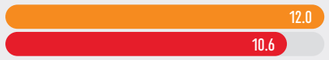
# Performance indicators

## Financial

### Revenue (€BN)




**€10.6BN**

Comparable volumes declined by 10% reflecting the adverse impact of COVID-19, particularly on immediate consumption and the away from home channel. This was partially offset by growth in the home channel supported by online grocery sales and continued revenue growth management initiatives.

Revenue per unit case declined by 1.5% driven by adverse channel, geographic and pack mix as a result of COVID-19.

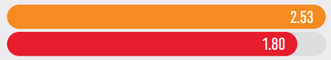
### Operating profit on a comparable basis* (€BN)


**€1.2BN**

Comparable operating profit declined by 29% reflecting the decline in revenue. This impact was moderated by a reduction in variable expenses given lower volumes, as well as the delivery of approximately €260 million in discretionary operating expenditure (opex) savings as we ensured spend was limited to what was essential.

We leveraged the crisis as a catalyst to accelerate our competitiveness initiatives as we look for ways to become even more efficient and further reduce complexity.

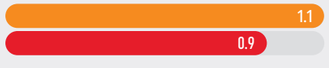
### Diluted earnings per share (EPS) on a comparable basis* (€)




**€1.80**

Comparable diluted EPS declined by 29% driven by the decline in comparable operating profit. This was partially offset by the return of approximately €130 million to shareholders before the suspension of our €1 billion share buyback programme in March 2020.

### Free cash flow* (€BN)

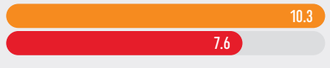



**€0.9BN**

Free cash flow generation continues to be a core priority of our business. Despite the impact of COVID-19 and following continued investments in our portfolio, digital capabilities and sustainability initiatives, we still delivered free cash flow of over €900 million, close to our medium-term objective of generating at least €1 billion a year.

This highlights the strength of our free cash flow generation, supported by our disciplined capital expenditure (capex) and working capital improvement initiatives.

### Return on capital invested (ROIC)* (%)




**7.6%**

ROIC declined by 270 basis points driven by the decline in comparable operating profit.

This metric remains a high priority for us and we will continue to focus on driving profitable revenue growth and capital efficiencies.

### Data legend

2019 | 2020

*Please refer to Business and financial review on page 54 for definition and reconciliation of non-GAAP figures to GAAP figures.

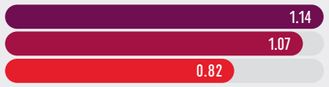


We launched our new climate strategy with a clear ambition to reach net zero greenhouse gas emissions by 2040

Key highlight

## Sustainability

### Lost time incident rate (number per 100 full time equivalent employees)

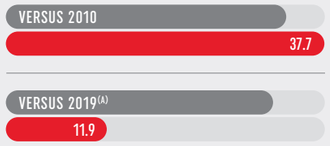



**0.82**

Our people's mental and physical wellbeing remains our priority during the ongoing COVID-19 pandemic. By providing our people with a safe and healthy work environment, we aim to work towards zero incidents.

In 2020, we continued to upgrade and improve workplace equipment and infrastructure and we saw our lost time incident rate fall to 0.82, a reduction of 23% compared with the previous year.

### % GHG emissions reduction across our value chain since 2010 and 2019




**11.9%**

We are committed to reducing greenhouse gas (GHG) emissions, to limit the global temperature increase to 1.5°C above pre-industrial levels and to protect the future of our planet. In 2020, we launched our new climate strategy with a clear ambition to reach net zero GHG emissions by 2040 and to reduce our GHG emissions across our value chain by 30% by 2030 (versus 2019).

In 2020, the GHG emissions within our value chain had fallen by 11.9% compared to 2019 and had fallen by 37.7% compared to 2010 (previous target baseline year).

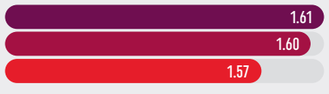
### % sugar reduction in our soft drinks since 2015


**15.3%**

Consumer habits are continually changing. Working with The Coca-Cola Company (TCCC) and other franchisors, we continue to evolve our business and portfolio to meet consumers' demands for a greater variety of drinks, including low and no calorie options.

By the end of 2020, the average sugar per litre in our soft drinks portfolio had fallen by 15.3% compared with 2015. This represents a reduction of 19.8% since 2010. We're achieving these reductions by reformulating our recipes, and by providing greater choice.

### Water use ratio (litres of water/litre of product produced)

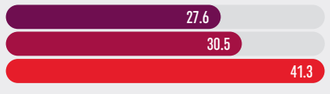



**1.57**

Climate change is altering weather patterns around the world, causing water shortages and droughts in some areas and floods in others. As water is the main ingredient in the majority of our drinks it's critical that we use water sustainably and protect local water resources for future generations.

The amount of water we use to make our products has reduced by 13.7% compared with 2010, to 1.57 litres of water per litre of product produced.

### % PET from recycled PET




**41.3%**

Creating a circular economy for the packaging we use is important in helping to address the world's plastic waste crisis. We are committed to ensuring that at least 50% of the material we use for our PET bottles comes from recycled PET (rPET) by 2023, and we'll aim to reach 100% recycled or renewable plastic by the end of the decade. We continue to make progress in increasing recycled plastic in our packaging.

In 2020, 41.3% of the PET we used to make our PET bottles was rPET, up from 30.5% in 2019.

### Data legend

2018 | 2019 | 2020

FOR MORE ABOUT OUR SUSTAINABILITY COMMITMENTS AND PROGRESS, SEE **PAGES 22–37**

(A) 2019 data restated.
For more information see page 26.

# Our portfolio

We work closely with our franchise partners to offer consumers a wide range of popular drinks, with or without sugar and in a range of pack sizes and materials. We continue to expand our portfolio into areas we believe will drive significant growth in the coming years.

## COCA-COLA®

Our Coca-Cola brands come in a range of variants that offer consumers a great choice of flavours, with or without sugar. This includes Coca-Cola Classic and Coca-Cola Zero Sugar, and Diet Coke/Coca-Cola Light for a lighter and refreshing taste across a number of flavour variants. Coca-Cola Zero Sugar was the number one soft drinks brand for absolute value growth across our markets, according to Nielseniq.



## FLAVOURS, MIXERS AND ENERGY

Flavours, mixers and energy are an important part of our portfolio of drinks. Fanta continued to be a focus in 2020 supported by a significant Halloween marketing campaign and new flavours like raspberry zero sugar.

Monster performed strongly in 2020 – with volume growth of 15.5%, supported by new flavours such as Pacific Punch and a broader multi-pack offering in markets such as GB. Monster is now the number one energy brand in Spain and Portugal. We also introduced a new cherry variant for Coca-Cola Energy.

We're building our portfolio of adult mixers, led by Schweppes[A], Royal Bliss and Coca-Cola Signature Mixers. In 2020, Schweppes gained value share in a competitive GB market.

(A) In Great Britain (GB) only.
(B) We report comparable volumes for our Coca-Cola trademark drinks; flavours, mixers and energy drinks; hydration; and RTD teas, RTD coffees, juices and other drinks.

**66.0%**
COCA-COLA®

**22.5%**
FLAVOURS, MIXERS AND ENERGY




## HYDRATION

The hydration category is typically heavily reliant on immediate consumption – with consumers buying and consuming our hydration brands on the go. As a result of COVID-19 restrictions and less immediate consumption, 2020 saw a 34% volume decline.

## RTD TEAS, RTD COFFEES, JUICES AND OTHER DRINKS

2020 saw the expansion of Costa Coffee to Germany, following the introduction of Costa Coffee ready to drink (RTD) in GB in 2019. We also created a dedicated team, led by a new senior leadership role in Coca-Cola European Partners (CCEP), to oversee our expansion into coffee.

We continue to invest in Fuze Tea, with new flavours and pack sizes coming in 2021 to drive momentum.

In the fourth quarter of the year, Capri-Sun saw solid growth in GB and France.

In partnership with TCCC, we introduced Topo Chico hard seltzer – Coca-Cola's first brand in the alcohol category in Europe.


## 2020 BRAND CATEGORY VOLUME (ROUNDED)[B]

**5.0%**
RTD TEAS, RTD COFFEES, JUICES AND OTHER DRINKS

**6.5%**
HYDRATION

# Our operations

We are a local business. We invest, employ, manufacture and distribute locally. We want to create a great experience for everyone we interact with – whether they are a customer, partner, supplier, stakeholder, member of our local community or part of our great team. We are investing in key areas of our business, to make the experiences we provide even better.

READ MORE ABOUT HOW WE ARE SUCCEEDING IN A CHANGING LANDSCAPE ON **PAGES 18–19**

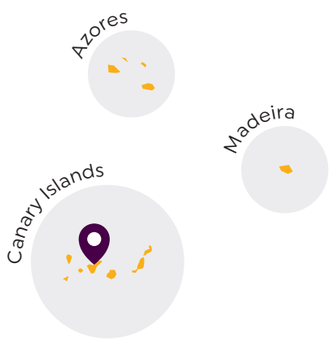
| | | REVENUE BY GEOGRAPHY[(A)] | NO. OF EMPLOYEES[(B)] |
|---|---|---|---|
| 1 | Iberia (Spain, Portugal and Andorra) | 20.5% | 4,012 |
| 2 | Germany | 21.5% | 7,061 |
| 3 | Great Britain | 21.0% | 3,329 |
| 4 | France (France and Monaco) | 16.0% | 2,570 |
| 5 | Belgium and Luxembourg | 8.5% | 2,135 |
| 6 | Netherlands | 5.0% | 765 |
| 7 | Norway | 4.0% | 549 |
| 8 | Sweden | 3.0% | 679 |
| 9 | Iceland | 0.5% | 164 |
| 10 | Bulgaria | | 842 |

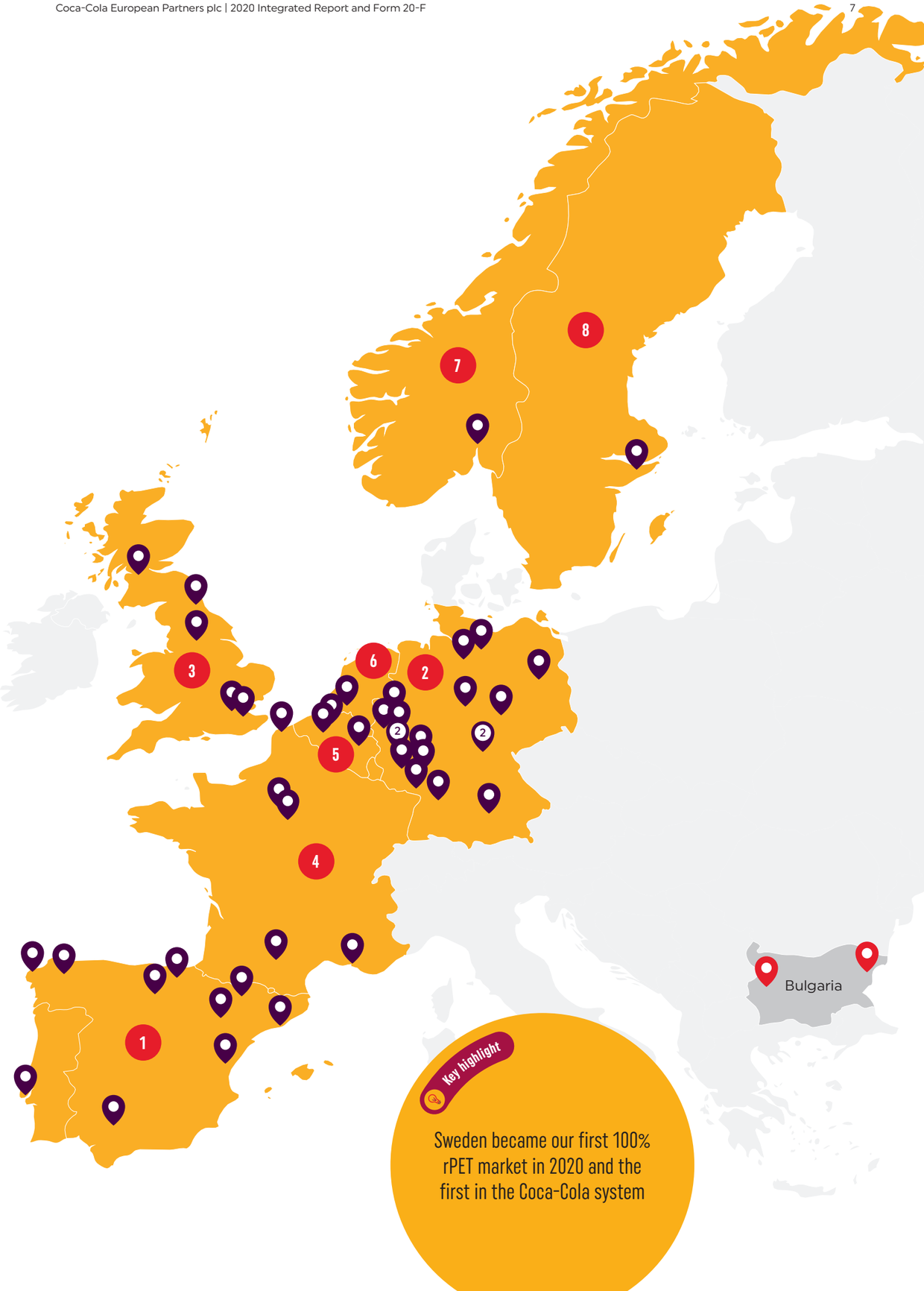
(A) Revenue shown is percentage of total revenue as at 31 December 2020.
(B) Number shown is number of employees as at 31 December 2020.


## Map legend

- Production facility
- 2x Production facilities
- Shared service centre
- Where we operate

SEE OUR INTERACTIVE MAP ON **WWW.COCACOLAEP.COM /ABOUT-US/PLACES**




**Key highlight**

Sweden became our first 100% rPET market in 2020 and the first in the Coca-Cola system

# What we do and how we do it

## GREAT PEOPLE

- A great place to work, where people can grow, be happy and be well through Me@CCEP
- Winning capabilities and performance
- Following our Code of Conduct (CoC)

FIND OUT MORE ABOUT WHERE OUR PEOPLE WORK ON **PAGE 6**

## Powered by our people

We employ around 22,000 people across our business. They make and sell our great beverages and help our customers grow by providing great service. They work with our communities as we seek to work sustainably and help them thrive.

## GREAT SERVICE

- Easy to do business with
- Known for world class execution
- Agile and flexible
- Decision making close to the customer

### Source raw materials

We use ingredients such as water, sugar, coffee, juices and syrup to make our drinks. We also rely on materials like glass, aluminium, PET, pulp and paper to produce packaging. We require all our suppliers to meet strict targets around workplace policies and practices, health and safety, ethics and human rights, environmental protection and business integrity.

### Distribute to our customers

We distribute our products to customers and vending partners by working closely with logistics partners.

### Work closely with customers who sell to consumers

Our nearly 6,000 strong sales force works with a huge range of customers – from small local shops, supermarkets and wholesalers to restaurants, bars and sports stadiums – so consumers can enjoy our great products wherever they are and whenever they want. We also provide cold drink equipment (CDE) and supply vending machines so people can find our drinks on the go.

## GREAT BEVERAGES

- Category leadership with great tasting drinks and brands consumers love
- Top quality and right every time
- Bring brands to life in the market through powerful partnerships with brand owners

FIND OUT MORE ABOUT OUR PORTFOLIO OF DRINKS ON **PAGES 4–5**

### Work with TCCC and other franchisors

TCCC and other franchisors make and sell concentrates, beverage bases and syrups, own the brands and are responsible for consumer brand marketing.

We operate under bottler agreements with TCCC and other franchisors and purchase the concentrates, beverage bases and syrups to make, sell and distribute packaged beverages to our customers and vending partners.

### Make great tasting drinks

Our production facilities make and bottle our wide range of drinks. We're continually improving our production facilities. We produce safe, high quality products for our customers and consumers. Over 92% of the drinks we sell are produced in the country in which they are consumed.

## DONE SUSTAINABLY

- Force for good
- Transitioning to a low-carbon, zero waste, circular business
- Focused on the areas that matter most to our business and stakeholders: climate, society, drinks, packaging, water and supply chain

SEE OUR THIS IS FORWARD SUSTAINABILITY ACTION PLAN ON **PAGES 22–37**

### Work with partners, aiming to collect 100% of our packaging

Although 98% of our bottles and cans are recyclable, they don't always end up being recycled. That needs to change. We're determined to lead the way towards a circular economy for our packaging where 100% of our packaging is collected, reused or recycled, so that none of it ends up as litter or in the oceans.

## FOR A BETTER SHARED FUTURE

- Creating value for all our customers – big and small
- Contributing to local economies
- Supporting our communities
- Trusted by shareowners and stakeholders

# Our stakeholders

Our stakeholders are part of our business and play a vital role in our success at every stage in our value chain. From the suppliers who provide our raw materials, to the communities where we operate and the people who make and sell our products, we seek to work together to refresh our markets and make a difference.

## OUR PEOPLE

Our business depends on the great people who make, sell and distribute our products every day. We foster a diverse, inclusive and safe working environment, where everyone's individuality is valued and where everyone has the training, tools and opportunity to succeed.

We invest in our people's training and development (around €9 million in 2020) as well as compensating them and providing additional benefits.

### How we engage

We make sure our people have opportunities to share their views, for example, through town hall meetings (held virtually in 2020, as a result of the COVID-19 pandemic) and engagement surveys. We share information through our intranet and other communication channels. Our management meets regularly with works councils and trade unions that represent our people. We have a number of channels through which our people can seek advice and raise concerns in line with our CoC.

### What the Board did

**Designated Directors**
Two Non-executive Directors (NEDs), the chairmen of the Remuneration and Nomination Committees, have responsibility for ensuring the views and concerns of the workforce are taken into account by the Board and for reporting to the Board on employee related matters. During the year, the Nomination Committee requested regular feedback from management in relation to employee wellbeing and progress towards our inclusion and diversity (I&D) plan. The Remuneration Committee considered employee incentives in light of COVID-19, including the need for a fair and consistent approach across our workforce.

**Consultation**
2020 saw the first exceptional meetings of the CCEP European Employee Works Council, established in November 2019, to consult on CCEP's proposed Accelerate Competitiveness programme. The Chief Executive Officer (CEO) presented and took questions in a virtual environment and the conversation was translated into local languages to enable full participation.

**Communication**
To create an open and honest culture at CCEP, regular communications to our people from the CEO and other senior leaders is key. The CEO provides a regular cadence of updates regarding the Group's results and other developments within the business, to ensure our people are kept informed about the matters that affect them as employees. The Board endorsed management's approach to increasing senior leadership visibility and frequency of communications in response to COVID-19, noting the positive impacts of clear leadership and direction on confidence and productivity.

**Employee town hall**
To ensure the safety of our people, we adhered to prevailing COVID-19 public health guidance and held an employee town hall with the Board, virtually. Over 2,000 of our people were invited to attend an online session and to submit questions to be answered by a panel of Directors. They challenged the panel with tough questions covering sustainability, commercial decisions and mergers and acquisitions (M&A).

READ MORE ABOUT OUR PEOPLE AND CULTURE ON **PAGES 38–41**

## OUR INVESTORS

Our investors provide the equity capital for our business and hold management to account, not only on financial performance but also by discussing key environmental, social and governance issues.

In 2020, we paid dividends totalling €386 million to shareholders.

### How we engage

We have a comprehensive programme of investor engagement covering the Annual General Meeting (AGM), investor roadshows, investor conferences including key note webcast presentations, analyst meetings, proxy advisor engagement, half yearly earnings releases alongside presentations and trading updates with webcast conference calls. Much of our interaction in 2020 was virtual as a result of the COVID-19 pandemic.

### What the Board did

**M&A**
During the year, the Board considered the opportunity to acquire Coca-Cola Amatil Limited (CCL), one of the largest bottlers of RTD beverages and coffee in the Asia Pacific region. The Board invested significant time in understanding CCL's business and markets and how the acquisition aligns with CCEP's long-term growth ambition.

**Annual General Meeting**
This year, the AGM was held as a closed meeting in line with prevailing COVID-19 guidelines and in accordance with CCEP's Articles of Association. Shareholders were given the opportunity to put questions to the Board ahead of the meeting via the Company's website.

READ ABOUT OUR SOURCES AND USES OF CASH ON **PAGES 59–60**

## OUR FRANCHISORS

We conduct our business primarily under agreements with TCCC and a limited number of other franchisors. These agreements generally give us the exclusive right to sell, distribute, and, in most cases, make beverages in approved packaging in specified territories.

We drive sales to customers so that our franchisors' brands are available where and when consumers want them.

### How we engage

CCEP has long-term growth plans to create value together with our franchisors. To ensure ongoing discussion, our management regularly meets them to consider both functional, and sales and marketing matters. We invite TCCC to present at our Board meetings on a regular basis.

### What the Board did

**Collaboration**
CCEP works closely with our franchise partners to develop and market the brands we sell and to set the tone of our engagement with consumers. The Affiliated Transaction Committee (ATC) oversaw the performance of franchisor relationships in 2020, including new product development and trends in innovation.

