



Our Approach to Tax

May 2019

Coca-Cola European Partners Plc (CCEP) operates in the Fast Moving Consumer Goods (FMCG) sector in Western Europe. We offer consumers some of the world's leading brands and a wide choice of high quality beverages. In delivering our growth ambition, it is our responsibility to operate the business in the long-term interests of all our stakeholders, including employees, customers, suppliers, brand partners, shareholders, governments, and the communities in which we operate.

The way we organise our operations and monitor our tax strategy supports our growth ambition.

The Four Principles of our Tax Strategy

- **Our Approach to Tax:** We comply with tax laws in a responsible manner and align our tax strategy with our business strategy.
- **Tax Governance:** We apply diligent professional care and judgment to ensure all decisions are well-considered and documented.
- **Tax Transparency:** We value open and constructive relationships with tax authorities and support efforts to increase public trust in tax systems.
- **Our Tax Contribution:** We believe the taxes we pay have a positive impact in the communities and economies of the countries in which we operate.

Our tax strategy is intended to provide our stakeholders with answers to the following questions:

- **Our Approach to Tax:** How does our tax strategy align with our business strategy?
- **Tax Governance:** How can we provide comfort to stakeholders that tax affairs are under control and risks are managed?
- **Tax Transparency:** How do we communicate and establish relationships with the tax authorities?
- **Our Tax Contribution:** How do the taxes we pay have an economic impact on the company and the community?

We review our global policies annually to ensure we take account of any changes in the internal and external environment. If you have any questions, please email the CCEP Tax Team at tax@ccep.com.



Our Approach to Tax

We are committed to complying with tax laws in a responsible manner and aligning our tax strategy with our business strategy.

We carefully align our obligation to comply with tax laws in a responsible manner with the need to support competitive business growth. In practice, the tax team's role is to support key business initiatives, inform the business of legislative changes and manage tax risks to deliver sustainable financial results every year.

In practice:

Our business is very local. In most of the countries where we operate, more than 9% of the products we sell to our customers are manufactured in the same country. Our tax exposure on transfer pricing related to the finished products' transactions is therefore relatively low compared to other organisations with more global business models.

Our comparable Effective Tax Rate (ETR) in 2018 was 24.6% and reflected the natural blend of the statutory tax rates, profit mix and the alignment of our tax strategy and our business model within the various countries where we operate. In 2018 our most significant countries were subject to the following statutory rates: Great Britain 19.25%, France 39%, Germany 30%, Belgium 34%, Spain 25%, the Netherlands 25%, Norway 24%, and Sweden 22%. We expect that our recurring ETR will be relatively stable mid-term, unless major changes impact our business model, our structure or our territories.

In order to achieve our key objective of contributing to the CCEP growth strategy, when the business seeks tax advice and where alternative options exist to achieve the same commercial results, a tax efficient approach in compliance with all relevant laws is recommended by the tax team. The approach must also comply with our tax principles and risk management principles.

In practice:

When concluding on the tax treatment of a particular transaction, we would not undertake it unless it successfully meets the following criteria:

- Our recommendation is based on strong technical tax positions;
- When necessary and if there may be an ambiguity in interpreting the applicable tax provisions, we draft a position paper for our files;
- All position papers would clearly assess and document the facts

In addition, when addressing tax risk, the following factors are considered:

- What is the impact of our tax position on our corporate reputation/brand?
- What is the impact of our tax position on our relationships with governments?
- What would be the benefit of certainty in respect of an uncertain or disputed tax position?

We recognise that tax is complex. If there are uncertainties when applying a particular area of the tax code in a territory, we always work to interpret the obligations in a responsible way. We do not engage in or become involved in aggressive tax arrangements. For example, no value or income would be allocated to an entity of the group if there is no economic substance in such entity nor any functional analysis evidencing why such value or income was allocated to such entity.



When performing tax services on behalf of CCEP, we instruct external organisations to comply with these principles, under the supervision of the tax team. As tax laws are not always clear, getting this right requires careful consideration and we recognise that the tax authorities in the territories in which we operate may not always agree with some of the decisions we make.

Tax Governance

We apply diligent professional care and judgment to ensure all decisions are well-considered and documented.

We always ensure proper compliance with all taxes and ensure all our returns are reported accurately and on time. Our Code of Business Conduct sets out the standards of behaviour to which we expect all employees to adhere. This standard is no different when it comes to taxation. This requires careful monitoring, strong and accurate systems, consideration of new developments and a very thorough risk management process. We report to the Audit Committee of the Board of Directors on tax strategy and provide an annual update on the group's effective tax rate, tax provisions, key tax matters for the coming year, and compliance with our tax principles.

In practice:

We share the main drivers of our effective tax rate with the Audit Committee, in order for the Committee to have a full understanding of factors which are controllable, able to be influenced (e.g. industry tax reforms to foster investments) or not controllable (e.g. worldwide economy, major tax reforms) and which strongly influence our effective tax rate. The Audit Committee has reviewed and approved our tax strategy paper.

CCEP has a strong governance structure in place to ensure that tax decisions are taken at the appropriate level. We have robust internal policies, processes, training and compliance programmes to ensure we have alignment across our business and meet our tax obligations.

Tax is included in the global chart of authority and tax forms part of the approval process for all functions where there is a tax consequence associated with a business decision.

In practice:

Tax has its own section of the CCEP Global Chart of Authority and is also an approver for other sections, such as the Supply Chain or Human Resources sections, to ensure that tax and business strategies are aligned. Per the CCEP Chart of Authority, the tax team is required to be involved in the planning, implementation and documentation of significant changes to existing business activities, all business or share acquisitions and disposals, changes in corporate structure, cross-border financing arrangements, and significant business transactions.

