
- g. At least annually, the independent auditors will provide the Committee with a report for review describing:
  - The independent audit firm's internal quality control procedures.
  - Any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or

professional authorities within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

- All material relationships between the independent auditors and the Company (to assess the auditors' independence).
  - All other reports required by applicable law or regulations.
- h. The Committee will review the findings of the audit with the independent auditor. This will include the following:
- The auditor's explanation of how risks to audit quality were addressed;
  - Key accounting and auditing judgements;
  - The auditor's view of their interactions with senior management; and
  - Levels of errors identified during audit.
- i. The Committee shall meet regularly with the independent auditors (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without the executive directors and management being present, to discuss the auditor's remit and any issues arising from the audit.
- j. The independent auditor and the Committee will discuss the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- k. The Committee will pre-approve any audit and non-audit services provided by the independent auditors in line with the Board policy and ensure that the provision of non-audit services does not impair the auditor's independence and objectivity.
- l. The Committee will pre-approve all non-audit services provided or made available by the independent auditors to any of the executive officers of the Company.
- m. The Committee will review the performance and independence of the independent auditors on an annual basis and the effectiveness of the independent audit process, including the evaluation of the lead partner of the independent auditors' team, an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee and present its conclusions to the Board.
- n. The Committee will set clear hiring policies for employees or former employees of the independent auditors that meet all relevant regulatory laws and exchange regulations.
- o. The independent auditors will provide the Committee reports on a timely basis regarding all critical accounting policies and practices used, all material alternative treatments for policies and practices related to material items discussed with management, including (i) the ramifications of the use of such alternative disclosures and treatments and (ii) the treatment preferred by the independent auditors, and other material written communications between the independent auditors and management.
- p. The Committee will discuss the overall adequacy and effectiveness of internal controls, including the independent auditors' report on management's required assertion about those controls.

- q. The Committee shall receive and review all reports prepared by the independent auditors, and shall ensure that the independent auditors have full access to the Committee and the Board during its performance of the annual audit to report on any and all appropriate matters.
- r. The Committee will review any significant audit problems or difficulties incurred by the independent auditors (and management's response), including any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreements with management.

#### **4. Internal Audit**

- a. The Committee will:
  - Review and recommend to the Board for approval, from time to time, the role and mandate of the Internal Audit function, monitor and review the effectiveness of its work, and annually approve the Internal Audit charter ensuring it is appropriate for the current needs of the Company.
  - Review and recommend to the Board for approval, from time to time, the appointment or removal of the Chief Audit Executive and review the annual objectives and performance of the Chief Audit Executive.
  - At the start of each financial year, approve the Company's Internal Audit plan for the forthcoming financial year, ensuring it is aligned to the key risks of the business, and receive regular reports on work carried out.
  - Monitor and review the effectiveness of the Company's Internal Audit function on an annual basis including audit scope, audit results, operational plans, staffing levels, adequacy of internal audit budget, and coordination of activities with the independent auditors. The Committee's assessment should include (i) a review and assessment of the annual Internal Audit work plan, (ii) receiving a report on the results of Internal Audit's work, (iii) determining whether it is satisfied with the quality, experience and expertise of the Internal Audit function, and (iv) reviewing the actions taken by management to implement the recommendations of Internal Audit and to support the effective working of the Internal Audit function.
  - Review the overall adequacy and effectiveness of the internal control system based on the results of the annual Internal Audit programme, the work of the Compliance and Finance functions, and the independent auditor.
  - Review the Company's procedures for protecting against fraud.
  - Periodically receive updates on the status of any outstanding items identified in previous reviews carried out by the Committee.
- b. At least annually, the Committee will meet with the Chief Audit Executive without executive directors or other management present.

#### **5. Reporting**

- a. The Secretary shall prepare minutes for all of the Committee's meetings to document the Committee's discharge of its responsibilities. Draft minutes of the meetings of the Committee shall be made available to all Committee members as soon as practicable after each meeting. Once approved, minutes shall be made available to all other members of the

Board, unless the Committee Chairman in consultation with the Company Secretary concludes that the minutes should be redacted before circulation to particular directors in the light of conflicts of interest or other issues.

- b. The Committee will keep the Board, the Chief Executive Officer and the Company Secretary informed of any other significant Committee activities.
- c. The Committee will report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This formal report shall include:
  - any significant control deficiencies or other matters having actual or potential effect on the fair presentation of financial results and how these were addressed.
  - Its assessment of the effectiveness of the independent audit process and its recommendation on the appointment, reappointment or removal of the independent auditor.
  - Any other issues on which the Board has required the Committee's opinion.
- d. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
- e. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- f. The Committee shall produce an annual report on its activities to be included in the Company's annual report. The report should include:
  - The significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the independent auditors.
  - An explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the independent auditors, and information on the length of tenure of the current audit firm and when a tender was last conducted.
  - If the independent auditors provide non-audit services, an explanation of how auditor objectivity and independence is safeguarded.
  - Statements concerning internal control, risk management and a viability statement.
  - The names of the members of the Committee.
  - All other information required to be made available in such a report by the relevant provisions of the Code.
- g. In compiling the reports referred to in sub-paragraphs **Error! Reference source not found.**(c) and **Error! Reference source not found.**(ef) above, the Committee should exercise judgment in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

## **6. Other Duties**

- a. The Committee will establish procedures for (1) the receipt, retention and treatment of complaints received by the Company, including but not limited to those regarding accounting, internal accounting controls, auditing or other financial reporting matters; (2) the confidential, anonymous submission by employees of the Company of such concerns; and (3) the review of such confidential information and will review such procedures at least annually.
- b. The Committee will review the Company's Chart of Authority annually and recommend revisions to the Chart of Authority to the Board for its approval.
- c. Annually, the Chief Accounting Officer will review the Company's independence hiring policy with the Committee.
- d. The Committee shall have full access to all books, records, facilities and personnel of the Company, including, if necessary, private meetings with the independent auditors, management and other personnel of the Company.
- e. The Committee shall ensure effective engagement with, and encourage participation from, relevant stakeholders including (but not limited to) recipients of financial statements (including shareholders, regulators and proxy advisors), ensuring that the views of relevant stakeholders are understood and considered as appropriate by the Committee and the Board.

## **7. Outside Advisors**

The Committee may, if circumstances require, retain independent counsel or other professional advisors to assist it in carrying out its responsibilities. The Company will pay for all such resources required by the Committee including any ordinary administrative expenses that are necessary or appropriate in carrying out its duties.

## **8. Self-Assessment**

The Committee shall evaluate its performance on an annual basis and develop criteria for such evaluation. At least annually, these Terms of Reference shall be reviewed and reassessed by the Committee, and any proposed changes shall be submitted to the Board for approval.

## **9. Committee Powers; Power to Delegate**

- a. These Terms of Reference do not give the Committee the power to take any action which abrogates or has the effect of abrogating the authority of the Board to make any decision affecting the Company, without the consent of:
  - if Olive HoldCo's equity proportion (as defined in the Articles) is at least 15 per cent., at least one director nominated by Olive HoldCo; and
  - if Red's equity proportion (as defined in the Articles) is at least 10 per cent., at least one director nominated by Red.
- b. Subject to the above, the Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Committee. Any such subcommittee will be subject to these Terms of Reference.
- c. The Committee is authorised to:

- Seek information it requires from any employee of the Company in order to perform its duties;
- Call any employee to be questioned at a meeting of the Committee as and when required.

#### ***10. Annual General Meeting***

The Committee Chairman will attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

Approved on 24 October 2018