READ ABOUT OUR RELATIONSHIP WITH TCCC AND OTHER FRANCHISORS ON **PAGES 195–196**

## OUR SUPPLIERS

We work with a network of about 15,000 suppliers across our markets. They supply us with a wide range of commodities and services such as ingredients, packaging, energy, equipment, building and facilities, fleet and logistics services, sales and marketing services, information technology (IT) and telecoms and general administration.

Partnering and collaboration with our suppliers on sustainability is helping drive progress on delivering our This is Forward commitments while sustainable sourcing ensures security of supply of all the commodities and services needed to make, sell and distribute our drinks. For example, the support of our suppliers is key to achieving our 2030 GHG emissions reduction target.

Around 87% of our spend in 2020 (excluding concentrate and juices purchased from TCCC and other franchisors) was with suppliers in our countries of operation.

### How we engage

Through our supplier relationship management process, our procurement teams engage regularly with suppliers so we can build long-term relationships and work together on common objectives. This includes addressing key sustainability issues in areas such as reducing packaging waste and responsible ingredient sourcing.

### What the Board did

**Annual supplier day**
The CEO and other senior management representatives attended a virtual event attended by more than 200 unique suppliers.

**Digital tools**
A demonstration of the digital tools used by CCEP's procurement team was given on request to one member of the Board.

**Supplier Guiding Principles**
As part of operating with integrity, we have guidelines approved at Board level setting out expectations and requirements of our suppliers in relation to expected conduct, for example, in relation to human rights, health and safety and other matters.

READ MORE ABOUT ACTION WE'RE TAKING ON OUR SUPPLY CHAIN ON **PAGES 36–37**

# Our stakeholders continued

WE ENGAGE WITH OUR STAKEHOLDERS REGULARLY TO UNDERSTAND THEIR VIEWS ON THE ISSUES THAT MATTER MOST TO THEM AND HOW BEST TO WORK TOGETHER TOWARDS OUR COMMON GOALS. BY LISTENING CLOSELY TO OUR STAKEHOLDERS, WE ENSURE THEIR INSIGHTS SHAPE OUR BUSINESS STRATEGY.

## OUR CUSTOMERS

We strive to be our customers' preferred partner and create value together by responding to changing consumer preferences and retail trends. Our operating model is customer centric and focused on the front line. We aim to deliver the strongest execution and reach a broad range of outlets in the marketplace, all while making it easier to do business with us. In 2020, the revenue we generated for our grocery customers grew by €488 million compared to 2019.[A]

### How we engage

We are focused on our customers, with thousands of our people calling on them every day (subject to local restrictions). General Managers regularly engage with customers, along with senior members of the sales teams. We also engage with customers at an international level through TCCC's Global Customer Governance Board where certain international customers request this single point of contact within the Coca-Cola system. This engagement is limited to our markets under strict legal protocols.

### What the Board did

**Market visits**
The Directors remain committed to understanding our markets and our customers. Virtual market visits were arranged in 2020, to mitigate the health and safety risks of in person visits from COVID-19. The Directors received insights on matters including field sales activation, marketing and adding value for retailers.

**Voice of the customer**
Senior leadership from Carrefour France were invited to present to the Board about Carrefour's approach to its customers. The Directors asked questions and discussed the future of retail more widely from a consumer focus.

## CONSUMERS

Consumers buy our great products from our customers. They drive demand for a range of drinks. We work with our customers to ensure that the drinks reaching consumers are high quality, safe and taste great.

### How we engage

Generally, our franchisors own the relationship with consumers. We work closely with our franchisors and customers to understand consumer wants and needs. We receive direct feedback from consumers via the consumer care line provided on all our packaging.

### What the Board did

**Our portfolio**
Our ATC oversees CCEP's relationships with our franchise partners, through which we are able to keep focus on development and diversification of our portfolio.

## OUR COMMUNITIES

We have a strong local heritage and presence. We seek to make a positive difference, helping to address the challenges our communities face by supporting local partnerships and grassroots initiatives.

We recognise the economic, social and environmental interaction between our business and our communities. Our people live in our local communities and we use local resources, such as water and transport systems, to make, sell and distribute our products.

### How we engage

We invest in charitable and community causes in all of our markets and our people regularly take part in volunteering activities to support social initiatives in our communities.

### What the Board did

**This is Forward**
The Corporate Social Responsibility (CSR) Committee oversaw development of, and progress against, our sustainability action plan, taking into consideration market guidance on sustainability and stewardship. The Board attended a session giving an external perspective on the global climate challenge, in the context of CCEP's action on climate.

**Climate strategy**
In December 2020, CCEP announced a new 2030 science based emissions reduction target and an ambition to reach net zero emissions by 2040. We continue to invest proactively in our sustainability ambitions to create a better future for the communities we serve.

READ ABOUT OUR GHG EMISSIONS TARGETS ON **PAGES 24–26**

(A) Source: Nielseniq ScanTrack (Nielsen Strategic Planner Data) for the year 2020 to week ending 27 December 2020. Countries included are Belgium, France, Germany, GB, the Netherlands, Norway, Spain, Sweden and Portugal. CCEP is defined as TCCC and Monster Energy excluding Innocent. Grocery customers here generally includes hypermarkets, supermarkets and discounters, although there are slight variations by market.

CASE STUDY

## COVID-19

In response to the COVID-19 pandemic, the Board empowered management to take immediate actions to protect our people, support our customers and communities, and safeguard the long-term future of our business.

COVID-19 required us to adapt quickly to a challenging and rapidly evolving environment. During the initial peak of the pandemic, weekly meetings were established between the Directors and senior management to ensure the right actions could be taken at the right times. We took decisions with a view to balancing the immediate needs of our stakeholders with our commitment to a sustainable recovery over the long term. Some examples of how this worked in practice are set out below:

**Our people**
We made a commitment early in the year to prioritise our people's health, safety and wellbeing. Pulse surveys were undertaken during the summer, to understand our people's experiences of the pandemic and their responses to leadership decisions. The results directly informed development of our people strategy, notably our wellbeing and future ways of working initiatives, with oversight by the Nomination Committee.

READ ABOUT THE STEPS WE TOOK IN RELATION TO OUR PEOPLE IN ACTION ON SOCIETY ON **PAGE 27**

**Customers**
Our commercial management teams have provided case by case support to our customers during what has been a difficult and challenging time. The Board endorsed a flexible and collaborative approach to speed recovery, which saw adjustments to production to ensure our customers were receiving the products in demand, and redeployment of our people to support a strained grocery sector.

**Communities**
Commitment to supporting the local communities where we operate is a part of CCEP's sustainability strategy. We are proud that the strong links we have established with local communities have helped CCEP to have a meaningful and positive impact across our territories in response to the pandemic. Our contributions have included €3 million in product donations, ongoing volunteering by our people and working closely with TCCC and the Coca-Cola Foundation to provide substantial financial aid to fund the fight against COVID-19.

READ ABOUT SUPPORT FOR COMMUNITIES AND CUSTOMERS ON **PAGES 28–29**

We have furthered our commitment to making a positive difference by signing the Uniting Business and Governments to Recover Better business statement, which calls upon businesses and governments to prioritise science based climate actions as part of their COVID-19 recovery plans.

READ ABOUT OUR PLANS FOR A GREEN RECOVERY ON **PAGES 24–26**

**Investors**
Due to the significant macroeconomic uncertainty arising from the pandemic, we took the decision in the short term to defer consideration of a 2020 dividend payment to shareholders until later in the year, to preserve maximum flexibility during a challenging period. Management maintained regular and open dialogue with investors and provided timely updates to the Board on market sentiment and confidence in our business. The Directors recognise the importance of cash returns to shareholders and declared a full-year dividend for 2020 in October, once visibility over performance had improved.

READ MORE ABOUT OUR STRATEGIC RESPONSE TO COVID-19 IN THE CONVERSATION WITH OUR CHAIRMAN AND CEO ON **PAGES 15–17**

**Consumers**
The Board received regular updates from management regarding consumer buying behaviour and changes to the daily routines of consumers. Emerging trends in consumer behaviour have helped inform our strategic route to market decisions, to ensure we can deliver our beverages to the places and in the ways our consumers want.

## During 2020, the Board acted in good faith to promote the long-term success of CCEP

In accordance with the directors' duties set out in section 172 of the UK Companies Act 2006 (the Companies Act), the Board supervises the profitable operation and development of CCEP to maximise its equity value over the long term, without regard to the individual interests of any shareholder. A minority of our NEDs were appointed by major shareholders of CCEP. However, each of the Directors understands his or her responsibility under the Companies Act to act fairly as between members of the Company. We acknowledge that all of our decisions may affect CCEP's shareholders through their impact on the future success of the business and confirm our due regard in this respect.

We recognise that to deliver our strategy in a sustainable way, we must consider the commercial, social and environmental impacts of our business. During the year, we have monitored, assessed and challenged CCEP's progress against our annual business plan and sustainability targets.

When taking decisions of strategic importance, we endeavour to balance the interests of our stakeholders in ways that are compatible with CCEP's long-term, sustainable growth. The Board gains stakeholder perspectives to inform its decision making through direct engagement, where feasible, and regular communication with senior management. We identified our key stakeholder groups as those which have significant interactions with our business model and that we impact in the course of our business operations.

Ensuring our business operates responsibly is fundamental to our long-term success. The Board oversees a robust corporate governance framework that enables the right people to take the right decisions at the right time.

READ HOW OUR CORPORATE GOVERNANCE FRAMEWORK WORKS IN PRACTICE ON **PAGES 74–81**

HOW THE DIRECTORS, AND CCEP MORE WIDELY, HAVE ENGAGED WITH OUR KEY STAKEHOLDERS THIS YEAR IS SET OUT ON **PAGES 10–13**

# Conversation with our Chairman and CEO

**Damian Gammell, Chief Executive Officer** (left)

**Sol Daurella, Chairman** (right)

# FURTHER. FASTER...

**Key highlight**

We donated more than 600,000 unit cases (3.3 million litres) of our products to foodbanks, medical and key workers



## How did CCEP fare during 2020 and the COVID-19 pandemic?

**Sol** 2020 was an unprecedented and challenging year for us all and I'd firstly like to extend my sincere gratitude to everyone at CCEP for their incredible commitment and hard work, as well as to all of those who have been keeping us safe throughout the pandemic.

In 2020, we prioritised the wellbeing of our people and the continuity of service to our customers. We worked closely with all our partners to support our customers and everyone they serve. Together with TCCC, we provided substantial aid to the Red Cross and other local non-governmental organisations (NGOs). In addition to providing protective equipment, we donated more than 600,000 unit cases of our products to foodbanks, medical and key workers.

And from a governance perspective, we increased the cadence of leadership reviews with our teams, our Board and TCCC, while also learning from other bottlers across the Coca-Cola system.

**Damian** Our results demonstrate the resilience of our business and our ability to operate with agility in such a rapidly changing environment. I am particularly proud of how our colleagues worked tirelessly to support our customers, consumers, communities and each other throughout such a challenging year, while at the same time protecting the long-term health of our business.

We entered 2020 with good momentum but the COVID-19 pandemic had a significant impact on immediate consumption and the away from home channel given widespread outlet closures.

As a result, we placed greater emphasis on our core brands and the home channel, including the growth in online and future consumption. I am pleased that we still gained overall market share during the year.

We also took bold actions to protect our performance and focus on business continuity. All opex was limited to what was essential and we deferred non-critical capex. These discretionary opex and capex savings of approximately €260 million and €200 million respectively helped us generate strong free cash flow of €924 million which, supported by a strong balance sheet, enabled us to maintain a full year dividend payout ratio of approximately 50%.

2020 also strengthened our determination to go further and faster on our sustainability action plan, This is Forward. In December, we set out a bold ambition to reach net zero GHG emissions by 2040, which we'll talk more about later.

## What is the rationale behind the acquisition of Coca-Cola Amatil?

**Damian** In October, we announced plans to acquire Coca-Cola Amatil, one of the largest bottlers and distributors of RTD beverages and coffee in the Asia Pacific region. The transaction will solidify our position as the largest Coca-Cola bottler by revenue and create a platform for accelerated growth and returns.

Four years on from the creation of CCEP, this is the right time to take our proven playbook in Western Europe and apply its success into new markets. Australia and New Zealand are complementary developed markets with attractive long-term macro growth fundamentals.

We will also gain exposure to Indonesia, one of the world's most populous and attractive emerging markets.

This is a unique and exciting opportunity to double our consumer reach to 600 million. This will enable us to scale up faster than ever before, with even more aligned and ambitious growth plans with TCCC and our other brand partners.

**Sol** This coming together of two of the world's best Coca-Cola bottlers is truly exciting. We expect to drive more sustainable and faster growth by combining the talent, learning and best practices of two great companies, both with a strong shared sustainability focus. A more diverse and inclusive culture will translate into new thinking and new ideas and our people will have even more opportunity to grow and develop. We also look forward to leveraging CCEP's experienced leadership in emerging markets.

We believe in the power of the Coca-Cola system to generate value for shareholders, demonstrated by the creation of CCEP four years ago, and now through the acquisition of these great franchises and markets. We have created significant value for our shareholders in recent years and we look forward to continuing on that trajectory.

**"WE ARE CONFIDENT THAT WE WILL EMERGE FROM THE PANDEMIC AS AN EVEN MORE EFFICIENT AND SUSTAINABLE BUSINESS"**

**Damian Gammell,** Chief Executive Officer

# Conversation with our Chairman and CEO continued

## How are you building a future ready culture within CCEP?

**Damian** We fundamentally believe that a great employee experience will create a strong and positive future.

Our people strategy sets out how we are building a winning culture that supports personal growth, builds the right skills such as agility and resilience and benefits from a diverse range of talents.

We're committed to building a more inclusive, representative and equal workplace, by going further and faster to bring meaningful change. We've been working hard to create a workplace where everyone feels welcome to contribute and be at their best, and we want to make a difference to society and grow sustainably – together.

We continue to provide physical, mental and emotional wellbeing support to all colleagues. This has been particularly important during the pandemic and included the rollout of online wellbeing training modules which proved very popular, and were attended by over 5,000 colleagues during the year.

In November, we appointed Véronique Vuillod as the new Chief People and Culture Officer at CCEP. Véronique worked previously as the Vice President of People and Culture for CCEP France and has a comprehensive understanding of our business having worked with CCEP since 1996. Véronique's appointment underscores our commitment to developing talent within CCEP, and I am confident that her leadership will support the growth of our business and people in the coming years.

We want to create an environment that empowers everyone to thrive, where everyone can contribute to the growth of CCEP and where everyone feels respected and able to share their ideas and perspectives.

**Sol** Together with all the people in CCEP who are driving our success, particularly Damian and his leadership team, I'm grateful to my fellow Directors for their contribution over the year. I'd like to take this opportunity to thank Francisco Crespo Benítez, Orrin H. Ingram and Javier Ferrán, who stepped down from the Board during 2020, for their excellent contributions to our business. And I was very pleased to welcome our new Directors, Dessi Temperley, Brian Smith and John Bryant. In addition to their wide business expertise, Dessi brings strong financial and commercial insight, Brian is a deeply experienced Coca-Cola leader, with more than 20 years of experience working in the Coca-Cola system and John brings over 30 years' experience in consumer goods, with particular expertise in strategy and M&A.

## How is CCEP developing its digital capabilities?

**Sol** Our world has changed due to the pandemic, and we will embrace the opportunity digital represents for our consumers, customers and colleagues and in supporting us to become a more sustainable business.

Our response to COVID-19 has shown that we can adapt to remote working, and still collaborate with colleagues and deliver work successfully. We will continue to look for ways of using digital solutions to bring us closer together and work faster and more effectively. For example, Redline, CCEP's internal communication platform, continues to grow and has provided a real sense of community throughout the pandemic.

**Damian** The pandemic has caused huge behavioural shifts in society and people are now living, shopping and working very differently. As consumers move to digital solutions in larger numbers, we're working closely with customers to make sure our products are as easy to find online as they are in store. At the same time, other online shopping channels like food aggregators and direct to consumer propositions offer us a new way of getting our great products to consumers.

We've also been accelerating our business to business (B2B) platforms to make it even easier for our customers and wholesalers to do business with us. We have a winning portal with My.CCEP.com, now available in nine of our markets, with functionality that continues to improve and further customer reach. We currently have around 31,000 customers using the platform, four times more than at the beginning of the year, and this number continues to grow.

Using technology will help us manage our costs and develop ways to become more efficient. Becoming a more data driven business – using real time insights – will enable us to make the right decisions to support our customers and grow our business. We will also be able to use data analytics to improve our demand and supply chain planning, enabling us to make the drinks consumers want, when they want them.

**Sol** We will also continue to work on developing new digital routes to market. In 2020, our innovation investment programme, CCEP Ventures, partnered with start ups Foodl and StarStock, to identify new ways of getting our products to consumers. We also launched our first ever direct to consumer sales platform in GB as a pilot – Your Coca-Cola. This platform allows consumers to stock up on their favourite drinks brands as well as those popular, harder to find products like Diet Coke Caffeine Free, often in slightly larger packs than are currently available through traditional retail channels.

## What progress has CCEP made with its sustainability commitments?

**Damian** Sustainability remains a key priority for our business and I am pleased that we continued to make further progress in 2020. In particular, we took an important step in our journey by setting a new ambition to reach net zero emissions by 2040. This means we need to dramatically reduce GHG emissions from our own business and our entire value chain (Scope 1, 2 and 3 emissions) – from the raw ingredients we source and the packaging we use, to the drinks we sell.



To support this ambition we have set a target to reduce absolute GHG emissions by 30% by 2030 (versus 2019) – aligned with a pathway to limit global warming to 1.5°C – the goal of the Paris Agreement.

Packaging is central to our carbon reduction goals. Crucial to this is accelerating our ambition to use zero virgin oil based PET in our plastic bottles. As we continue working towards a circular economy for packaging, I am proud that Sweden became our first 100% rPET market in 2020 and the first in the Coca-Cola system. We also invested in new solutions like CanCollar® and KeelClip, and we continue to explore innovative solutions in refillable packaging and dispensed technology.

Our sustainability ambition will be supported by a €250 million investment over three years. This will enable us to go even further and faster to help tackle climate change and create a better future. We have a responsibility to the communities we serve to keep taking this action on climate. We know it will be a long and challenging journey – there are no quick fixes – but we are determined to drive this change as fast as we can and to play our part in helping and influencing others. We've made significant progress so far, and looking ahead, we will continue to help lead the transition to a low-carbon future by putting the environmental impact at the heart of our decision making. I know that our people want it to be truly embedded within our culture at CCEP.

**Sol** We are committed to creating and driving a green future. It's a core part of our effort to become a stronger business, supporting our customers, consumers and communities and returning value to our shareholders. This is reflected in our decision to integrate a carbon reduction metric into our management's Long-Term Incentive Plan (LTIP) for the first time in 2020, making us an early adopter in this space.

I am also proud that we continue to be recognised for our sustainability efforts. We are one of just four beverage companies to be included in the Dow Jones Sustainability World and European indices and for the fifth year in a row, CCEP was included in the Climate Disclosure Project (CDP) Climate and Water A Lists for 2020.

Our communities are counting on us. CCEP has been proactive in drawing attention to the importance of securing a "green" recovery and a more inclusive society – which has a critical role to play in supporting communities, economic growth, employment and development. Sustainability is a subject that I personally feel very strongly about and I'm thankful to our colleagues, partners, suppliers and stakeholders for supporting us on this journey. Together, we can make a difference.

READ MORE ABOUT OUR SUSTAINABILITY PLAN AND OUR PROGRESS AGAINST OUR TARGETS ON **PAGES 22–37**

## How is CCEP's relationship with TCCC developing?

**Damian** CCEP has always been closely aligned with TCCC strategically and this has been clearly demonstrated through our agile collaboration and decision making during the pandemic. Together we ensured the continuity of supply of the products our consumers wanted to buy by prioritising core brands and packs. We also launched new brands into our markets such as Costa and Topo Chico, which we look forward to scaling up further in 2021.

TCCC's support for the proposed acquisition of CCL is further endorsement of the strong alignment we have built since the formation of CCEP.

**Sol** As the COVID-19 crisis began, we worked closely with TCCC and the Coca-Cola Foundation to provide substantial aid to fund the fight against COVID-19, channelled through the Red Cross and local NGOs. Many colleagues continue to be personally involved in supporting the most vulnerable people in their local areas and we're really proud of them. As we move through this crisis, we are continuing to work with TCCC in helping our communities recover in a sustainable way and ensuring businesses and governments prioritise science based climate action. Importantly, our sustainability strategy and our ambitious plans to work towards a net zero future are fully aligned with TCCC's global World Without Waste and climate strategies.

## How is CCEP positioned for growth in 2021 and beyond?

**Damian** While there remains some uncertainty about the duration and impact of the pandemic, the rollout of COVID-19 vaccines brings new optimism. We are confident that we will emerge from the pandemic as an even more efficient and sustainable business, underpinned by three key pillars: great people, great service and great beverages.