CCEP has a strong internal control structure in place and tax is one of the processes that is subject to the CCEP controls framework.

CCEP manages tax implications arising from its operations by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations.



We also have a risk management process. We report our main risks framework to the Enterprise Risk Management team which is headed by the Chief Compliance Officer.

In practice:

CCEP follows Sarbanes-Oxley 302 & 404 (SOX) requirements with our major income tax and indirect tax processes and controls outlined in detailed process flows. All internal documents and reports are reviewed annually by CCEP's Internal Controls. The tax related controls are independently tested by Internal Audit. At each quarter, tax charge and provisioning decisions are discussed internally between the CCEP accounting and tax teams.

Such decisions are also disclosed on a quarterly basis to the CCEP statutory auditors to ensure that all transactions are adequately translated into the actual tax charge or tax returns. The tax team collects details of all exposures and provisions on a quarterly basis with an approval process for any new provisions or changes to existing provisions. In quarterly calls, all countries confirm that they have met all their statutory tax obligations, that their controls are operating effectively and that all tax positions are in compliance with our tax principles.

CCEP provides training and supports all members of the tax team to ensure they have the skills, knowledge and technical expertise to fulfil their responsibilities and perform to the best of their abilities. This enables our people to develop into talented, mindful and skilled professionals. We want to attract, retain and grow the best tax professionals and fully utilise our in-house resources and use external advisors only when appropriate. Training is provided for staff outside the tax team who manage or process matters which have tax implications.

Tax Transparency

We value open and constructive relationships with tax authorities and support efforts to increase public trust in tax systems.

We believe that relations between international businesses and tax authorities should be transparent, constructive, and based upon mutual trust. Both should treat each other with respect and, in all dealings, with an appropriate focus on risk areas when it comes to tax compliance. CCEP has adopted the following principles vis-à-vis the tax authorities to ensure that the local tax authorities have a fair and deep understanding of its tax affairs.

In all jurisdictions in which CCEP operates, we aim to establish an open and transparent dialogue with the local tax authority. Wherever possible, we work in collaboration with local tax authorities to reach agreements, such as transfer pricing agreements, find the correct interpretation of the law, and discuss any disputed issues.

In practice:

In the UK and in the Netherlands, for example, we have an enhanced working relationship with our Customer Compliance Manager ("CCM"), with whom we have a regular open dialogue and meet in person at least once a year. We promote open transparent working relationships with our CCM and engage him early in advance of undertaking transactions and filing tax returns. This constructive cooperation with the tax authorities results in transparency as well as faster and greater clarity on our tax positions and ensures working as much as possible in real time.



We have the same approach vis-à-vis countries which do not have a formal 'enhanced partnership' process or approach with the taxpayer. This open approach is aligned with our goal of achieving certainty over tax positions.

We are always looking to build public trust in CCEP's tax dealings. We feel that this is best achieved by informing the public of our approaches to tax, and by increasing the public's understanding of the tax system. Our publicly available [2018 Integrated Report](#) details our economic contributions and taxes paid in the jurisdictions in which we operate.

We also provide extensive information on the taxes we pay in this annual reports. The tax disclosures in our 2017 annual report (Note 18 on pages 137-139) summarise in aggregate the significant components of corporate income tax expense for the periods presented.

CCEP supports the OECD's work on Base Erosion and Profit Shifting (BEPS) and understands the need for more transparency. For example, we support the exchange of country by country reporting data between tax authorities which will support their ability to ensure multinational groups pay the right of amount of tax.

Tax Contribution

We have established strong fundamentals for how we hold ourselves accountable to the outside world. We comply with all local tax laws, and we know how important our taxes are in positively benefiting the local economies where our business is based.

We pay corporate income taxes, real estate taxes, production taxes, stamp duties, employment and taxes in many other forms. In addition, we collect and pay employee taxes as well as indirect taxes, such as excise duties and VAT.

In 2018, we paid over €1.2 billion in taxes across all of the territories in which we operate but our local economic impact goes beyond that. In 2018, we invested €409 million in our supply chain infrastructure and €109 million in our cold drink equipment, improving our operating infrastructure and supporting thousands of local jobs and we spent €5 million supporting local community activities.

In practice:

We pay a significant amount of tax throughout our territories. In 2018 we paid over €1.2 billion of taxes levied directly on the group:

Tax Category	Net Tax Paid (Eur m)
Corporation tax / Corporation income tax	262.8
Employer social contributions	300.4
Business rates and property use taxes	25.0
Sugar/soft drinks taxes and levies	469.6
Customs duty and other excise taxes	55.3
Environmental taxes	89.0
Other	38.0
Total	1,240.1



Additionally we collected a further € 1.2 billion of taxes on behalf of tax authorities in 2018.

Category	Net Tax Collected (Eur m)
Withholding tax on payments made	2.2
Employee taxes and social security	470.0
Net VAT paid to tax authorities	687.3
Total taxes collected	1,159.5

These amounts refer to cash tax paid in the year.

We also face additional taxes that we believe may not always have a positive impact on the economy or on public health concerns. In such cases, we monitor this issue through our industry groups, public affairs, and tax networks and, where appropriate, pro-actively engage with regulators to ensure they do not unfairly single out our industry or our products for taxation.

Tax incentives and exemptions are often implemented by governments and authorities to support investment, employment and economic development. We embrace such initiatives and in partnership with the business, we carefully evaluate available tax incentives and exemptions. CCEP would only undertake such incentives in a transparent and open process in the manner intended.

Note

This document is published by CCEP plc and its UK subsidiaries in satisfaction of the requirements under Schedule 19 of Finance Act 2016. This strategy also applies to CCEP plc's non UK subsidiaries.

Related links

[CCEP 2018 Integrated Report](#)