Our category is robust, resilient and set to keep growing in the long term. Our focus must be on outperforming the market – growing faster and expanding share. We will continue to adapt to changes in consumer behaviour by focusing on the brands that our consumers love while extending into exciting new areas such as coffee and hard seltzers.

To support our ambitious growth plans, we will continue to invest but in a more targeted way, focused on the biggest opportunities – the capabilities and technology that our people need to win. This will require us to manage our costs, making choices about our spending and developing ways to be more efficient and reduce complexity. This has been a long-term priority for CCEP, and with the sustained uncertainty and changes to consumer behaviours that COVID-19 is creating, we must accelerate these efforts. In fact, the pandemic has strengthened our determination to go further and faster in building a greener and more digital future for our business.

**Sol** The COVID-19 crisis has had an unprecedented impact on our business and the communities we serve, but we face the future with hope, optimism and confidence. The speed at which our business reacted to the pandemic gives us confidence that we will emerge from the pandemic as an even more agile and efficient business. We have a strong team of dedicated, talented and engaged colleagues. We will continue to put our bold sustainability commitments at the heart of our business as we help our customers and communities rebuild and recover in 2021 and beyond. The acquisition of CCL is also truly exciting, and I'd like to thank all our colleagues, stakeholders and investors for continuing to be a part of our journey.

**Sol Daurella,** Chairman
**Damian Gammell,** Chief Executive Officer

# Succeeding in a changing landscape

From macroeconomic impacts to changing drinking habits, our business is affected by a range of market trends. We have a business model and culture that enable us to adapt and thrive in this changing environment.

We're moving into exciting new areas such as hard seltzers with Topo Chico and hot coffee with Costa

Key highlight

| | | | Our response | Example |
|---|---|---|---|---|
| Macro trend | DIGITAL COMMERCE | In 2020, we saw significant behavioural shifts in society driven by COVID-19 with people living, shopping, and working very differently. Digital technology has become increasingly ingrained in consumers' lives, with more people choosing to buy their groceries or order a takeaway online. Our customers are also moving more towards digital platforms and other technologies. | Capturing the growth in digital commerce has been an important area of focus and investment for us. We have leveraged the growth in e-commerce by supporting our customers with unique online price/pack offers, upweighted marketing and dedicated digital teams in each of our markets. We've also continued to invest in our B2B platform (My.CCEP.com), launched our first direct to consumer sales platform in GB, and formed new partnerships through CCEP Ventures. | In 2020, our innovation investment programme, CCEP Ventures, partnered with two new start ups, Foodl and StarStock, to identify new ways of getting our products to consumers. We are working with Foodl to provide an enhanced digital customer experience for the hotel, restaurant and cafe (HoReCa) channel customers in the Netherlands. Together with StarStock, we are supporting the development of innovative new e-commerce solutions for the licensed trade in the UK. |
| Macro trend | TECHNOLOGY | Technology is not only shaping the way that our consumers and customers interact with us, but also how we operate as a business. It is becoming increasingly important to modernise the way that people connect and communicate with each other in a more digital workplace. The pandemic was a catalyst for more flexible working and increasingly employees need access to documents, systems, and collaboration tools from wherever they may be located. | With digital capabilities and ways of working becoming the norm, we have continued to invest in technology to better serve our employees, drive efficiencies and become a more digitally enabled business. This also includes enhancing our digital capabilities in areas such as demand and supply planning, master data and business analytics. | Redline, CCEP's internal digital communication channel, was launched in August 2019 and enables our colleagues to stay connected to each other, including our people in the field and across our supply chain. The application's social media like experience and auto translation feature help to make content more engaging, relevant and shareable. This has proved invaluable during COVID-19, as it provides employees with direct access to our leaders and real time news. |
| Macro trend | SUSTAINABILITY | We are listening to feedback from our stakeholders and responding to concerns from consumers, governments and NGOs on key sustainability issues. This includes feedback about climate change, water, plastic, packaging and concerns about health and obesity. | In December 2020, we took another important step in our sustainability journey by setting an ambition to reach net zero GHG emissions by 2040. This means we need to dramatically reduce emissions across our entire value chain – from the raw ingredients we source and the packaging we use, to the drinks we sell. | As part of our journey to reach net zero emissions by 2040, we also announced our intention to reduce absolute GHG emissions by 30% by 2030 (versus 2019) – aligned with a pathway to limit global warming to 1.5°C – the goal of the Paris Agreement. This ambition is underpinned by the inclusion of a GHG emissions reduction target in our LTIP and will be supported by a €250 million investment over three years. This will help us go even further and faster to help tackle climate change and create a better future. |
| Macro trend | EVOLVING CONSUMER TRENDS | Consumers' drinking motivations and occasions are becoming more varied. Today, consumers want different drinks to suit a range of moments and occasions, and we're seeing the importance of premium products too – with people looking for a treat or indulgence. Last year the pandemic shifted consumer occasions towards at home consumption. As people work and spend time at home, they're also looking to bring the cinema or bar experience into their homes. | We have a great portfolio of the world's best brands and we continue to diversify our drinks portfolio and packaging to suit the changing needs of our consumers. As well as prioritising the supply of our core brands and packs, we're also expanding our presence in exciting new areas such as hard seltzers and hot coffee. | We want to build a platform for growth in coffee. Costa Coffee has a scalable platform across multiple formats and channels – from the Costa Express vending system to RTD products. Following the launch of the RTD range in GB in 2019, Costa Coffee launched in Germany in September 2020, starting in Berlin and Cologne, and we are excited to continue this roll out across more of our markets in 2021. |
| Macro trend | TRANSPARENCY | Governments and regulators are demanding increasing transparency from companies, both through packaging labelling and reporting. At the same time consumers are becoming more health conscious, so they're asking for more information about the drinks they consume. | We publish information about us and our performance through regular disclosures, including this report. Clear and transparent communication to all stakeholders has been particularly important during the pandemic. We're also committed to providing transparent product information on our packaging, as well as on our website. | We upweighted our communication to all stakeholders throughout 2020. This included virtual town halls for our employees to ensure they understood the support available to them, as well as regular investor presentations. To support the launch of our new climate strategy, we ran dedicated sessions for suppliers and external stakeholders which were well received. |

# Our strategy

We're a leader in a soft drinks category that is worth nearly €100 billion, with brands that are so popular and so widely consumed that we serve millions of people, businesses and communities in our markets every day. Our category is robust, resilient and set to keep growing in the long term. Our goal is to outperform the market – growing faster and building share.

We have a track record of creating value for our customers – helping them become more profitable businesses with world class execution. This strong platform for growth needs to be supported by the right choices and a clear focus on priorities to enable us to win.

Key highlight

Our investments in digital continue – My.CCEP.com is now being used by around 31,000 customers

## Growth platform

- **01** Grow the sparkling category and our share where we lead (e.g. Coca-Cola® and Fanta)
- **02** Build share where we don't lead (e.g. Sprite, Fuze and Tropico)
- **03** Double our energy business (Monster and Coca-Cola Energy)
- **04** Build a platform for growth in coffee (Costa)
- **05** World class revenue growth management (RGM) to drive mix and profit
- **06** Winning channel strategy and outlet coverage
- **07** Unrivalled execution and customer service

## Supported by

### ACCELERATE COMPETITIVENESS

- Manage our cash
- Targeted approach to investment
- Competitive cost base
- Reduce complexity

### FUTURE READY CULTURE

- Challenge status quo
- Inclusion, diversity and equality
- Enhanced wellbeing
- Agility and performance mindset

### DIGITAL FUTURE

- Advance digital and online revenue
- Empower sales force
- Leverage analytics and artificial intelligence
- Enable future workplace

### GREEN FUTURE

- Accelerate This is Forward
- Science based and measurable carbon reduction targets

## ULTIMATELY DRIVING SUSTAINABLE RETURNS FOR ALL STAKEHOLDERS

# Sustainability

# ACTION ON

THIS IS FORWARD

We are taking action on sustainability by using our business and brands to build a better future. For people. For the planet.

The COVID-19 pandemic has laid bare the urgency behind a range of environmental and social concerns. We believe that we can – and must – recover in ways that support our communities, our economies and our planet.

We have put a green future at the heart of our vision for the business and our sustainability strategy. We want to grow our business in a way that manages our social and environmental impacts and contributes to a better future.

We are doing this through our Group wide sustainability action plan – This is Forward – created with TCCC, and developed through continual consultation with our stakeholders across all our territories.

Through This is Forward, we are taking action on six key social and environmental areas where we know we have significant impact, and which our stakeholders want us to prioritise.

In each of these areas we have made a number of commitments that align with the targets underpinning the United Nations (UN) Sustainable Development Goals (SDGs). Together, they provide a clear direction of how we intend to work with partners across our value chain to build a better and greener future.

There is no going back. This is Forward.

READ MORE IN OUR CORPORATE GOVERNANCE REPORT ON **PAGES 72–81**

FIND OUT MORE AT **WWW.COCACOLAEP.COM/SUSTAINABILITY**

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

CDP Supplier Engagement Leader 2020

CDP A List 2020 Climate

CDP A List 2020 Water

Bloomberg Gender-Equality Index 2021

Corporate ESG Performance Prime ISS ESG

MSCI ESG Ratings AAA

FTSE4Good

Platinum 2020 ecovadis Sustainability Rating



## OUR COMMITMENTS

### CLIMATE

**WE'LL AIM TO REACH NET ZERO BY 2040 AND REDUCE OUR EMISSIONS BY 30% BY 2030.**

- We'll aim to reach net zero GHG emissions across our entire value chain by 2040.[A]
- We'll cut GHG emissions by 30% across our entire value chain by 2030, versus 2019.[B]
- We'll aim for 100% of our strategic suppliers to set their own science based targets and transition to 100% renewable electricity by 2023.
- We'll continue to purchase 100% renewable electricity.

### PACKAGING

**WE'LL COLLECT ALL OF OUR PACKAGING SO THAT NONE OF IT ENDS UP AS LITTER OR IN THE OCEANS.**

- We'll make sure that 100% of our primary packaging is recyclable or reusable.
- We'll work with local and national partners to collect 100% of our packaging in Western Europe, including support for well designed deposit return schemes where a proven alternative does not exist.[C]
- We'll remove all unnecessary or hard to recycle packaging from our portfolio.[C]
- We'll make sure that at least 50% of the material we use for our PET bottles comes from rPET by 2023 and we'll aim to reach 100% recycled or renewable plastic by the end of the decade.[C]
- We'll use the reach of our brands to inspire everyone to recycle.
- We'll lead the way in pioneering sustainable packaging – including renewable materials and smart new ways to reduce packaging waste.

### DRINKS

**WE'LL BE A TOTAL BEVERAGE COMPANY, OFFERING CONSUMERS AN EVEN GREATER CHOICE OF DRINKS WITH REDUCED SUGAR.**

- We'll reduce the sugar in our soft drinks by 10% between 2015 and 2020, and that's in addition to the 5% reduction achieved in the previous five years.[D]
- We'll aim for 50% of our sales to come from low or no calorie drinks.[E]
- We'll continuously evolve our recipes and portfolio to offer a greater choice of drinks.
- We'll make it easier for consumers to cut down on sugar with straightforward product information and smaller pack sizes.
- We'll make sure we don't advertise to children under 12 and that our sales and marketing practices evolve in line with external expectations.

### SOCIETY

**WE'LL BE A FORCE FOR GOOD BY CHAMPIONING INCLUSION AND ECONOMIC DEVELOPMENT IN SOCIETY – WITH OUR EMPLOYEES AND OUR COMMUNITIES.**

- We'll foster a diverse and inclusive culture in our business and make sure that women hold at least 40% of our management positions.
- We'll expand the contribution we make to society by increasing our employee volunteering and supporting local community partnerships.
- We'll support initiatives which help young people gain the employability, skills and confidence they need to succeed.

### WATER

**WE'LL HANDLE WATER WITH THE CARE IT DESERVES ACROSS OUR BUSINESS AND OUR VALUE CHAIN.**

- We'll protect the sustainability of the water sources we use for future generations.
- We'll reduce the water we use in manufacturing by 20% – and address water impacts in our supply chain.[F]
- We'll replenish 100% of the water we use in areas of water stress.

### SUPPLY CHAIN

**WE'LL SOURCE OUR MAIN INGREDIENTS AND RAW MATERIALS SUSTAINABLY AND RESPONSIBLY.**

- We'll make sure 100% of our main agricultural ingredients and raw materials come from sustainable sources.
- We'll continue to embed sustainability, ethics and human rights into our supply chain.[G]

Baseline is 2010 and target date is 2025 unless otherwise stated

(A) Value chain covers Scope 1, 2 and 3 emissions. (B) In addition to a 30.5% absolute reduction already achieved between 2010 and 2019. (C) 2019 enhanced Action on packaging commitments. (D) Sparkling soft drinks and non-carbonated soft drinks only. Does not include water or juice. This commitment is for CCEP and TCCC Western European Business Unit. Baseline is 2010 and includes historical, consolidated data for Coca-Cola Enterprises, Coca-Cola Iberian Partners, S.A. and Coca-Cola Erfrischungsgetränke AG that was recalculated after the Merger. (E) Total CCEP sales. Does not include coffee, alcohol, beer or freestyle. Low calorie beverages ≤ 20kcal/100ml. Zero calorie beverages <4kcal/100ml. (F) Water use ratio, litres of water per litre of finished product produced. (G) We'll do this through our global Supplier Guiding Principles and Human Rights Policies.

# ACTION ON CLIMATE

## CCEP's commitment to SDGs

AFFORDABLE AND CLEAN ENERGY

CLIMATE ACTION

The world is at a critical point and we must all play our part to cut GHG emissions, to limit global temperature increase to 1.5°C in line with the Paris Agreement, and protect the future of our planet.

We've made strong progress over the last decade, reducing GHG emissions across our entire value chain by 37.7% since 2010. However, much more needs to be done.

That is why we launched a new climate strategy in December 2020, including an ambition to reach net zero GHG emissions by 2040 and a target to reduce our absolute GHG emissions across our value chain by 30% by 2030 (versus 2019). Our GHG reduction target has been approved by the Science Based Targets initiative (SBTi) as being in line with a 1.5°C reduction pathway, as recommended by the Intergovernmental Panel on Climate Change.

Over 90% of our value chain GHG emissions come from our supply chain. This is why we have also committed to support our strategic suppliers to set their own science based carbon reduction targets, and to shift to 100% renewable electricity by 2023.

We are focused on reducing our GHG emissions as far as possible. When we can't reduce emissions any further we'll focus our investment in projects which remove carbon from the atmosphere, or verified carbon offset projects, to achieve our net zero 2040 ambition.

Our ambition is supported by a three year €250 million investment which will provide targeted financial support to decarbonise our business between 2020 and 2022. We have also integrated a full value chain carbon reduction target into our LTIP, incentivising our management team to deliver a reduction in GHG emissions across our value chain. The carbon reduction metric has a 15% weighting and sits alongside traditional financial metrics, including EPS and ROIC.

## Supporting a green recovery

As a leading business, we will use our voice to influence public policy which will help drive the transition to a low-carbon future and support a green recovery following the COVID-19 pandemic. Along with the launch of our new climate ambition, we joined more than 20 other companies in signing The Climate Pledge. The pledge brings together companies which are committed to reaching net zero GHG emissions by 2040 – 10 years ahead of the Paris Agreement deadline.

We are a proud member of the We Mean Business coalition, as well as a member of The Climate Group's RE100 initiative, and achieved our target of purchasing 100% renewable electricity in 2018. We have also joined The Climate Group's EV100 initiative, committing to accelerate our transition to electric vehicles by 2030.

In May 2020, we joined 150 other companies in signing the Recover Better business statement, a call to action for business leaders and governments around the world to prioritise science based climate action in their recovery efforts, convened by the SBTi, the UN Global Compact and We Mean Business.

As a member of the Corporate Leaders Group, we have been active in supporting European Union (EU) policymakers in their work to increase the EU's GHG emissions reduction targets for 2030, in line with the EU's goal to become carbon neutral by 2050. We signed the Corporate Leaders Group CEO statement, which urges EU leaders to set a target to reduce emissions by at least 55% by 2030. Together with TCCC and Coca-Cola Hellenic, we joined the Green Recovery Initiative, a Europe wide alliance of businesses, political decision makers, and NGOs calling for action to support sustainable investments in a green recovery.

We have also taken local action. In Belgium, we signed the Belgian Alliance for Climate Action Pledge, together with TCCC. The pledge underscores our commitment to achieving the objectives of the Paris Agreement. In Portugal, together with 200 signatories, we signed the European Green Capital 2020 commitment to help make capital cities sustainable by the end of 2030.

> **"CCEP IS SHOWING CLEAR LEADERSHIP BY ALIGNING THEIR DEVELOPMENT STRATEGY WITH THE 1.5°C PATHWAY AND THE PARIS AGREEMENT. THEY ARE ENSURING THEIR BUSINESS IS READY TO EXCEL IN THE TRANSITION TO A ZERO CARBON ECONOMY."**
>
> María Mendiluce, CEO, We Mean Business coalition

## Taking action now

We are working hard to reduce GHG emissions across our entire value chain, from the ingredients we source and packaging we use, to the drinks we sell. The lessons we learn during this process will help us to achieve our net zero 2040 ambition.

Our immediate plan includes a focus on activities such as eliminating virgin oil based PET from packaging and switching to recycled plastic, reducing the weight of our packaging, and innovating in refillable packaging and dispensed technology.

We'll continue to make our distribution networks more efficient, transport more of our products by train, and use more electric vehicles. For example, in 2020 we switched to freight trains to transport our 1 litre Coca-Cola returnable glass bottles from our production facility in Deizisau, Germany to three warehouses in the north of the country.

We'll work to make many of our production facilities fossil fuel free. In the next three years, six of our production facilities are piloting a carbon neutral sites initiative, where they will work to become PAS 2060 carbon neutral certified by 2023. This builds on work we have already done in 2020, including signing an agreement to expand the solar park for our Wakefield production facility. The 25 year agreement will support investment in next generation solar panels and leading edge energy storage equipment.

We will also continue to improve the energy efficiency of our CDE, by investing in new, more energy efficient equipment. This reduced the energy use per unit by 1.9% versus 2019. Due to the impact of COVID-19 on our customers, our fleet reduced in size by 3.9%, while the total energy consumption of our CDE fleet dropped by 5.7% compared with 2019.

## Alignment to the TCFD recommendations

In 2019, together with TCCC, we completed a climate risk scenario assessment, in line with guidance from the Task Force on Climate-related Financial Disclosures (TCFD). The assessment identified the physical and transition risks we could face as a result of climate change.

In 2020, we voluntarily published our first disclosure against the recommendations of TCFD and we will continue to do this on an annual basis. In 2021, we will carry out the work to assess how our business may be impacted in the longer term from climate related risks, with a particular focus on our production facilities and the availability of key ingredients in our value chain. This work was planned for 2020 but the timetable was delayed due to COVID-19.

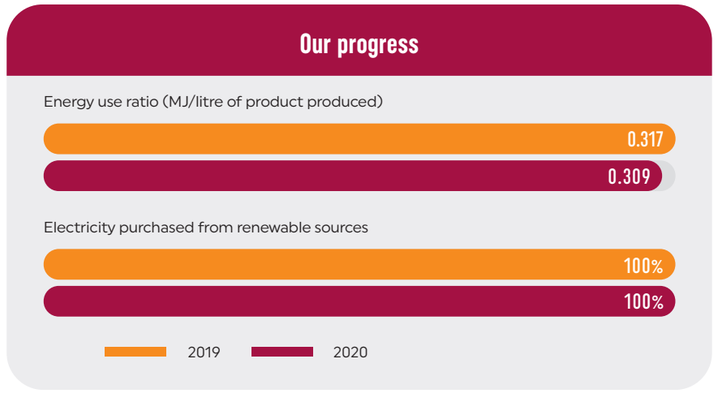
SEE OUR WEBSITE FOR OUR DISCLOSURE AGAINST THE RECOMMENDATIONS OF TCFD
**WWW.COCACOLAEP.COM/SUSTAINABILITY/DOWNLOAD-CENTRE**

CASE STUDY

## Autonomous truck pilot in Sweden

We continue to explore opportunities to use innovative technologies to reduce the carbon footprint of our transportation activities. In Sweden, we've teamed up with autonomous transport company Einride and food retailer Axfood to trial a self driving, electric vehicle between our production facility in Jordbro and Axfood's warehouse. Einride's solution, based on digitalisation, electrification and automation, has the potential to reduce $CO_2$ emissions by 90%.

## Our progress




READ MORE AT **WWW.COCACOLAEP.COM/SUSTAINABILITY/THIS-IS-FORWARD/ACTION-ON-CLIMATE**

# Action on climate continued

## GHG emissions (Scope 1, 2 and 3)

Details of our Scope 1, 2 and 3 GHG emissions in tonnes of $CO_2$ equivalent (stated as $CO_2e$) during 2020 are set out in table 1. Our Scope 1 and 2 emissions are independent of any GHG trades, and our Scope 2 emissions are reported using both a location based and a market based approach.

Details about our Scope 3 GHG emissions in our value chain (including emissions related to our ingredients, packaging, CDE and third party transportation), are also reported below. Additional Scope 3 figures will also be included in our 2020 CDP response.

Our carbon footprint is calculated in accordance with the WRI/WBCSD GHG Protocol Corporate Standard, using an operational control approach to determine organisational boundaries.

In 2020, our Scope 1 and 2 emissions decreased by 14.4% compared to 2019. Our total Scope 1, 2 and 3 GHG emissions (full value chain) have reduced by 11.9% versus 2019 and by 37.7% versus 2010.

## Intensity ratios

### CCEP

GHG emissions (Scope 1 and 2) per litre of product produced (market based Scope 2 approach): 17.22g $CO_2e$/litre of product produced.

GHG emissions (Scope 1 and 2) per euro of revenue (market based Scope 2 approach): 19.03g $CO_2e$/euro of revenue.

### UK and UK offshore

GHG emissions (Scope 1 and 2) per euro of revenue (market based Scope 2 approach): 15.96g $CO_2e$/euro of revenue.

## Note on sources of data and calculation methodologies

Under the WRI/WBCSD GHG Protocol, we measure our emissions in three scopes, except for $CO_2e$ emissions from biologically sequestered carbon, which we report separately outside these scopes. Our baseline year has been updated to 2019, following approval of our new science based GHG emissions reduction target, at the end of 2020. Our baseline figures for 2019 have been restated to include new emission sources and more accurate data.

Data is consolidated from a number of sources across our business and is analysed centrally. We use a variety of methodologies to gather our emissions data and measure each part of our operational carbon footprint, including natural gas and purchased electricity data, refrigerant gas losses, $CO_2$ fugitive gas losses and transport fuel, water supply, wastewater and waste management. We use emission factors relevant to the source data including UK Department for Business, Environment and Industrial Strategy (BEIS) 2020 and International Energy Agency (IEA) 2018 emission factors.

Scope 1 figures include direct sources of emissions such as the fuel we use for manufacturing and our own vehicles plus our fugitive emissions of $CO_2$.

Scope 2 figures include indirect sources from the generation of electricity we use at our sites. We report against this on both a location based and a market based approach. Commitments and key performance indicators are tracked using the market based approach.

Scope 3 figures include emissions from purchased goods and services (specifically the packaging we put on the market and the ingredients we use in our products); fuel and energy related activities not already included in Scope 1 and 2 (e.g. emissions from well-to-tank and transmission and distribution); upstream transportation and distribution; waste generated in operations; business travel (including employee business travel by rail and air); upstream leased assets (including the home charging of company vehicles); use of sold products (including $CO_2$ emissions released by consumers); end of life treatment of sold products; and downstream leased assets (including the electricity used by our hot and cold drink equipment at our customers' premises). This accounts for over 90% of our Scope 3 emissions. Additional Scope 3 emissions, from capital goods, employee commuting and the use of sold products, are not included in our value chain figures below, and we will report on these separately as part of our 2020 CDP response. All other Scope 3 categories are not currently applicable to CCEP.

Emission factors used include industry and supplier data, Defra/BEIS 2020 and IEA 2018 emission factors. 0.35% of our value chain carbon footprint is based on estimated emissions (e.g. leased offices where energy invoices or the square metre footage size of the site is not available). The figures for 2020 in table 1, along with selected information on our website, are subject to independent assurance by DNV GL in accordance with the ISAE 3000 standard. The full assurance statement with DNV GL's scope of work, and basis of conclusion, will be published on our website in May 2021.

### Table 1
### CCEP – TOTAL

| Tonnes of $CO_2e$ | | 2020 | 2019 |
|---|---|---|---|
| Scope 1 | Direct emissions (e.g. fuel used in manufacturing, own vehicle fleet, as well as process and fugitive emissions) | 196,919 | 229,713[(A)] |
| Scope 2 (market based approach) | Indirect emissions (e.g. electricity) | 4,815 | 6,051[(A)] |
| Scope 2 (location based approach) | Indirect emissions (e.g. electricity) | 144,011 | 170,245[(A)] |
| Scope 3 | Third party emissions, including those related to our ingredients, packaging, CDE, third party transportation and distribution, waste in our operations and business travel | 3,144,035 | 3,561,980[(A)] |
| **GHG emissions Scope 1, 2[(B)] and 3 (Full value chain)** | | **3,345,769** | **3,797,744[(A)]** |
| **Energy use** | | | |
| Direct energy consumption (Scope 1) (kWh) | | 708,998,235 | 804,677,475 |
| Direct energy consumption (Scope 2) (kWh) | | 575,929,963 | 644,114,285 |

### CCEP – UK and UK offshore

| Tonnes of $CO_2e$ | | 2020 | 2019 |
|---|---|---|---|
| Scope 1 | Direct emissions (e.g. fuel used in manufacturing, own vehicle fleet, as well as process and fugitive emissions) | 35,152 | 36,193 |
| Scope 2 (market based approach) | Indirect emissions (e.g. electricity) | 12 | 37 |
| Scope 2 (location based approach) | Indirect emissions (e.g. electricity) | 16,906 | 22,213 |
| **GHG emissions Scope 1, 2[(B)]** | | 35,164 | 36,230 |
| **Energy use** | | | |
| Direct energy consumption (Scope 1) (kWh) | | 153,638,384 | 145,299,499 |
| Direct energy consumption (Scope 2) (kWh) | | 78,464,328 | 94,622,150 |

(A) Restated – as described above.
(B) Market based approach only.



# ACTION ON SOCIETY


## CCEP's commitment to SDGs

- 1 NO POVERTY
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 11 SUSTAINABLE CITIES AND COMMUNITIES

We're determined to make a positive difference both in our workplaces and in our local communities. Ensuring our people's and our communities' wellbeing and safety is our priority.

## Our people

Our business depends on the great people who make, sell and distribute our products every day and we are determined to make a positive difference in society. When COVID-19 swept across Western Europe in 2020, we immediately prioritised the wellbeing of our people. Throughout the crisis, our incident management team and central business continuity and resilience (BCR) team have been working full time to protect the health of our people and secure the continuity of our business. We kept in touch with all our employees, ensuring they were safe and aware of our plans to address the situation.

### Supporting wellbeing

Amid the stress and disruption caused by the COVID-19 pandemic, it's more important than ever that we look after our wellbeing and mental health.

During the year we strengthened our wellbeing programme for all our people. We created an online Coronavirus Support Hub, giving our people access to a range of support tools and guidance. These include stress management webinars, tips on self-care and coping strategies, and advice about how to maintain an inclusive team environment. We also launched wellbeing training modules, such as the Wellbeing First Aider initiative to build an internal support network for mental health.

We've also done more to promote our Employee Assistance Programme (EAP), a 24/7 support line for our people. Through our Don't Bottle it Up campaign, we've shared some of our colleagues' experiences of how the EAP has supported them, to encourage others to do the same if they feel they need help.

### Ensuring our people can work safely

When it comes to our people, safety is our top priority. We've taken a number of steps to ensure our people can work safely, including creating new work protocols and expanding teleworking capabilities to enable more employees to work from home.

Many of our colleagues – especially those working in our production facilities or in the field – have jobs that can't be done remotely, and have continued to work tirelessly throughout the crisis to get products safely to retail partners and consumers. For those people, we've invested in equipment to check their temperatures on arrival at our offices and production facilities. We've also introduced rigorous additional cleaning and sanitisation routines, as well as reinforcing hygiene guidelines.

Looking ahead, we are implementing new hygiene and social distancing measures in our offices in line with local and national legislation to make sure our people can safely return to their workplaces.

READ MORE ABOUT OUR SUPPORT FOR OUR PEOPLE IN OUR PEOPLE SECTION ON **PAGES 38–41**

READ MORE AT **WWW.COCACOLAEP.COM/SUSTAINABILITY/THIS-IS-FORWARD/ACTION-ON-SOCIETY-OUR-PEOPLE**

# Action on society continued

## Our communities

We've been an integral part of our communities for generations. In 2020, we've been using those strong local links to help communities and vulnerable groups – especially people from disadvantaged backgrounds – who have been hit hard by the pandemic. Supporting our communities has never been so important.

### Emergency relief

During the first weeks of lockdown across Europe, we worked closely with TCCC and the Coca-Cola Foundation to distribute financial support to provide substantial financial aid to emergency relief in our territories. This formed part of a contribution of over $120 million globally to support COVID-19 relief efforts in affected communities. We supported TCCC in defining the beneficiaries of the fund, channelled through the Red Cross and local NGOs, and we also donated more than 600,000 unit cases of products to hospitals, NGOs, government institutions, foodbanks and those working in front line response.

Where possible, we made our logistics and transportation services available to support emergency relief work. We also continued to encourage our people to volunteer their time to support the most vulnerable people in their local areas through our employee volunteering programme. In 2020, our people dedicated 9,061 hours of volunteering time.

A team of colleagues from TCCC's Brussels based research and development facility produced their first batch of liquid hand sanitisers to the World Health Organization specifications. These were distributed to the Belgian healthcare sector, as well as to colleagues at our production facilities, helping to reduce the heavy demand on market supply.


### Support for home schooling

Online lessons have become the norm for many young people in these challenging times, but not everyone has a laptop or computer at home. To help ensure no one falls behind, with TCCC we donated more than 900 used laptops and IT materials to DigitalForYouth.be, a charity in Belgium committed to collecting laptops for secondary education. In addition, through our partnership with Resto du Coeur, a charity helping people facing social and financial challenges to find their place in society, we were able to offer more than 1,250 families essential school equipment for their children.

**"IT HAS BEEN A CHALLENGING TIME FOR VULNERABLE YOUTHS DUE TO COVID-19. THROUGH OUR LONG STANDING PARTNERSHIP WITH CCEP WE HAVE BEEN ABLE TO IDENTIFY AND FUND NEW WAYS OF SUPPORTING THOSE WHO NEED IT THE MOST."**

Amela Ljubuncic, Key Account Manager Strategic Partnerships, Red Cross Norway




### Opportunities for young people

Young people are key to our economic recovery but the pandemic has hit their career prospects hard. That's particularly true for those from vulnerable backgrounds, many of whom have been deprived access to the support networks and education opportunities that are vital for their development. In these times, our programmes and partnerships to support disadvantaged young people are more important than ever.

Partnerships across our territories include our work with Eloquentia and the newly created programme FIER.E.S in France, the German Foundation for Integration with Geh Deinen Weg in Germany, UK Youth's Reach Up programme in GB, JINC in the Netherlands, Mentor Sverige and Fryshuset in Sweden and the Red Cross in Norway and Iceland. In Spain, our GIRA Jóvenes programme continues to help young people develop the confidence and skills they need to find work.

### Supporting our customers

Since the start of the COVID-19 pandemic, we've been working hard to ensure our products continue to be delivered safely to our customers, while doing everything we can to support their businesses.

2020 has been an exceptionally tough year for the hospitality sector. Across our territories we've launched initiatives to support these businesses and encourage people to return to their favourite bars, restaurants and cafes, in line with COVID-19 restrictions and social distancing guidelines.

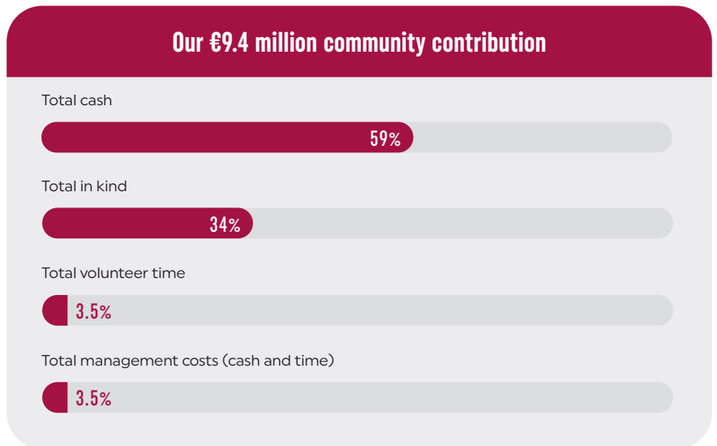
For example, in France we partnered with social entrepreneurship NGO Groupe SOS to support 1,000 cafés, an initiative to help revitalise rural communities with fewer than 3,500 inhabitants by opening or taking over cafés as a place for the community to meet.

In the Netherlands we joined forces with NGO LINDA.foundation to provide 4,300 disadvantaged families with free dinner vouchers.

In Sweden, we've encouraged consumers to eat and drink out by providing restaurants and bars with up to 200,000 free drinks, which guests can enjoy in exchange for a digital voucher.

In GB, we created the Coca-Cola Community Pub Fund to reward the winners of the Great British Pub Awards. Through the fund, we made grants of £10,000 to each of the 15 winning Pub Heroes enabling them to fund a business improvement or to put money towards a community project. We also funded a further £1,000 donation to a local charity or good cause chosen by each winner.

### Our €9.4 million community contribution




READ MORE AT WWW.COCACOLAEP.COM/SUSTAINABILITY/THIS-IS-FORWARD/ACTION-ON-SOCIETY-OUR-COMMUNITY

# ACTION ON PACKAGING

## CCEP's commitment to SDGs

- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 14 LIFE BELOW WATER

Reducing the impact our packaging has on the environment is at the heart of our packaging strategy. We are on a path to zero – zero waste and net zero GHG emissions.

Our packaging represents approximately 40% of our total value chain carbon footprint. Reducing the footprint of our packaging will be a critical part in our journey to reach net zero GHG emissions by 2040.

Our strategy is simple: use less packaging where we can and, for the packaging we do use, our focus is on driving the circularity of that packaging. We aim to achieve this through the key strategic pillars of our packaging strategy: removing unnecessary packaging; innovating in refillable and dispensed solutions; encouraging 100% collection so that we can recycle and reuse packaging material again; and increasing the recycled content of our packaging.

Our Coca-Cola system Sustainable Packaging Office (SPO) streamlines all the technical and exploratory sustainable packaging work across our geographies, accelerates our innovation and supports progress towards our goals.

## Remove and reduce

In 2020, we continued to work with our suppliers on innovative solutions to remove single use plastic. For example, in the Balearic Islands in Spain, in collaboration with WestRock, we introduced CanCollar® paperboard can rings, replacing hard to recycle shrink wrap with 100% sustainably sourced, recyclable cardboard for multi pack cans. This project, along with our other shrink to board initiatives for our multi pack cans, enabled us to remove around 1,000 tonnes of hard to recycle plastic from our secondary packaging in 2020. This is a smaller amount than previously planned due to COVID-19 related delays. We are continuing with our plans and aim to remove 4,000 tonnes of hard to recycle plastic from our secondary packaging by the end of 2021.

In addition, we continued to invest in refillable and dispensed solutions that give consumers new and convenient ways to enjoy our drinks, while eliminating packaging waste. For example, through CCEP Ventures we invested in Innovative Tap Solutions to introduce self-pour dispense technology to our customers in Western Europe.

**"IT IS OUR AMBITION TO CREATE AN ENERGY EFFICIENT SOLUTION FOR CIRCULAR PRODUCT TO PRODUCT RECYCLING OF POLYESTER. THE SUPPORT OF CCEP VENTURES WILL ENABLE US TO START WITH DIFFICULT TO RECYCLE FOOD GRADE PET AND TAKE THE FIRST STEP TOWARDS OUR ULTIMATE VISION OF RECYCLING ALL POLYESTER AGAIN AND AGAIN."**

Josse Kunst, Chief Commercial Officer, CuRe Technology




## Driving circularity

We have ambitious targets to make sure that at least 50% of the material we use for our PET bottles comes from rPET by 2023, with the aim to reach 100% recycled or renewable plastic by the end of the decade.

In 2020, we continued to make progress in increasing rPET content in our packaging. In Belgium, GB and Luxembourg we reached our target of 50% rPET across our portfolio. We've already moved to 100% rPET bottles for all of our brands made in Sweden and we're doing the same in the Netherlands, Iceland and Norway. In addition, all our Honest, GLACÉAU Smartwater, ViO and Chaudfontaine bottles are made from 100% recycled plastic.

To achieve our goal to collect 100% of our packaging and to ensure it is either recycled or refilled, we support policymakers in implementing well designed deposit return schemes (DRS). We also encourage consumers to recycle our packaging by including a clear "recycle me" message on pack. As part of the move to 100% rPET bottles in Sweden, we introduced limited edition labels for our PET bottles with a clear message to encourage consumers to "Recycle me again. I'm 100% recycled plastic".

In Spain, we continue to promote our Mares Circulares programme, and in 2020 more than 250 tonnes of waste was collected as a result of this initiative.

## Driving innovation

CCEP Ventures, our innovation investment fund, supports the SPO by providing early stage funding to technologically advanced companies and start ups that, among other things, enable us to explore new ways to bring sustainable packaging innovation to life.

We want to be a pioneer in sustainable packaging and that is why, in 2020, CCEP Ventures invested in CuRe Technology, Lavit and Innovative Tap Solutions.

In partnership with Lavit, a leading maker of multi beverage, countertop dispensing machines, we are testing and exploring dispensed delivery solutions that let consumers make and pour their drink at the push of a button.

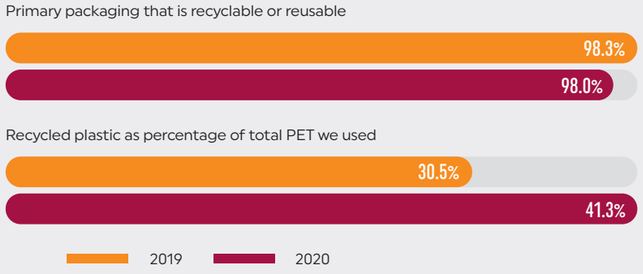

CuRe Polyester Rejuvenation

CASE STUDY

### CuRe: giving plastic waste a new lease of life

CCEP Ventures has invested in CuRe Technology – a start up developing new ways to rejuvenate hard to recycle plastic waste. The funding will enable CuRe to accelerate its polyester rejuvenation technology from pilot plant to commercial readiness. Once the technology is commercialised, CCEP will receive the majority of the output from a CuRe licensed, new build plant.

### Our progress




READ MORE AT WWW.COCACOLAEP.COM/SUSTAINABILITY/THIS-IS-FORWARD/ACTION-ON-PACKAGING

# ACTION ON DRINKS


## CCEP's commitment to SDGs

GOOD HEALTH AND WELLBEING

We want to make it easier for people to manage their sugar consumption. By evolving our portfolio to offer people a wider variety of great tasting drinks, we're helping consumers cut down on sugar and make more informed choices about their diets.

Consumer habits and preferences are continually evolving. To meet a greater range of moments and occasions, people are looking for a broader variety of drinks, including those with low and no calories. Working with TCCC and other franchisors, we continue to evolve our business and portfolio in line with these changes.

We're rethinking many of our recipes to reduce sugar across our brands. At the same time, we're expanding our portfolio to include many other types of drinks like juices and RTD teas and coffees. We're committed to ensuring that 50% of our sales come from low and no calorie drinks by 2025. We're also making it easier for consumers to cut down on sugar by providing easy to understand product information, and by making smaller and more convenient pack sizes more readily available.

We're shifting our marketing spend to make people more aware of our low and no sugar options, while being committed to not advertising to children under 12.

## Great taste, less sugar

We reduced the sugar in our soft drinks by 15.3% between 2015 and 2020 – 5.3% above our target.

We're continuing to reduce sugar across our portfolio. We do this by reformulating our recipes without compromising on taste and by introducing more low and no calorie drinks. In 2020, we launched 96 low and no calorie drinks to the market. These included the introduction of a new Fanta Orange formula in Germany with reduced sugar. We launched three new flavours of Fuze Tea, an infusion of tea leaves blended with fruit juice and botanicals and certified by Rainforest Alliance, across our territories. We also launched a new no calorie Fanta drink, #WhatTheFanta, in France, GB, the Netherlands, Norway and Sweden, available in three flavours: Apple and Lychee; Cactus and Lemon; Banana and Watermelon.

To ensure that 50% of our sales come from low and no calorie drinks by 2025, we actively encourage consumers to reduce their daily sugar intake by raising awareness of our low and no sugar drinks through our point of sales communications. We're also helping consumers control the amount of sugar and calories they consume by offering small pack sizes to enjoy at home as well as on the go. Today, 3.7% of our sparkling soft drinks are sold in packs of 250ml or less.

**"WITH OUR CONTINUED FOCUS ON PROVIDING CHOICE FOR OUR CUSTOMERS, CCEP IS TAKING ACTION TOWARDS A STRONGER STRATEGIC ALIGNMENT MAINLY FOCUSING ON HEALTHIER CHOICES WITH A SUGAR REDUCED ASSORTMENT AND SUSTAINABLE PACKAGING."**

Charlotte Brohez, Category Manager Drinks, Delhaize





## Giving consumers more choice

To meet our consumers' preferences and expectations, we continually invest in our wide portfolio which includes some of the world's most popular drinks. From Coca-Cola trademark soft drinks to water and RTD teas and coffees, we offer drinks to provide people with more choice across a wider range of categories with and without sugar, still or sparkling, as well as organic, Fairtrade and Rainforest Alliance certified drinks.

In 2020, we expanded our existing Monster Energy portfolio with the launch of Reign Total Body Fuel, a high performance sports drink, in GB, Germany, Iceland, Norway, Spain and Sweden, aimed at fitness conscious consumers. In Sweden, we launched Monster Mule, a no sugar ginger flavoured energy drink in a 500ml can.

In November 2020, we partnered with TCCC to launch Topo Chico hard seltzer in GB and the Netherlands. It is a sparkling water with alcohol and natural flavours, and our first global drinks brand in the alcohol category. The drink will be available in 330ml cans in three flavours: Tangy Lemon Lime, Tropical Mango and Cherry Acai. It will be rolled out across our markets in 2021, and will be accompanied by an integrated responsible marketing campaign specifically aimed at consumers older than the legal drinking age.

## Providing clear nutritional information

To help consumers make informed choices, we're committed to providing clear and transparent nutritional information about our drinks, including information about sugar and calorie content. Since 2017, our bottles have featured a labelling icon highlighting the number of portions per multi serve pack.

We support schemes that promote a consistent approach to labelling across our markets and align with EU legislation. We're encouraged to see growing support for colour based interpretive labelling across the EU.

## Responsible marketing

We have clear policies and guidelines in place to ensure we market our products responsibly. In particular, we are committed to not marketing our products directly to children under 12.

In 2020, we rolled out a toolkit to support our marketing and commercial teams in their conversations with customers about our drinks and ingredients. TCCC also launched a new global policy that aims to ensure we market alcohol brands responsibly.


CASE STUDY

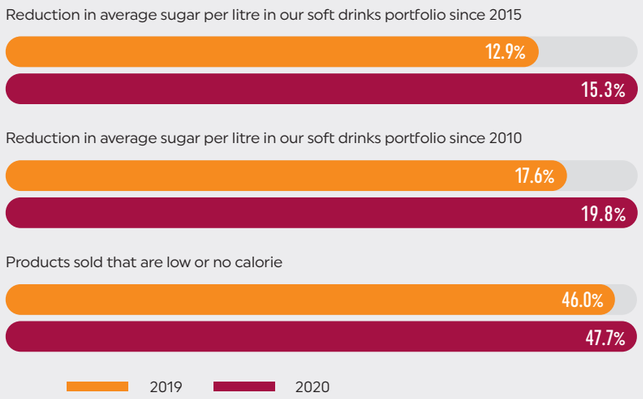
## Costa Coffee launches in Germany

Coffee is an important category for our business and Costa Coffee is the leading brand in GB.

In 2020, we launched Costa in Germany, as part of our long-term strategy to grow this exciting brand.

Consumers are able to enjoy freshly brewed Costa Coffee on the go, served by either one of our away from home partners or from one of our innovative Smart Café machines. From 2021, we will begin rolling out the launch to other territories.

## Our progress




READ MORE AT WWW.COCACOLAEP.COM/SUSTAINABILITY/THIS-IS-FORWARD/ACTION-ON-DRINKS

# ACTION ON WATER

## CCEP's commitment to SDGs

CLEAN WATER AND SANITATION

Water is an essential resource – both for our own business and across our value chain. We treat water with the care it deserves, aiming to reduce our water consumption on a continual basis and protect local water sources for future generations.

Global water crises such as water scarcity are ranked among the highest risks to the economy and society.

CCEP depends on a sustainable and high quality supply of water. Not only is water the main ingredient in many of our products, it's also essential for our manufacturing processes, and for growing the agricultural ingredients we depend upon.

To address water scarcity challenges and take care of our water resources, we adopt a value chain approach to water management. We're focused on reducing the water we use in our production facilities, including the safe return to nature of 100% of our wastewater. We're also working with a number of community based partnerships to replenish 100% of the water we use in areas of water stress.

## A new water security strategy

To strengthen our approach to water stewardship, we have aligned with TCCC's new 2030 water security strategy. The strategy adopts a context based approach to water security, allowing us to prioritise local areas which are most at risk from water stress.

As part of the new strategy, we are taking a closer look at water stress risks directly linked to our production facilities. In 2020, we carried out Facility Water Vulnerability Assessments (FAWVAs) across all of our production facilities to map local water stress risks and vulnerabilities. These assessments complemented a global enterprise water risk assessment carried out in 2019, which found that 23 of our 46 production facilities are in areas of high baseline water stress.

The FAWVAs are supported by source vulnerability assessments (SVAs), which are undertaken at a local level every five years and are aligned to the Alliance for Water Stewardship Standard. The FAWVAs and SVAs feed into our site water management plans (WMPs), which support context based target management, climate resilience, data sharing and reporting. In 2020, all of our production facilities had SVAs and WMPs in place.

**"OUR RIVERS AND CHALK STREAMS FACE COUNTLESS THREATS. THROUGH ITS SUPPORT, CCEP IS HELPING TO MAKE A REAL DIFFERENCE TO OUR UNIQUE WATER HABITATS, AND THE WILDLIFE AND COMMUNITIES THAT RELY ON THEM."**

**Mark Lloyd,** CEO, The Rivers Trust



## Partnerships for water management

Effective conservation of water resources depends upon partnerships and collaboration. During 2020, we continued to work closely with NGOs, local authorities, other businesses and communities to improve our water efficiency and protect the health of the watersheds we rely upon.

In Dongen, the Netherlands, we held discussions with local water supplier Brabant Water on reduction, reuse and replenishment opportunities. At our production facilities in Antwerp and Ghent in Belgium, we consulted with the Flemish government on our water saving efforts and replenishment projects. We also met with a representative of the French government to discuss water allowances at our site in Dunkirk.

In 2020, we managed 15 community based water replenishment projects. As a result, we were able to replenish 275% of the water we sourced to make our drinks in areas affected by water stress[(A)]. For example, in 2020, together with The Rivers Trust and the Coca-Cola Foundation we launched a new three year programme which will help clean some of GB's most polluted rivers, reduce flood risk, and create new wetland habitats in both rural and urban locations across the country. We also launched "Plantar Água" in Portugal, a project in partnership with Associacao Natureza Portugal, World Wildlife Fund and the Coca-Cola Foundation. Through the project we will be able to replenish close to 250 million litres of water a year, in a region devastated by wildfires and water scarcity.

## Reducing our water use

Effective water management practices are critical to addressing Europe's growing water risks and to improving our resilience to the impacts of climate change.

We're committed to reducing our water use – and to do this, we make our manufacturing and cleaning processes as water efficient as possible.

In 2020, we continued to invest in water saving systems. For example, in our production facility in Ghent, Belgium, our evaporative cooling towers were replaced by dry cooling towers, saving 10,670m³ of water annually. In our production facility in Dongen, the Netherlands, we started reusing the rinse water from our glass bottles for rinsing crates. As a result, we are able to save 700m³ of water a year.

We measure performance through our water use ratio, which is the average amount of water we need to produce a litre of product. In 2020, our water use ratio was 1.57 litres of water per litre of product produced – a reduction of 13.7% since 2010.

CASE STUDY

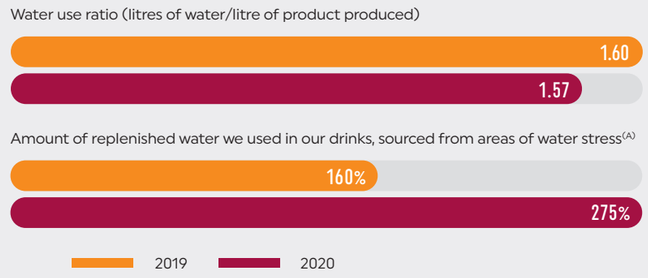
## Standing up for Europe's freshwater

Freshwater is essential for businesses to operate and nature to thrive.

In 2020, together with TCCC, Coca-Cola Hellenic and 20 other companies, we signed a joint statement to support and protect the EU Water Framework Directive.

The Directive provides a framework to ensure that freshwater ecosystems in Europe are protected and restored and water is sustainably managed, in line with the UN SDGs.

### Our progress




READ MORE AT WWW.COCACOLAEP.COM/SUSTAINABILITY/THIS-IS-FORWARD/ACTION-ON-WATER

(A) Based upon production volumes from 19 sites assessed as being in areas of water stress via our enterprise water risk assessment.

# ACTION ON SUPPLY CHAIN

## CCEP's commitment to SDGs

- 2 ZERO HUNGER
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES

Our supply chains are under increasing pressure from population growth, increased demand for food products and climate change. That's why we're sourcing all our agricultural ingredients and raw materials sustainably and responsibly.

We rely on a global supply chain to make, sell and distribute our products. We source ingredients for our drinks such as water, sugar beet, sugar cane, coffee, tea and fruit juices, and we also purchase raw materials for our packaging such as glass, aluminium, PET and paper.

Together with TCCC, we work collaboratively with our suppliers to respect and protect the human rights of everyone working across our entire supply chain. We aim to ensure our suppliers respect our CoC and make a positive impact on society, in line with the United Nations' Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the United Nations' Global Compact.

## Measuring compliance

We source products from around 15,000 suppliers, and on average, 87% of our spend (excluding concentrate and juices purchased from TCCC and other franchisors) is with suppliers based in our countries of operations.

Together with TCCC, we're committed to ensuring that our priority agricultural ingredients and raw materials are sourced sustainably. We have developed two sets of principles to measure compliance and track progress in this area: our Supplier Guiding Principles (SGPs) and our Sustainable Agriculture Guiding Principles (SAGPs).

Our SGPs apply to all our suppliers and set out the minimum requirements we expect of our suppliers in areas related to labour conditions and business integrity, including health and safety and human rights. Our SAGPs apply to our suppliers of key agricultural ingredients and raw materials, and cover social, economic and environmental criteria for sustainable farm management.

Independent audits are commissioned by TCCC to monitor supplier compliance with our SGPs and SAGPs. In 2020, 97% of our spend was with suppliers which are covered by our SGPs. In addition, 100% of the coffee in our Honest coffee brand, 100% of our paper and pulp and, for the first time, 100% of our sugar were sourced sustainably from suppliers that comply with our SAGPs.

We evaluate the performance and sustainability of our suppliers on an ongoing basis. For our key Tier 1 suppliers, we carry out a number of detailed evaluations including a financial assessment and an annual supply risk analysis along with regular meetings to discuss issues such as performance, innovation and sustainability.

The sustainability performance of our suppliers is rated by EcoVadis, an independent evaluation company, which evaluates suppliers against criteria such as environment, carbon management, human rights and fair business practices. In 2020, our suppliers had an average overall score of 57.4 and we aim for our suppliers to achieve an average overall score of 65 by 2025. Suppliers that have a low score are asked to develop an action plan and improve their performance.



## Respecting and protecting human rights

Human rights are fundamental to how we run our day to day business and the communities in which we operate. We are committed to ensuring that everyone working throughout our operations and within our supply chain is treated with dignity and respect.

In 2020, we provided human rights training to all our procurement employees and production facility managers.

We are currently reviewing a range of options to help improve the validation and proactive management of our supplier base in a number of key areas, particularly human rights and modern slavery. This includes further investment with EcoVadis, via IQ and other digital providers, which will enhance our robust risk management processes.

FOR MORE INFORMATION ABOUT OUR APPROACH TO RESPECTING AND PROTECTING HUMAN RIGHTS SEE **PAGE 43**

## COVID-19 and our supply chain

The COVID-19 pandemic has had a major impact not only for our own operations but also for businesses in our supply chain.

At the start of the pandemic, we carried out a risk assessment to understand the impact of the crisis and adjust to changing production patterns. We used our existing supply chain finance programme to help suppliers in need of financial support, and worked with suppliers in heavily impacted sectors such as CDE and trade marketing to help mitigate the impact.

We also helped suppliers by offering support to secure sufficient transportation to help keep their business operating.

Thanks to the agility and flexibility of our suppliers, we've been able to adapt our supply chains successfully during the crisis to ensure that key raw materials and ingredients remained available.

**"KRONES AND CCEP HAVE ACHIEVED GREAT SUCCESS WITH SOCIAL AND ENVIRONMENTAL INITIATIVES OVER THE YEARS. WE'RE EXCITED TO SUPPORT CCEP'S NEW CLIMATE STRATEGY AND LOOK FORWARD TO WORKING TOWARDS THE NET ZERO AMBITION TOGETHER."**

Christoph Klenk, CEO, Krones


CASE STUDY

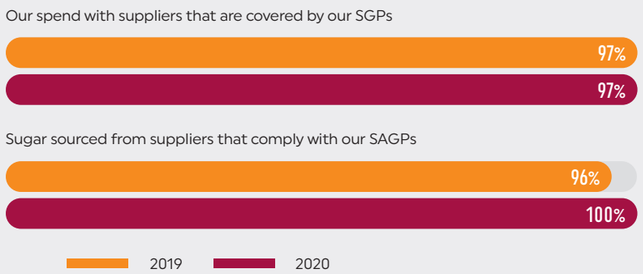
## Towards net zero: Supplier Day 2020

Achieving our net zero 2040 ambition requires close collaboration with our suppliers. To raise awareness of our new climate strategy among suppliers, we held a virtual Supplier Day event in October 2020.

During the discussion we focused on the importance of collaboration to achieve our ambition, as well as sharing experience and insights on carbon reduction solutions.

This includes supporting our suppliers to set their own science based GHG emissions reduction targets by 2023, as well as helping them to transition to using 100% renewable electricity across their operations and share their carbon footprint data with CCEP.

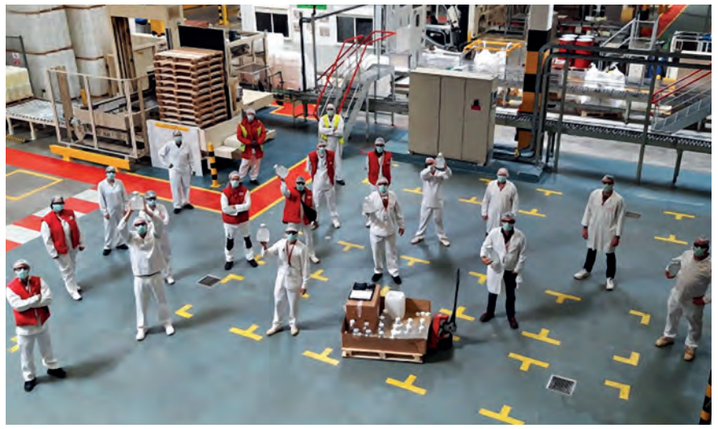
### Our progress




READ MORE AT **WWW.COCACOLAEP.COM/SUSTAINABILITY/THIS-IS-FORWARD/ACTION-ON-SUPPLY-CHAIN**

# Our people

Our success is determined by the hard work and passion of the people who work at CCEP and we are grateful for everything they do. We provide a supportive, inclusive, safe and healthy working environment where diversity is valued and people at every level are empowered to succeed.



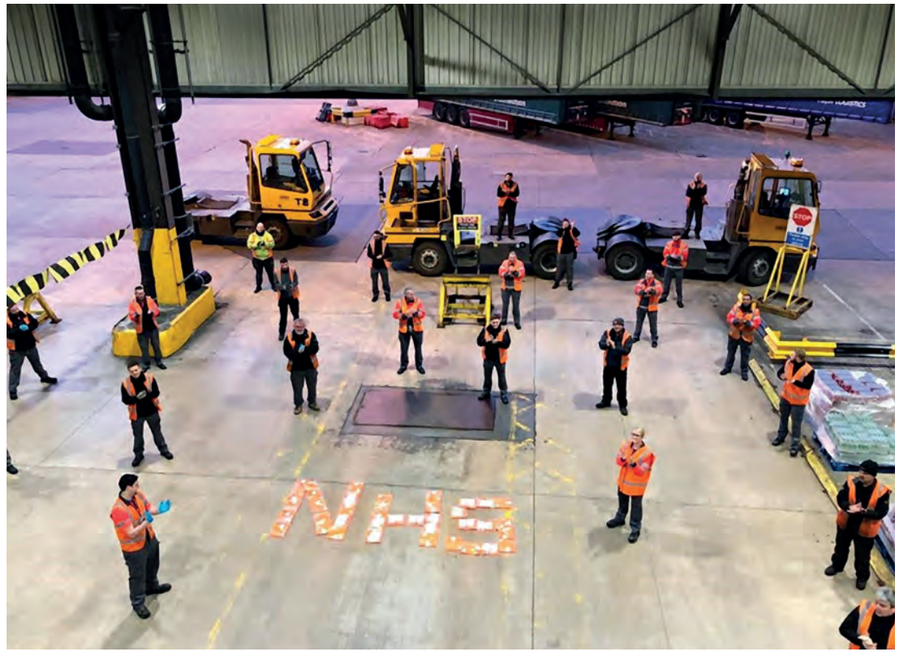
## Being valued

We believe that diversity of thinking and experience leads to better ways of working, increased innovation and better business results. We are committed to building a diverse workforce with an inclusive and supportive culture, where everybody's welcome to be themselves, be valued and belong.

With this commitment in mind, we have established an I&D Centre of Expertise (CoE), led by senior management, to develop action plans aligned with CCEP's wider strategy and track the progress of our initiatives against each of our I&D focus areas: gender, culture and heritage, multi generations, LGBT+ and disability.

To accelerate progress on I&D we have built a framework underpinned by our philosophy, "Everyone's Welcome: to be themselves, be valued and belong". We have identified sponsors from our senior leadership team for each of our I&D focus areas, to lead engagement with our people and accelerate meaningful actions to remove barriers to I&D. In 2020, the sponsors held "In Your Shoes" listening sessions where employees shared their experiences of working at CCEP.

As signatories of the Valuable 500 pledge, we are committed to putting disability on the business leadership agenda. To accelerate disability inclusion, we have placed increased focus on advocacy by our senior leadership team, understanding the lived experiences of our employees through listening sessions, and are identifying changes to our ways of working to improve accessibility.




## ME@CCEP

**ME@CCEP DEFINES THE EXPERIENCE WE WANT OUR PEOPLE TO HAVE AT CCEP. IT IS ABOUT SIX BEINGS:**

### BEING WELL

The safety and wellbeing of our people is vitally important. We want everyone to feel happy and healthy, and to work with integrity and respect so we can all thrive at work and at home.

### BEING CONNECTED

We're powerful when we work as part of a winning team – championing communication, connection and collaboration.

### BEING VALUED

We are at our best when we can be ourselves at work. When we are able to share our perspectives and insights, and build upon our strengths.

### BEING DEVELOPED

Our experiences make us stronger and we support our people in exploring opportunities to develop – providing possibilities to continually learn, grow in their role and get to where they want to be.

### BEING REWARDED

All our people have a part to play in CCEP's growth and we recognise, reward and celebrate the great work they do every day. We do this in ways that are simple, transparent and consistent.

### BEING INSPIRED

We strive to be a force for good – for people and for the planet. We're passionate about what we do and what we stand for, and our people are empowered to make a difference.

# Our people continued

A key target of our sustainability action plan, This is Forward, is to ensure that at least 40% of our management positions (senior management and above) are held by women by 2025. In 2020, 35.6% of leadership positions were held by women, up from 35.5% in 2019. During the year, CCEP reinforced its commitment to gender equality by applying to join the United Nations Women's Empowerment Principles and for inclusion in the Bloomberg Gender-Equality Index. Confirmation of acceptance and inclusion in each was received in early 2021.

CCEP is an equal opportunities employer. We make decisions about recruitment, promotion, training and other employment matters solely on the grounds of individual ability, achievement, expertise and conduct. We don't discriminate on the basis of gender, gender identity, race, colour, religion, ethnicity, cultural heritage, age, social background, mental or physical ability or disability, national origin, sexual orientation or any other reason not related to job performance or prohibited by applicable law.

READ MORE ABOUT INCLUSION AND DIVERSITY AT CCEP ON **PAGE 85**

## Being developed

Across our business, we have a number of training programmes and systems to support our people and develop talent at every level of our organisation.

We offered training during the year, using our digital platforms to enable our people to access training materials wherever possible. Two new training modules were developed and launched in 2020, to assist leaders when discussing mental health and wellbeing with their teams, and individuals to better manage their personal wellbeing and energy levels.

## Being rewarded

Along with a regular salary in line with market rates, benefits are available to all our people. These vary according to their country and level in the organisation. Benefits include medical or dental insurance, life insurance, eyecare vouchers, holiday time and leave packages to cover sickness, the birth of a child, bereavement or a long-term illness in the family. Depending on the country, level and grade, pension plans and share purchase plans are also offered.

Around two thirds of our employees participate in annual variable remuneration plans. We offer a consistent annual bonus plan to around 5,400 people across the organisation (around 24% of the total population).

In addition, sales incentives plans are operated for around 18% of our people and a further 29% participate in local incentive plans. We operate an LTIP for around 280 people who occupy the most senior roles in the business.

READ OUR DIRECTORS' REMUNERATION REPORT ON **PAGES 97–107**

### Employee share ownership

Some of our employees participate in incentive programmes or share ownership schemes that are linked to CCEP's performance and give them an opportunity to participate in the Group's performance.

In GB, we offer an Employee Share Plan (ESP). This is a tax efficient opportunity for employees to become shareholders through salary sacrifice arrangements. Around 75% of eligible employees were participating in the ESP on 31 December 2020.

## Being connected

Good communication is an essential part of building a motivated, engaged workforce. We're committed to communicating clearly and transparently with our people and their representatives. The circumstances surrounding COVID-19 have led to an increase in remote working across our business. This, combined with an increase in the level of unpredictability in our working environment, makes it more important than ever for our management and leadership teams to be visible and available to our people.

In 2020, we rolled out a new internal communications platform, Redline, which can be downloaded as an app to our people's personal devices, giving everyone the opportunity to stay connected and informed, wherever they work. Redline contains real time news from across the business and provides a means of two way communication with colleagues, including management.

Everyone at CCEP has access to news and information about us in local languages through intranet sites and printed materials. CCEP management gives updates about CCEP's overall, and local, performance through these channels, as well as through our published results. In 2020, management held regular, informal sessions to present updates on business performance and the evolving COVID-19 situation, along with wellbeing and other initiatives.

READ MORE ABOUT HOW WE HAVE ADAPTED OUR WAYS OF WORKING THIS YEAR ON **PAGE 27**

CCEP meets regularly with European, national and local works councils and trade unions that represent our people. When required, we consult with our people and their representatives to discuss proposed measures before making decisions. We encourage constructive and meaningful dialogue with our people. During consultation, our employee representatives have the opportunity to ask questions, share views and propose alternatives to proposals before management makes a final decision.

READ MORE ABOUT HOW THE DIRECTORS, AND CCEP, ENGAGE WITH OUR PEOPLE ON **PAGES 10–13**

## Being well

We're committed to providing our people with a safe and healthy work environment that safeguards their mental and physical wellbeing. To support this objective, we implement a strong health and safety programme which includes a target to reduce our lost time incident level to below 0.50 by 2025.

In 2020, our lost time incident rate was 0.82 per 100 full time equivalent employees. Zero fatalities occurred during the year. Further information about our safety performance and incident rates will be available on our website from May 2021.



In cases where our people are injured or suffer any mental or physical health issues while employed by CCEP, we endeavour to make any reasonable adjustments to their duties and working environment to support their recovery and continued employment.

READ THE FULL DETAILS AT **WWW.COCACOLAEP.COM/SUSTAINABILITY/THIS-IS-FORWARD/ACTION-ON-SOCIETY-OUR-PEOPLE**

READ ABOUT OUR HEALTH AND SAFETY RESPONSE TO COVID-19 ON **PAGE 27**

## Being inspired

As part of supporting our local communities, we encourage our people to take part in a wide range of volunteering activities connected to our sustainability commitments, such as litter pick ups and charity fundraising events. Our volunteering policy enables all employees to spend up to two paid working days each year volunteering for a charity or cause of their choice. Following the introduction of government restrictions across our territories in response to COVID-19, our people had fewer opportunities to volunteer during the year. We continued to offer our people opportunities to volunteer, where possible and safe to do so, and in 2020, our people dedicated 9,061 hours of volunteering time.

READ MORE ABOUT OUR SUPPORT FOR OUR LOCAL COMMUNITIES ON **PAGES 28–29**

## Workforce diversity in 2020

Total employees (including part time employees)

| 25% | 75% |
|---|---|
| 5,522 | 16,584 |

Board of Directors

| 29.4% | 70.6% |
|---|---|
| 5 | 12 |

Leadership (senior management grade including Executive Leadership Team)[(A) (B)]

| 35.6% | 64.4% |
|---|---|
| 854 | 1,545 |

Directors of subsidiary companies[(A)]

| 23.5% | 76.5% |
|---|---|
| 20 | 65 |

Female | Male

(A) 16 female and 38 male directors of subsidiary companies are also included in the workforce diversity figures under leadership.
(B) The members of the Executive Leadership Team (ELT) and their direct reports consists of 46 female and 72 male employees.

We created an online Coronavirus Support Hub, giving our people access to a range of support tools and guidance

Key highlight

# Operating with integrity

We live up to our responsibilities as a business by being accountable, ethical and aware of the risks in everything we do.

## Corporate governance

We hold ourselves accountable to the highest standards of corporate governance and public access to information about CCEP.

CCEP has a strong governance framework with a Board of Directors overseeing the interests of all stakeholders. Five committees support the Board. These include the CSR Committee, which is responsible for overseeing CCEP's sustainability strategy and progress and all related policy issues and risks, including climate change, and the Audit Committee, which, among other things, oversees enterprise risk management (ERM).

Management has also established a compliance and risk committee that, among other things, advises the ethics and compliance (E&C) function and provides management input regarding the E&C programme.

FOR MORE ABOUT OUR APPROACH TO RISK, SEE **PAGE 44**

FOR MORE ABOUT OUR CORPORATE GOVERNANCE, SEE **PAGES 72–81**

FOR DETAILS ABOUT SUSTAINABILITY GOVERNANCE, VISIT **WWW.COCACOLAEP.COM/SUSTAINABILITY**

## Ethics and compliance

Our E&C programme ensures we are conducting our operations in a lawful and ethical manner. The programme is applicable to our people, officers and Directors. It also supports how we work with our customers, suppliers and third parties.

## Code of Conduct

Our CoC seeks to ensure that we act with integrity and accountability in all of our business dealings and relationships, in compliance with all applicable laws, regulations and policies.

We expect everyone working at CCEP to adhere to the CoC. We also expect all third parties who work on our behalf to act in an ethical manner consistent with our CoC and to comply with our SGPs.

The CoC has been formally adopted in all the territories in which we operate, as well as our shared service centres in Bulgaria. All employees are required to undergo CoC training, and this is part of the induction process for new employees. Training on specific topics related to their roles is also provided where needed. All people managers receive a CoC guide that addresses their responsibilities. This includes a matrix to help with decision making and guidance on situations such as bullying and harassment.

## Preventing bribery and corruption

We aim to prevent all forms of bribery and corruption in our business dealings. Our CoC sets out our principles and standards to prevent bribery and corruption, including conflicts of interest and the exchange of gifts and entertainment.

Our Anti-bribery, Gifts and Entertainment Policy and our Conflicts of Interest Policy apply to all employees. They are accompanied by mandatory training for a targeted audience.

SEE THE COC AT **WWW.CCEPCOKE.ONLINE/CODE-OF-CONDUCT-POLICY**



## Raising concerns

Any employee who wishes to raise concerns about wrongdoing at CCEP can do so in a number of different ways, including contacting a line manager or through our dedicated Speak Up channels. When any employee voices concerns in relation to the CoC, CCEP will promptly and appropriately conduct an investigation.

FOR MORE DETAIL, SEE OUR AUDIT COMMITTEE REPORT ON **PAGES 87–91**

## Respect for human rights

We consider human and workplace rights to be inviolable and fundamental to our sustainability as a business. We are committed to ensuring that everyone working throughout our operations and within our supply chain is treated with dignity and respect.

Our principles regarding human rights are set out in our SGPs and further detail is provided in our Human Rights Policy, which is aligned with accepted international standards such as the UN Guiding Principles on Business and Human Rights.

We have a zero tolerance approach to modern slavery of any kind, including forced labour, and any form of human trafficking within our operations and supply chain. In 2017, we published our first Modern Slavery Statement, and continue to update this annually.

In 2019, we conducted an internal human rights risk assessment with participation from senior leaders across our business. We also sought input and advice from key external stakeholders, including the Institute of Employers, KnowTheChain, UN OHCHR and many industry peers.

We identified nine key areas as posing the greatest risk to people in our own operations and across our value chain. We initially focused on the first four priority issues to ensure full compliance and that action is taken: health, safety and security; equality and non-discrimination; working hours; and migrant and temporary workers. In 2020, we developed action plans for the issues related to freedom of association, right to privacy and data protection.

However, due to COVID-19 we took additional measures to ensure the health and safety of our people and others working for CCEP. This included COVID-19 risk assessments, implementation of guides on working from home, social distancing, cleaning and disinfection programmes, and additional measures for our employees within sales and supply chain functions. This has pushed back our timetables on the remaining actions, on forced labour and wages, to 2021.

In 2020, we refreshed our human rights training including a specific focus on modern slavery for all procurement managers who interact with suppliers and for supply chain teams.

On Human Rights Day in December 2020, we shared our progress with our employees and stakeholders.

FIND MORE INFORMATION ABOUT OUR APPROACH TO HUMAN RIGHTS AT **WWW.COCACOLAEP.COM/SUSTAINABILITY/HUMAN-RIGHTS**

SEE OUR MODERN SLAVERY STATEMENT AT **WWW.COCACOLAEP.COM/SUSTAINABILITY/DOWNLOAD-CENTRE**

## Code of Conduct reports by type

| | Number | %[A] |
|---|---|---|
| Avoiding conflicts of interest | 2 | 3 |
| Creating an inclusive and respectful workplace | 29 | 40 |
| Delivering high quality products | 2 | 3 |
| Integrity of our business records[B] | 15 | 21 |
| Preventing bribery and corruption | 1 | 1 |
| Dealing fairly with customers, business partners and suppliers | 3 | 4 |
| Environmental sustainability | 1 | 1 |
| Using our assets responsibly – non-financial | 13 | 19 |
| Working in a safe and healthy environment | 6 | 8 |
| Grand total | 72 | 100 |
| Number of employees resigned or dismissed | 33 | |
| Number of disciplined employees still employed[C] | 26 | |

(A) Percentage versus overall reports.
(B) Not limited only to our financial records. Business records include records such as payroll, timecards, travel and expense reports, job applications, quality reports, field sales measures, customer agreements, and inventory and sales reports.
(C) Some cases involve more than one employee.

# Principal risks

This section looks at the principal risks we face as a business and how we manage them.

## Our approach to risk

Our decisions are informed by an understanding of the risks we face as a business. Through our ERM programme, we identify, measure and manage risk, and embed a strong risk culture across our business.

CCEP's risk management framework looks at both risks we face and how we can capitalise on opportunities we have.

Since the creation of CCEP, we have continually matured our risk management capabilities through seamless collaboration across the business. This has resulted in the creation of the one risk office, which helps us to manage risks and respond rapidly through established processes like incident management, business continuity plans (BCP) and risk transfer mechanisms.

During the COVID-19 pandemic, the framework allowed us to respond rapidly to a fast changing environment. As a result, we were able to capture learnings and developed a comprehensive pandemic handbook that allowed us to respond well to the second wave and ensure that the impacts from COVID-19 were minimised. We are leveraging learnings from the current situation to further strengthen our risk management framework and prepare ourselves even better for future challenges.

The risk and internal control systems have continually improved since CCEP was created and are developed to address the changing risk environment and to adopt best practice in how to manage them.

## Assessing risk

To gain an understanding of the risks CCEP faces, we assess risk top down and bottom up.

Our annual enterprise risk assessment (ERA) gives us a top down, strategic view of risk at the enterprise level. During this assessment we carry out a risk survey with our top leaders, followed by interviews with Board and Audit Committee members and members of our ELT to identify both current and emerging risks. This risk assessment is reviewed and updated periodically. In 2020, we received feedback from our top 100 leaders.

To gain a bottom up view of risk from an operational perspective, we carry out risk assessments at a business unit (BU), functional and project level. Each BU has established local compliance and risk review processes, undertaken by its local leadership team. The local leadership teams review and update risk assessments, ensuring that risk management is incorporated into day to day business routines.

This work is overseen by the Group compliance and risk committee, which is chaired by the Chief Compliance Officer. Every quarter, the committee holds a meeting in which local risk owners are invited to share updates on key risks and how they are being managed. In 2020, these included updates on business continuity management, COVID-19, key suppliers, training culture, packaging, human rights, policy changes, data privacy and cybersecurity.

In 2020, we continued to include CCEP's functions in our risk assessment process, and covered areas such as health and safety of our employees, food safety, legal and tax. These functional risk assessments are integrated into our annual business planning routine. We also completed deep dives in the areas of new legislation and water scarcity.

Targeted risk assessment and management projects for topical issues such as Brexit and COVID-19 were also completed. An overview of key ERM activities is provided on page 45.

## Measuring and managing risk

Once risks have been identified, we analyse them to understand their likelihood and potential impact. We also consider how we are managing the risks with the right action in place, and impact scales are reviewed on an annual basis; in 2020, these were reassessed with a focus on financial impact.

In addition to likelihood and impact, our risk management methodology now considers velocity. This addresses the speed at which a risk may impact our business.

In 2020, we developed risk appetite statements to support business decision making in line with our strategic objectives. We completed the definition of risk appetite statements for the majority of our enterprise risks. This exercise was conducted with input from the ELT and the Audit Committee.



These statements are defined top down in line with our strategic objectives and structured according to our enterprise risks. We determined the risk appetite per risk category at one of five levels: low, low-medium, medium, medium-high and high. In addition, a qualitative statement for each category provides context for the risk appetite level. The statements are designed to provide management with guidance for business decision making.

The risk appetite statements, which determine our target risk profile, are reviewed annually during the first quarter, following the annual top down ERA, which provides us with the current risk profile.

We are working now to adapt the risk appetite statements to suit our operations through the definition of key risk indicators for each statement with our risk owners. The management of the key risk indicators will be done via our risk and compliance governance tool, Riskonnect. Adverse trends and breaches of thresholds will be reported to the compliance and risk committee following a defined escalation protocol (see figure below for our annual risk management plan).

In 2020, we conducted further scenario analysis and planning to understand how key risks such as water scarcity impact us. In 2021, we will develop action plans for how we would respond to these scenarios through in depth workshops.

We manage risk through the framework, our processes and policies. Our annual policy review ensures the policies and related policy guidance within CCEP are valid. Changes within the documents have been approved by the compliance and risk committee. New policies, for example, the CCEP wide CCTV policy and the IT disaster recovery policy, have been approved by the Board and the compliance and risk committee. In 2020, the CCEP policy governance and management programme was externally reviewed and we received a rating indicating the programme was close to best practice.

The following pages set out a summary of our principal risks based on the findings of our most recent ERA. The Directors have carried out a robust assessment of these principal risks. However, this summary is not intended to include all risks that could ultimately impact our business and the risks are presented in no particular order.

Beyond our principal risks, CCEP faces other operational risks that we manage as part of our daily routines, such as employee health, safety and wellbeing, and human rights.

READ ABOUT OUR RISK FACTORS ON **PAGES 188–197**

## Overview of key ERM activities through the year

(ERM activities link top down and bottom up)


### Annual risk appetite review and update

Based on the current risk profile the Board and ELT define the **target risk appetite** for the enterprise risks to enable better decision making and so drive growth.

Risk owners provide input to Principal risk and Risk factors sections in the Integrated Report.

### Assess and review sub risks and opportunities with risk owners with focus on mitigation and financial valuation

ERM team works with risk owners to elaborate on the underlying risks, supports risk owners to provide a financial valuation for key risks, and drives mapping of risks to business planning initiatives at BU and functional level to integrate risk management in business activities.

### Annual top down enterprise risk assessment

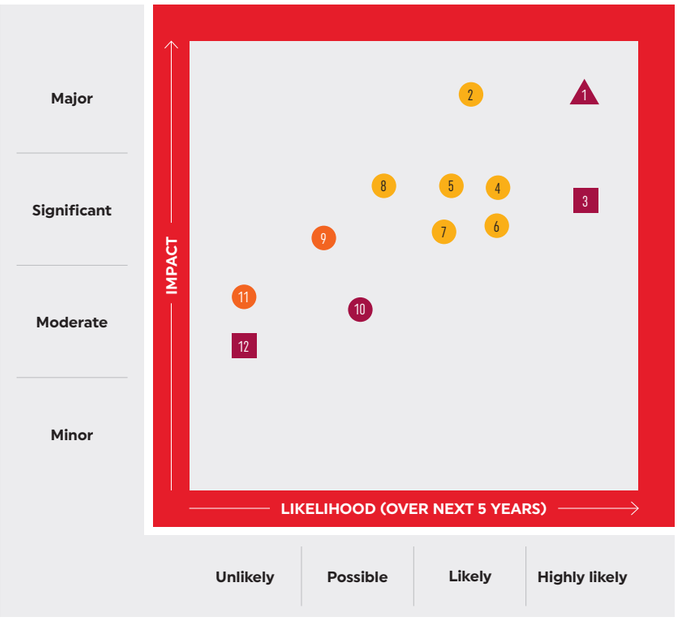
Interviews and surveys with Board members and ELT members and selected subject matters experts to determine CCEP's **current risk profile** (informs Integrated Report, risk appetite, audit plan and business planning).

ERA drafts risk input for the Integrated Report (Principal risks and Risk factors).

Process starts again.

# Principal risks continued

## Principal risk map[A] [B]




**External**
External opportunities and risks, such as macroeconomic, socio/political and competition risks, that could fundamentally impact business strategy. Typically managed by teams that respond to significant shifts in government relations, consumer or supplier behaviour.

**Strategic**
Internal opportunities and risks that could impede the achievement of strategic objectives and targets, such as poor resource allocation or decision making. Typically managed by senior leaders responsible for delivering strategic initiatives set by the Board.

**Operational**
Opportunities and risks that could impact day to day operations in areas such as production, logistics or sales. Managed across all business areas through controls embedded in processes and procedures.

**Extreme events**
Opportunities and risks that would have an extreme impact on the business (such as cyber attack, global financial crisis, natural disasters, etc). These can materialise in any part of the business and may coincide with other risks in particular scenarios.

Note: extreme events could occur in any principal risk and are, therefore, not allocated to any single specific category.

VELOCITY SCALE (SPEED OF IMPACT)

■ **Very rapid** (Less than one month) ▲ **Rapid** (Less than one year) ● **Moderate** (One to three years) ○ **Slow** (Greater than three years)

PRINCIPAL RISKS

1. Business continuity and resilience
2. Packaging
3. Cyber and social engineering attacks and IT infrastructure
4. Economic and political conditions
5. Market
6. Legal, regulatory and tax change
7. Climate change and water
8. Perceived health impact of our beverages and ingredients, and changing consumer buying trends
9. Competitiveness, business transformation and integration
10. People and wellbeing
11. Relationships with TCCC and other franchisors
12. Product quality

(A) Risk map is based on latest enterprise risk assessment results
(B) See pages 47-50 for full summary of principal risks



## Table 1[A][B]

### The table below shows our principal risks

| Principal risk | Definition and impact | Key mitigation | Change |
|---|---|---|---|
| 1 Business continuity and resilience | Our business is vulnerable to a range of risks that may materialise and cause disruption. These include threats and risks such as physical attacks (e.g. terrorism) and cyber attacks, IT system outages and supplier failure as well as natural hazards such as fire, flood, severe weather and pandemics. Working with teams across the business, we develop business continuity plans and resilience arrangements to ensure the delivery of our products and services no matter what the cause of disruption. This is to protect our people, our environment, our reputation and our overall financial condition. In some cases, such as the current COVID-19 pandemic, health, economic and legal effects could have a direct or indirect impact on our ability to operate.<br>PLEASE REFER TO OUR CASE STUDY ON **PAGE 51** FOR FUTHER DETAILS | • Continually updating our response to the situation and our people's needs<br>• Customers: working closely with suppliers, partners and TCCC to ensure we best serve our customers and respond to their needs<br>• Communities: working closely with TCCC to support our communities<br>• Governance: strong frameworks, business continuity plans, incident management teams, strategic business continuity scenario testing, risk reassessments used in business planning, increased frequency of reviews with country leadership teams, Board and TCCC incorporating learnings from the Coca-Cola system<br>• Effective management of liquidity, costs and discretionary spend<br>• Operational, technology and strategic resilience towers developed as part of our newly created business continuity and resilience strategy to enable further resilience and risk mitigation for CCEP<br>• Training and awareness to build BCR capabilities throughout CCEP to improve buy in and skills when it comes to preparing for and responding to incidents<br>• Business impact analysis (BIA) to analyse and identify critical people (roles), property, technology, equipment and suppliers (value chain) across CCEP and their associated maximum acceptable outages, recovery time objectives and recovery point objectives<br>• Scenario planning exercise with stakeholders across facilities and functions to determine scenarios that could lead to the unavailability of critical dependencies identified in the BIA and the associated impacts if the scenarios were to occur<br>• BCP development with colleagues across the business to mitigate risks identified during the BIA, scenario planning and risk assessment and having them available to use in following waves<br>• Risk assessments to identify the likelihood and impact of identified scenarios occurring, enabling BCPs to be developed in a targeted, meaningful way<br>• Testing and exercising to validate BCPs are effective, giving teams capabilities to respond to incidents that may occur, through table top and live simulated exercises with stakeholders across CCEP, within sites and functions | → |
| 2 Packaging | Due to our concerns, and those of our stakeholders, about the environmental impacts of litter and GHG emissions, our packaging (especially single use plastic packaging) is under increasing scrutiny from regulators, consumers, customers, and NGOs. As a result, we may have to change our packaging strategy and mix over both the short and long term. This could result in a reduction in the use of single use plastic packaging and the introduction of new pack formats such as dispensed and refillable packaging, and we may be liable for increased costs related to the design, collection, recycling and littering of our packaging. We may be unable to respond in a cost effective manner and our reputation may be adversely impacted. | • Continued sustainability action plan focused on packaging, including our commitments to:<br>– Ensure that 100% of our primary packaging is recyclable or refillable<br>– Drive higher collection rates, aiming to ensure that 100% of our packaging is collected for reuse or recycling<br>– Ensure that by 2023 at least half of the material we use for our PET bottles comes from recycled plastic, achieving 100% by 2030<br>• Work with TCCC to explore alternative sources of rPET and innovative new packaging materials<br>• Work with TCCC to encourage consumers to recycle their packaging using existing collection infrastructure<br>• Cross functional SPO with a dedicated focus on packaging collection and to ensure all sustainable packaging strategies are implemented on time<br>• Support for well designed DRS across our markets as a route to 100% collection and increased availability of rPET<br>• Work to expand delivery mechanisms that do not rely on single use packaging, for example refillable packaging and dispensed delivery<br>• Investment in enhanced recycling technology<br>• We continue to develop the business models for packaging-less solutions (such as Freestyle) to provide an alternative offering for customers who do not want to use packaging<br>• We also continue to develop the business models for refillable packaging to provide an alternative offering for customers who want fully circular alternatives to single use packaging<br>• Increase use of recycled content in films<br>• Moving from hard to recycle plastic shrink to sustainable board for multi packs | ↑ |

(A) Changes in risk are as against the Principal risks section of CCEP's Integrated Report/Annual Report on Form 20-F for the year ended 31 December 2019, as updated and supplemented in CCEP's Results for the six months ended 26 June 2020 and COVID-19 update.
(B) Some risk ratings have changed as a result of a change in our risk rating methodology and review of impact scales.

# Principal risks continued

| Principal risk | Definition and impact | Key mitigation | Change |
|---|---|---|---|
| 3 Cyber and social engineering attacks and IT infrastructure | We rely on a complex IT landscape, using both internal and external systems, including some systems that are outside our direct control where employees work from home. These systems are potentially vulnerable to adversarial and accidental security and cyber threats, and user behaviour. This threat profile is dynamically changing, including as a result of the COVID-19 pandemic, as potential attackers' skills and tools advance. This exposes us to the risk of unauthorised data access, compromised data accuracy and confidentiality, the loss of system operation or fraud. As a result, we could experience disruption to operations, financial loss, regulatory intervention, or damage to our reputation. | • Proactive monitoring of cyber threats and implementing preventive measures<br>• Business awareness and training on information security and data privacy<br>• Business continuity and disaster recovery programmes<br>• A programme to identify and resolve vulnerabilities<br>• Third party risk assessments<br>• Corporate security business intelligence<br>• Appropriate investment in updating systems<br>• Hardware lifecycle process in place | ↑ |
| 4 Economic and political conditions | Our industry is sensitive to economic conditions such as commodity and currency price volatility, inflation, political instability, lack of liquidity and funding resources, widening of credit risk premiums, unemployment and furlough, and consumer confidence or the impact of the widespread outbreak of infectious disease such as COVID-19. This exposes us to the risk of an adverse impact on CCEP and our consumers, driving a reduction of spend within our category or a change in consumption channels and packs. As a result, we could experience reduced demand for our products, fail to meet our growth priorities and our reputation could be adversely impacted. Adverse economic conditions could also lead to increased customer and supplier delinquencies and bankruptcies, while restrictions on the movement of goods in response to economic, political or other conditions, such as COVID-19, could affect our supply chain. | • Diversified product portfolio and the geographic diversity of our operations assist in mitigating our exposure to any localised economic risk<br>• Our flexible business model allows us to adapt our portfolio to suit our customers' changing needs during economic downturns<br>• We regularly review our business results and cash flows and, where necessary, rebalance capital investments<br>• Following the Brexit deal on the 24 December 2020, which took effect from 11pm GMT on 31 December 2020, we continue to monitor developments to ensure the business is prepared to manage emerging situations<br>• Monitoring of societal developments<br>• Hedging programmes | → |
| 5 Market | Our success in the market depends on a number of factors. These include actions taken by our competitors, route to market, our ability to build strong customer relationships and create value together (which could be affected by customer consolidation, buying groups, and the changing customer landscape) and government actions, including those introduced as a result of COVID-19 such as social distancing, the forced closure of some of our customer channels, restricted tourism and restrictions on large gatherings. This exposes us to the risk that market forces may limit our ability to execute our business plans effectively. As a result, it may be more challenging to expand margins, increase market share, or negotiate with customers effectively, and COVID-19 may also further adversely impact the market in previously unforeseen ways. | • Shopper insights and price elasticity assessments<br>• Pack and product innovation<br>• Promotional strategy<br>• Commercial policy<br>• Collaborative category planning with customers<br>• Growth centric customer investment policies<br>• Business development plans aligned with our customers<br>• Diversification of portfolio and customer base<br>• Realistic budgeting routines and targets<br>• Investment in key account development and category planning<br>• Continuous evaluation and updating of mitigation plans<br>• Responded to COVID-19 by developing and investing in new routes to market, for example, online channel, so our products remain available to consumers | ↑ |
| 6 Legal, regulatory and tax | Our daily operations are subject to a broad range of regulations at EU and national level. These include regulations covering manufacturing, the use of certain ingredients, packaging, labelling requirements, and the distribution and sale of our products. This exposes us to the risk of legal, regulatory or tax changes that may adversely impact our business. As a result, we could face new or higher taxes, higher labour and other costs, stricter sales and marketing controls, or punitive or other actions from regulators or legislative bodies that negatively impact our financial results, business performance or licence to operate. COVID-19 has resulted in both short-term and long-term changes to legislation and regulation. It may also lead to future increases in taxes to finance the cost of government responses to COVID-19. In addition to the changes that took immediate effect from 11pm GMT on 31 December 2020, we expect Brexit could, over time, lead to increased diversity of regulation and consequent costs of compliance including inability to or difficulties in standardising product and process between the UK and CCEP's other markets. | • Continuous monitoring of new or changing regulations and appropriate implementation of adequate mitigations<br>• Dialogue with government representatives and input to public consultations on new or changing regulations<br>• Effective compliance programmes and training for employees<br>• Measures set out elsewhere in this table in relation to legal, regulatory and tax changes with respect to any of the other principal risks, and in particular in relation to packaging, perceived health impact of our beverages and ingredients, and changing consumer preferences<br>• Increasing recycled content level in specific countries to mitigate tax impact | ↑ |



| Principal risk | Definition and impact | Key mitigation | Change |
|---|---|---|---|
| 7 Climate change and water | Political and scientific consensus indicates that increased concentrations of carbon dioxide and other GHGs are causing climate change and exacerbating water scarcity. Such GHG emissions occur across our entire value chain including our production facilities, cold drink equipment and transportation. GHG emissions also occur as a result of the packaging we use and ingredients we rely on. Our ingredients and production facilities also rely heavily on the availability of water. This exposes us to the risk of negative impacts related to our ability to produce or distribute our products, or the availability and price of agricultural ingredients and raw materials as a result of increased water scarcity. Failure to address these risks may cause damage to our corporate reputation or investor confidence, a reduction in consumer acceptance of our products and potential disruption to our operations. | • Set science based carbon reduction targets for our core business operations and our value chain<br>• Carbon reduction plans for our production facilities, distribution and CDE<br>• Supplier carbon footprint reduction programme launched in support of CCEP's 2040 net zero ambition with focus on suppliers setting SBTi targets and using 100% renewable electricity by 2023<br>• Transition to 100% renewable electricity<br>• External policy leadership and advocacy to support a transition to a low-carbon economy<br>• Life cycle analysis to assess carbon footprint of packaging formats<br>• Use of recycled materials for our packaging, which have a lower carbon footprint<br>• SVAs to protect future sustainability of local water sources and FAWVA and water management plans<br>• Supplier engagement on carbon reduction and sustainable water use<br>• Assessment on climate related risks and future climate scenario planning<br>• Comprehensive disclosure of GHG emissions across our value chain in line with GHG Protocol | ↑ |
| 8 Perceived health impact of our beverages and ingredients, and changing consumer buying trends | We make and distribute products containing sugar and alternative sweeteners. Healthy lifestyle campaigns, increased media scrutiny and social media have led to an increasingly negative perception of these ingredients among consumers. This exposes us to the risk that we will be unable to evolve our product and packaging choices quickly enough to satisfy changes in consumer preferences. We will also face new pressure from the EU Commission with the Farm to Fork Strategy, at the heart of the European Green Deal, aiming to make food systems fair, healthy and environmentally friendly. As a result, we could experience sustained decline in sales volume, which could impact our financial results and business performance. | • Reducing the sugar content of our soft drinks, through:<br>– Product and pack innovation and reformulation<br>– Managing our product mix to increase low and no calorie products<br>• Making it easier for consumers to cut down on sugar by providing straightforward product information and smaller pack sizes<br>• EU wide soft drink industry calorie reduction commitment with the Union of European Soft Drinks Associations (UNESDA)<br>• Adopting calorie and sugar reduction commitments at country level<br>• Dialogue with government representatives, NGOs, local communities and customers<br>• Employee communication and education<br>• Responsible sales and marketing codes<br>• Proactive introduction of colour coded front of pack guideline daily amount labelling as a fact based and non-discriminatory way of informing consumers in an understandable way<br>• Provide a serious alternative to other labelling schemes, including the French NutriScore scheme, encouraging the European Commission to evaluate and develop EU harmonised guidance, to address potential unfair targeting of the sparkling soft drinks industry<br>• Work with International Sweeteners Association to promote and protect the reputation of alternative sweeteners and, through UNESDA, working with the European food safety authority on their opinions that will inform EU and national government action | ↓ |
| 9 Competitiveness, business transformation and integration | We are continuing our strategy of assessing potential opportunities for continual improvements that would enable us to stay competitive in the future. The impact of COVID-19 has accelerated the urgency for assessing potential opportunities and taking appropriate action. This includes technology transformation, including to support increased working from home, continuous supply chain improvements and improvements in the way we work with our partners and franchisors, and more recently our proposed acquisition of CCL. This exposes us to the risk of ineffective coordination between BUs and central functions, change fatigue in our people and social unrest. As a result, we may not create the expected value from these initiatives or execute our business plans effectively. We may also experience damage to our corporate reputation, a decline in our share price, industrial action and disruption to our operations. | • Regular competitiveness reviews ensuring effective steering, high visibility and quick decision making<br>• Dedicated programme management office and effective project management methodology<br>• Continuation and strengthening of governance routines<br>• Regular ELT and Board reviews and approvals of progress and issue resolution<br>• Analysis and review of acquisition related activities such as integration and business performance risk indicators and capital allocation risk reviews<br>• Support our employees with wellbeing initiatives to manage change fatigue<br>SEE PEOPLE AND WELLBEING PRINCIPAL RISK FOR FURTHER DETAILS ON **PAGE 50** | ↑ |

# Principal risks continued

| Principal risk | Definition and impact | Key mitigation | Change |
|---|---|---|---|
| 10 People and wellbeing | The direct and indirect effects of COVID-19 may add to the impact on our people, their health and wellbeing and working conditions. Our response may affect the perception of CCEP as an employer and our ability to attract, retain and motivate existing and future employees, which exposes us to the risk of not having the right talent, required technical skillset, or expected levels of productivity. As a result, we could fail to achieve our strategic objectives and could experience a decline in employee engagement, industrial action, suffer from reputational damage or litigation. CCEP is committed to ensuring that everyone working throughout our operations and within our supply chain is treated with dignity and respect. | • CCEP CoC<br>• Regular communication<br>• EAP<br>• Flexible working<br>• Working from home<br>• Safety measures<br>• Appropriate incentivisation<br>• Talent reviews<br>• Tools for employees to take ownership of careers<br>• People related training and reskilling, risk assessments, action plans and compliance<br>• Manager training to help identify stress<br>• Wellbeing material available to managers and employees via CCEP platforms to support our employees<br>• Human rights policy | ↓ |
| 11 Relationships with TCCC and other franchisors | We conduct our business primarily under agreements with TCCC and other franchisors. This exposes us to the risk of misaligned incentives or strategy, particularly during periods of low category growth or crisis, such as COVID-19. As a result, TCCC or other franchisors could act adversely to our interests with respect to our business relationship. | • Clear agreements govern the relationships<br>• Incidence pricing agreement with TCCC<br>• Aligned long range planning and annual business planning processes<br>• Ongoing pan-European and local routines between CCEP and franchise partners<br>• Increased frequency of meetings and maintenance of positive relationships at all levels<br>• Regular contact and best practice sharing across the Coca-Cola system<br>• Improve visibility and ways of working with TCCC | ↓ |
| 12 Product quality | We produce a wide range of products, all of which must adhere to strict food safety requirements. This exposes us to the risk of failing to meet, or being perceived as failing to meet, the necessary standards, which could lead to compromised product quality. As a result, our brand reputation could be damaged and our products could become less popular with consumers. | • TCCC standards and audits<br>• Hygiene regimes at production facilities<br>• Total quality management programme<br>• Robust management systems<br>• ISO certification<br>• Internal governance audits<br>• Quality monitoring programme<br>• Customer and consumer monitoring and feedback<br>• Incident management and crisis resolution<br>• Every CCEP production facility has:<br>– a hazard analysis critical control points assessment and mitigation plan in place<br>– a quality monitoring plan based on risk and requirements<br>– a food fraud vulnerability assessment and mitigation plan based on risk and requirements<br>– a food defence threat assessment and mitigation plan based on risk and requirements | ↓ |

## Internal control procedures and risk management

CCEP's internal controls are designed to manage rather than eliminate risk, and aim to provide reasonable but not absolute assurance against material misstatement.

The Board has overall responsibility for the Company's system of internal controls and for reviewing its adequacy and effectiveness. To discharge its responsibility in a manner that complies with law and regulation and promotes effective and efficient operation, the Board has established clear operating procedures, lines of responsibility and delegated authority.

The Audit Committee has specific responsibility for reviewing the internal control policies and procedures associated with the identification, assessment and reporting of risks to check they are adequate and effective.

Our internal control processes include:

- Board approval for significant projects, transaction and corporate actions
- Either senior management or Board approval for all major expenditure at the appropriate stages of each transaction
- Regular reporting covering both technical progress and our financial affairs
- Board review, identification, evaluation and management of significant risks

READ MORE ABOUT OUR APPROACH TO INTERNAL CONTROL AND RISK MANAGEMENT IN THE AUDIT COMMITTEE REPORT ON **PAGE 91**




CASE STUDY

## Business continuity and our response to COVID-19

When the COVID-19 pandemic struck in Western Europe, we immediately instigated our business continuity and resilience processes. One of the first steps was to establish the TCCC and CCEP wide incident and crisis management response teams, which worked seamlessly throughout the first wave. This was a complex process as national data and new government legislation was analysed to create one aligned response across our territories. At the height of the pandemic, the teams met on a daily basis and our open lines of communication with senior management meant that decisions were made quickly and effectively.

We were also able to learn from other Coca-Cola system teams in Asia, which helped us in the early stages to develop key processes and procedures. In January 2020, we held a simulation test at our Wakefield production facility in GB, which helped us to establish new procedures such as shift patterns, social distancing measures and cleaning regimes. We also developed guidelines for the appropriate use of PPE for our sales force to support their visits to our customers. In addition, we helped our people working from home with cyber training and guidelines on data privacy, as well as ensuring they had the correct equipment to work safely, including the provision of monitors and other IT equipment.

As a result, we have developed a CCEP wide pandemic handbook, a state of the art document, with hot links, which contains all the relevant processes, procedures and communications guidelines to assist our corporate functions and local business leaders. We continue to monitor the situation and brief senior managers on a regular basis.

The BCR team was awarded European Resilience Team of the Year 2020 by the Business Continuity Institute and the Director of BCR won Global Business Continuity Manager of the Year 2020 from the Continuity Insurance and Risk professional body. Both institutions are world renowned and represent resilience professionals across the globe.

# Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code (the UKCGC), the Directors have assessed the prospects for the Group. The Directors have made this assessment over a period of three years, which corresponds to the Group's planning cycle.

The assessment considered the Group's prospects related to revenue, operating profit, EBITDA and free cash flow. The Directors considered the maturity dates for the Group's debt obligations and its access to public and private debt markets, including its committed multi currency credit facility. The Directors also carried out a robust review and analysis of the principal risks facing the Group, including those risks that could materially and adversely affect the Group's business model, future performance, solvency and liquidity.

Stress testing was performed on a number of scenarios, including different estimates for operating income and free cash flow. Among other considerations, these scenarios incorporated the potential downside impact of the Group's principal risks, including those related to:

- Continued or new lockdowns/restrictions, and the impact on the away from home channel
- Changing consumer preferences and the health impact of soft drinks
- Legal and regulatory intervention, including in relation to plastic packaging
- The risk of cyber and social engineering attacks
- Adverse changes in relationships with large customers

Based on the Group's current financial position, stable cash generation and access to liquidity, the Directors concluded that the Group is well positioned to manage principal risks and potential downside impacts of such risks materialising to ensure solvency and liquidity over the assessment period. From a qualitative perspective, the Directors also took into consideration the Group's past experience of managing through adverse conditions and the Group's strong relationship and position within the Coca-Cola system. The Directors considered the extreme measures the Group could take in the event of a crisis, including decreasing or stopping non-essential capital investment, decreasing or stopping shareholder dividends, renegotiating commercial terms with customers and suppliers or selling non-essential assets.

The proposed acquisition of CCL, if approved, would occur within the period covered by the viability assessment. We have considered this scenario and concluded that there is no material impact to viability for the Group over the three year period of this assessment.

Based upon the assessment performed, the Directors confirm that they have a reasonable expectation the Group will be able to continue in operation and meet all liabilities as they fall due over the three year period covered by this assessment.



# Non-financial information statement

This Integrated Report contains a combination of financial and non-financial reporting throughout. As required by sections 414CA and 414CB of the Companies Act 2006 (the Companies Act), the following non-financial information can be found in the pages of this Strategic Report stated in the table. These pages contain, where appropriate, details of our policies and approach to each matter.

| Non-financial information | Pages |
|---|---|
| Environmental matters | Action on climate on pages 24–26, Action on packaging on pages 30–31 and Action on water on pages 34–35 |
| Employee matters | Our stakeholders on pages 10–13 and Our people on pages 38–41 |
| Social matters | Action on society on pages 27–29 |
| Human rights | Operating with integrity on page 43 |
| Anti-corruption and anti-bribery matters | Operating with integrity on pages 42–43 |
| Our business model | What we do and how we do it on pages 8–9 |
| Risk and principal risks | Principal risks on pages 44–51 and Risk factors on pages 188–197 |
| Non-financial performance indicators | Performance indicators on page 3 |

# Business and financial review

## Our business

CCEP is the world's largest independent Coca-Cola bottler by revenue, operating in 13 countries in Western Europe and employing around 22,000 people. We are proud of our solid track record of performance and, during 2020, we responded rapidly to COVID-19, demonstrating the agility and resilience of our people and business. We remain confident in our future, led by green and digital, and believe we will emerge from this crisis as an even more efficient and sustainable business.

## Note regarding the presentation of non-GAAP financial information

We use certain alternative performance measures (non-GAAP performance measures) to make financial, operating and planning decisions and to evaluate and report performance. We believe these measures provide useful information to investors and as such, where clearly identified, we have included certain alternative performance measures in this document to allow investors to better analyse our business performance and allow for greater comparability. To do so, we have excluded items affecting the comparability of period over period financial performance as described below. The alternative performance measures included herein should be read in conjunction with and do not replace the directly reconcilable GAAP measure.

For purposes of this document, the following terms are defined:

**"As reported"** are results extracted from our consolidated financial statements.

**"Comparable"** is defined as results excluding items impacting comparability, such as restructuring charges, out of period mark-to-market impact of hedges and net tax items relating to rate and law changes. Comparable volume is also adjusted for selling days.

**"Fx-neutral"** is defined as comparable results excluding the impact of foreign exchange rate changes. Foreign exchange impact is calculated by recasting current year results at prior year exchange rates.

**"Capex" or "Capital expenditures"** is defined as purchases of property, plant and equipment and capitalised software, plus payments of principal on lease obligations, less proceeds from disposals of property, plant and equipment. Capex is used as a measure to ensure that cash spending on capital investment is in line with the Group's overall strategy for the use of cash.

**"Free cash flow"** is defined as net cash flows from operating activities less capital expenditures (as defined above) and interest paid. Free cash flow is used as a measure of the Group's cash generation from operating activities, taking into account investments in property, plant and equipment and non-discretionary lease and interest payments. Free cash flow is not intended to represent residual cash flow available for discretionary expenditures.

**"Adjusted EBITDA"** is calculated as Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), after adding back items impacting the comparability of year over year financial performance. Adjusted EBITDA does not reflect cash expenditures, or future requirements for capital expenditures or contractual commitments. Further, adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs, and although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised are likely to be replaced in the future and adjusted EBITDA does not reflect cash requirements for such replacements.

**"Net debt"** is defined as the net of cash and cash equivalents less currency adjusted borrowing. We believe that reporting net debt is useful as it reflects a metric used by the Group to assess cash management and leverage. In addition, the ratio of net debt to adjusted EBITDA is used by investors, analysts and credit rating agencies to analyse our operating performance in the context of targeted financial leverage.

**"ROIC"** is defined as comparable operating profit after tax divided by the average of opening and closing invested capital for the year. Invested capital is calculated as the addition of borrowings and equity less cash and cash equivalents. 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.

**"Dividend payout ratio"** is defined as dividends as a proportion of comparable profit after tax.



Additionally, within this report, we provide certain forward-looking non-GAAP financial information, which management uses for planning and measuring performance. We are not able to reconcile forward-looking non-GAAP measures to reported measures without unreasonable efforts because it is not possible to predict with a reasonable degree of certainty the actual impact or exact timing of items that may impact comparability throughout the year.

Unless otherwise stated, percent amounts are rounded to the nearest 0.5%.

| Key financial measures[A]<br>Unaudited, fx impact calculated by recasting current year results at prior year rates | Year ended 31 December 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | € million | | | % change vs prior year | | | |
| | As reported | Comparable | Fx impact | As reported | Comparable | Fx impact | Comparable fx-neutral |
| Revenue | 10,606 | 10,606 | (75) | (11.5)% | (11.5)% | (0.5)% | (11.0)% |
| Cost of sales | 6,871 | 6,809 | (54) | (7.5)% | (8.5)% | (1.0)% | (7.5)% |
| Operating expenses | 2,922 | 2,603 | (16) | (4.0)% | (11.0)% | (1.0)% | (10.0)% |
| Operating profit | 813 | 1,194 | (5) | (47.5)% | (29.0)% | (0.5)% | (28.5)% |
| Profit after taxes | 498 | 821 | (4) | (54.5)% | (30.5)% | —% | (30.5)% |
| Diluted earnings per share (€) | 1.09 | 1.80 | (0.01) | (53.0)% | (29.0)% | (0.5)% | (28.5)% |

(A) See Supplementary financial information – Income Statement section for reconciliation of As reported to Comparable financial information.

## Financial highlights

COVID-19 and related response measures have had, and will continue to have, a significant adverse effect on our business, significantly reducing consumption in the away from home channel, which is our most profitable channel. Our response to COVID-19, however, was rapid, and we took meaningful actions to protect our performance. We adjusted our cost base to a new reality, implementing significant cost mitigation plans and announcing an Accelerate Competitiveness efficiency programme, ending the year with strong free cash flow and increased liquidity. This enabled us to continue to return cash to shareholders, as evidenced by the dividend paid in December. The net impact of COVID-19 on our key financial measures can be summarised as follows:

- Reported revenue totalled €10.6 billion, down 11.5% on a reported basis and 11.0% on an fx-neutral basis.
- Volume decreased 9.5% on a reported basis. Comparable volume decreased 10.0% and revenue per unit case decreased 1.5%.
- Reported operating profit was €0.8 billion, down 47.5%. Comparable operating profit was €1.2 billion, down 29.0%.
- Reported diluted earnings per share were €1.09 or €1.80 on a comparable basis, down 28.5% on a comparable and fx-neutral basis.
- Net cash flows from operating activities were €1.5 billion. Full year free cash flow* was €0.9 billion.

* See Liquidity and capital management section for a reconciliation between net cash flows from operating activities and free cash flow.

## Operational review

Reported revenue declined by 11.5%, driven by a 10.0% comparable volume decline reflecting the impact of COVID-19. Revenue per unit case was down 1.5% on an fx-neutral basis with positive momentum in the first and third quarter, offset by the second and fourth quarter, reflecting the varying extent of restrictions during the year. Our cost of sales per unit case increased 2.5% on a comparable and fx-neutral basis, mainly driven by an under-recovery of our fixed costs given the lower volumes, combined with adverse mix. This was partially offset by a reduction in discretionary operating expenses and resulted in comparable operating profit of €1.2 billion, down 28.5% on a comparable and fx-neutral basis.

### Revenue

Revenue totalled €10.6 billion, down 11.5% versus prior year on a reported basis, and 11.0% on an fx-neutral basis. Revenue per unit case declined by 1.5% in 2020, on a comparable and fx-neutral basis.

| Revenue<br>In millions of €, except per case data which is calculated prior to rounding.<br>Fx impact calculated by recasting current year results at prior year rates. | Year ended | | |
|---|---|---|---|
| | 31 December 2020 | 31 December 2019 | % change |
| **As reported** | **10,606** | **12,017** | **(11.5)%** |
| Adjust: Total items impacting comparability | — | — | —% |
| **Comparable** | **10,606** | **12,017** | **(11.5)%** |
| Adjust: Impact of fx changes | 75 | n/a | (0.5)% |
| **Comparable and fx-neutral** | **10,681** | **12,017** | **(11.0)%** |
| **Revenue per unit case** | **4.69** | **4.77** | **(1.5)%** |

The decline in revenue per unit case reflected negative geographic, channel and package mix during the year driven by the impact of COVID-19 across our business. This was partly offset by revenue growth management initiatives, such as optimising our promotional efficiency, stock keeping unit (SKU) rationalisation, and the reallocation of field sales teams into the home channel. These initiatives also helped us to improve our value market share during the year, both in store and online.

# Business and financial review continued

| Revenue by geography | Year ended 31 December 2020 % of total | 31 December 2019 % of total | Revenue % change |
|---|---|---|---|
| Iberia (Spain, Portugal and Andorra) | 20.5% | 23.0% | (22.0)% |
| Germany | 21.5% | 20.5% | (6.5)% |
| Great Britain | 21.0% | 20.0% | (8.5)% |
| France (France and Monaco) | 16.0% | 16.0% | (10.0)% |
| Belgium/Luxembourg | 8.5% | 8.5% | (11.0)% |
| Netherlands | 5.0% | 5.0% | (12.0)% |
| Norway | 4.0% | 3.5% | (3.0)% |
| Sweden | 3.0% | 3.0% | (8.0)% |
| Iceland | 0.5% | 0.5% | (17.5)% |
| **Total** | **100.0%** | **100.0%** | **(11.5)%** |

On a territory basis in 2020, reported revenue in Iberia was down 22.0% versus 2019. This was mainly driven by a decrease in volume due to significant exposure to the away from home channel and lower tourism. Additionally, revenue per case growth was negatively impacted by channel mix given the closure of HoReCa outlets for a significant portion of the year in addition to negative package mix, including a 48% decrease in glass package volume.

Reported revenue in Germany was down 6.5% versus 2019. This was mainly driven by a decrease in volume due to away from home outlet closures, partially offset by additional Danish border trade business. Coca-Cola Zero Sugar and Monster grew volume, while ViO and Apollinaris declined in volume given the brands' exposure to away from home and immediate consumption. Additionally, revenue per case growth was driven by growth in cans, increased promotional efficiency in the home channel and favourable brand mix. This was partially offset by adverse channel mix and package mix given the overperformance of future consumption packages.

Reported revenue in Great Britain was down 8.5% versus 2019. Foreign exchange translation negatively impacted revenue growth by 1.0%. The additional decrease in revenue was mainly driven by a decrease in volume due to restrictive measures and outlet closures. Lower volume in the away from home channel was partially offset by home channel volume growth, both online and in store. Additionally, revenue per case growth was negatively impacted by the volume increase in the home channel and, in particular, the growth in future consumption packages, including growth of 5.0% in large PET and 23.0% in multi pack cans, alongside lower immediate consumption in both channels.

Reported revenue in France was down 10.0% versus 2019. This was mainly driven by a decrease in volume due to away from home outlet closures and lower volumes in hypermarkets reflecting lower foot traffic given government restrictions. However, the decline in volume was partly offset during the second half of the year when away from home outlets reopened and consumer mobility increased, aided by favourable weather. Additionally, revenue per case growth was negatively impacted by channel mix given away from home outlet closures and package mix due to lower immediate consumption, partially offset by lower promotions.

Reported revenue in the Northern European territories (Belgium, Luxembourg, the Netherlands, Norway, Sweden and Iceland) was down 9.5% versus 2019. Foreign exchange translation negatively impacted revenue growth by 1.5%. The additional decrease in revenue was mainly driven by negative away from home volumes reflecting outlet closures, partially offset by growth in the home channel led by Norway and the Netherlands. Additionally, revenue per case grew modestly due to positive country and brand mix, offset by adverse channel mix.

| Comparable volume – selling day shift<br>In millions of unit cases, prior period volume recast using current year selling days[A] | Year ended 31 December 2020 | 31 December 2019 | % change |
|---|---|---|---|
| **Volume** | **2,277** | **2,521** | **(9.5)%** |
| Impact of selling day shift | n/a | 8 | n/a |
| **Comparable volume – selling day shift adjusted** | **2,277** | **2,529** | **(10.0)%** |

(A) A unit case equals approximately 5.678 litres or 24 eight ounce servings, a typical volume measure used in our industry.

Volumes were down 9.5% on a reported and 10.0% on a comparable basis. The most significant impact was in the away from home channel where volumes declined by 27.5% for the year, which included a decline of 50% in the first half of the year. We experienced marked sequential improvement in volumes over the summer months, reflecting the easing of initial lockdown measures and favourable weather, but volumes were again negatively impacted during the fourth quarter due to renewed restrictions across our territories. Trading in the home channel was more stable throughout the year with full year volume growth of 1.5%, driven by our continued revenue growth management initiatives as well as the growth in the online channel. The resolution of a customer dispute also supported home volumes in the second half of the year, particularly in France and Germany. From a package perspective, on the go immediate consumption was negatively impacted across both channels with volumes down 24.5%. The volume of future consumption packs such as large PET and multi pack cans grew during the year, particularly in the home channel.



| Comparable volume by brand category<br>Adjusted for selling day shift | Year ended 31 December 2020 % of total | 31 December 2019 % of total | Volume % change |
|---|---|---|---|
| **Sparkling** | **88.5%** | **86.0%** | **(7.0)%** |
| Coca-Cola trademark | 66.0% | 63.5% | (6.5)% |
| Flavours, mixers and energy | 22.5% | 22.5% | (9.0)% |
| **Stills** | **11.5%** | **14.0%** | **(27.0)%** |
| Hydration | 6.5% | 8.5% | (34.0)% |
| RTD teas, RTD coffees, juices and other drinks | 5.0% | 5.5% | (17.0)% |
| **Total** | **100.0%** | **100.0%** | **(10.0)%** |

On a brand category basis in 2020, Coca-Cola trademark volume decreased by 6.5% versus 2019 reflecting the decline in immediate consumption due to COVID-19. Coca-Cola Classic was down 9.0%. Lights volumes decreased by 2.5%, driven by resilient performance of Coca-Cola Zero Sugar, up 2.0%.

Flavours, mixers and energy volume decreased by 9.0% versus 2019. This mainly reflects a 13.0% decline in Fanta driven by the impact of COVID-19 on the away from home channel. Energy volumes were up 13.0% reflecting growth in both channels. In particular, Monster volume increased by 15.5% driven by particularly strong growth in Monster multi packs, which increased 33.5%.

Hydration volume decreased by 34.0% versus 2019. This decline was indicative of the ongoing impact of COVID-19 and the exposure to immediate consumption across both channels. In particular, water was down 39.5% with lower volumes across all brands.

RTD teas, RTD coffees, juices and other drinks volume decreased by 17.0% versus 2019. Fuze tea volume decreased by 13.0% and juice drinks were down 16.5% due to exposure to on the go occasions. Costa Coffee RTD distribution increased in Great Britain, resulting in 72.0% volume growth following the initial launch in June 2019. Tropico volumes were up 7.0% driven by solid performance in France. In December, we also launched Topo Chico Hard Seltzer in three flavours in Great Britain and the Netherlands. Although initial volumes are small, we plan to increase distribution in 2021.

## Cost of sales

Reported cost of sales was €6.9 billion, down 7.5%. Comparable cost of sales was €6.8 billion, down 8.5% on a comparable basis and 7.5% on a comparable and fx-neutral basis. Cost of sales per unit case increased by 2.5% on a comparable and fx-neutral basis. This reflects the impact of the under-recovery of fixed manufacturing costs given lower volumes and adverse mix due to higher demand for cans, offset by the decline in revenue per unit case driving lower concentrate costs.

| Cost of sales<br>In millions of €, except per case data which is calculated prior to rounding.<br>Fx impact calculated by recasting current year results at prior year rates. | Year ended 31 December 2020 | 31 December 2019 | % change |
|---|---|---|---|
| **As reported** | **6,871** | **7,424** | **(7.5)%** |
| Adjust: Total items impacting comparability[A] | (62) | (1) | (1.0)% |
| **Comparable** | **6,809** | **7,423** | **(8.5)%** |
| Adjust: Impact of fx changes | 54 | n/a | (1.0)% |
| **Comparable and fx-neutral** | **6,863** | **7,423** | **(7.5)%** |
| **Cost of sales per unit case** | **3.01** | **2.94** | **2.5%** |

(A) See Supplementary financial information – Income Statement.

## Operating expenses

Reported operating expenses were €2.9 billion, down 4.0%, or €123 million. This includes restructuring charges totalling €368 million, which include €202 million related to Accelerate Competitiveness proposals announced in October 2020.

Comparable operating expenses were €2.6 billion, down 11.0%, or €315 million, on a comparable basis and 10.0% on a comparable and fx-neutral basis. Lower volumes resulted in a reduction of variable expenses, such as logistics costs. Operating expenses also reduced versus prior year due to a reduction in discretionary spend of approximately €260 million, mainly in trade marketing expenses, seasonal labour, incentives, travel and meetings, and other services. This reduction in operating expenses was partly offset by one-off costs such as bad debts, inventory write offs and personal protective equipment, as well as by our continued investments for the future in areas such as our digital capabilities.

# Business and financial review continued

| Operating expenses<br>In millions of €. Fx impact calculated by recasting current year results at prior year rates. | Year ended<br>31 December 2020 | 31 December 2019 | % change |
|---|---|---|---|
| **As reported** | **2,922** | **3,045** | **(4.0)%** |
| Adjust: Total items impacting comparability[A] | (319) | (127) | (7.0)% |
| **Comparable** | **2,603** | **2,918** | **(11.0)%** |
| Adjust: Impact of fx changes | 16 | n/a | (1.0)% |
| **Comparable and fx-neutral** | **2,619** | **2,918** | **(10.0)%** |

(A) See Supplementary financial information – Income Statement.

## Restructuring

During 2020, we recognised restructuring charges of €368 million. These charges were principally related to Accelerate Competitiveness, site closures in Germany in January 2020 and the transformation of our cold drink operations.

Accelerate Competitiveness relates to initiatives across Europe aimed at improving productivity through the use of technology enabled solutions. Included in these proposals were the closure of certain production facilities in Germany and Iberia. These proposals continue the focus on network optimisation and site rationalisation of the Group. The proposals are also expected to impact a number of functions across the Group, including business process technology, customer service, sales and marketing and finance, as the Group seeks to reduce complexity and increase the use of technology. Charges in the year include €202 million related to severance and accelerated depreciation.

Site closures in Germany relate to the closure of five distribution centres during the course of 2020 and a commercial restructuring initiative relating to vending operations and sales functions. Charges in the year include €78 million related to severance and accelerated depreciation.

## Effective tax rate

The effective tax rate was 28% and 25% for the years ended 31 December 2020 and 31 December 2019, respectively.

The increase in the effective tax rate to 28% from 2019 is largely due to the remeasurement of deferred tax positions following tax rate changes in the UK and the Netherlands, offset by changes in profit mix and the impact of lower corporate income tax rates in France and Belgium.

The comparable effective tax rate was 24% and 25% for the years ended 31 December 2020 and 31 December 2019, respectively.

## Return on invested capital

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. For the year ended 31 December 2020, ROIC decreased by 270 basis points, to 7.6%, versus 2019, reflecting the decline in comparable operating profit, more than offsetting the reduction in our borrowings less cash and cash equivalents and the impact of our announced dividend paid per share.

| ROIC<br>In millions of € | Year ended<br>31 December 2020 | 31 December 2019 |
|---|---|---|
| **Comparable operating profit[A]** | **1,194** | **1,676** |
| Taxes[B] | (286) | (421) |
| **Comparable operating profit after tax** | **908** | **1,255** |
| Opening borrowings less cash and cash equivalents | 6,105 | 5,631 |
| Opening equity | 6,156 | 6,564 |
| **Opening invested capital** | **12,261** | **12,195** |
| Closing borrowings less cash and cash equivalents | 5,664 | 6,105 |
| Closing equity | 6,025 | 6,156 |
| **Closing invested capital** | **11,689** | **12,261** |
| **Average invested capital** | **11,975** | **12,228** |
| **ROIC** | **7.6%** | **10.3%** |

(A) Reconciliation from reported operating profit to comparable operating profit is included in the Supplementary financial information – Income Statement.
(B) Tax rate used is the comparable effective tax rate for the year (2020: 23.9%; 2019: 25.1%).



# Liquidity and capital management

## Liquidity

Liquidity risk is actively managed to ensure we have sufficient funds to satisfy our commitments as they fall due. Our sources of capital include, but are not limited to, cash flows from operating activities, public and private issuances of debt securities and bank borrowings. We believe our operating cash flow, cash on hand and available short-term and long-term capital resources are sufficient to fund our working capital requirements, scheduled borrowing payments, interest payments, capital expenditures, benefit plan contributions, income tax obligations and dividends to shareholders. Counterparties and instruments used to hold cash and cash equivalents are continuously assessed, with a focus on preservation of capital and liquidity.

The Group has amounts available for borrowing under a €1.5 billion multi currency credit facility with a syndicate of 10 banks. This credit facility matures in 2025 and is for general corporate purposes and supporting the Group's working capital needs. Based on information currently available, there is no indication that the financial institutions participating in this facility would be unable to fulfil their commitments to the Group as at the date of this report. The Group's current credit facility contains no financial covenants that would impact its liquidity or access to capital. As at 31 December 2020, the Group had no amounts drawn under this credit facility.

Net cash flows from operating activities were €1,490 million in 2020, a decrease of 22.0%, or €414 million, from €1,904 million in 2019, reflecting the impact of COVID-19. These cash flows were primarily generated from our operations and included restructuring cash outflows of €205 million.

We continue to invest in our capital expenditure programmes, although due to the impact of COVID-19, 2020 capital expenditure was reduced by approximately a third by deferring non-critical projects. Our 2020 capital spend on property, plant and equipment and capitalised software as part of our business capability programme was €408 million, compared to €602 million in 2019.

Free cash flow generation for the year was strong, totalling €924 million, a slight reduction relative to our 2019 total of €1,099 million. Despite the impact of COVID-19 on net cash flows from operating activities, we were able to mitigate the impact on free cash flow through improved working capital and disciplined capital expenditures.

| Free cash flow<br>In millions of € | Year ended<br>31 December 2020 | 31 December 2019 |
|---|---|---|
| **Net cash flows from operating activities** | **1,490** | **1,904** |
| Less: Purchases of property, plant and equipment | (348) | (506) |
| Less: Purchases of capitalised software | (60) | (96) |
| Less: Interest paid, net | (91) | (86) |
| Add: Proceeds from sales of property, plant and equipment | 49 | 11 |
| Less: Payments of principal on lease obligations | (116) | (128) |
| **Free cash flow** | **924** | **1,099** |

In 2020, total borrowings increased by €766 million. This was driven by new issue proceeds of €1.6 billion, enhancing the liquidity position to face the significant uncertainty created by COVID-19. This consists of the issuance of €600 million 1.75% notes due in 2026, €250 million 1.5% notes due in 2027 and €750 million 0.2% notes due in 2028, partially offset by payments in the period of €910 million, consisting mainly of €470 million related to repaying in full $525 million notes due during the year, and early payments of €52 million on the 3.25% $250 million notes due in 2021 and €47 million on the $300 million notes due in 2021, in addition to net repayments of short-term borrowings of €221 million.

## Capital management

The primary objective of our capital management strategy is to ensure strong ratings and to maintain appropriate capital ratios to support our business and maximise shareholder value. Our credit ratings are periodically reviewed by rating agencies. We regularly assess debt and equity capital levels against our stated policy for capital structure. Our capital structure is managed and, as appropriate, adjusted in light of changes in economic conditions and our financial policy.

| Net debt<br>In millions of € | As at<br>31 December 2020 | 31 December 2019 |
|---|---|---|
| Total borrowings | 7,187 | 6,421 |
| Add: fx impact of non-euro borrowings | 36 | 6 |
| **Adjusted total borrowings** | **7,223** | **6,427** |
| Less: cash and cash equivalents | (1,523) | (316) |
| **Net debt** | **5,700** | **6,111** |

| Credit ratings<br>As of 11 March 2021 | Moody's | Standard & Poor's |
|---|---|---|
| Long-term rating | A3 | BBB+ |
| Outlook | Stable | Stable |

Note: Rating outlooks were updated to reflect the proposed acquisition of Coca-Cola Amatil Limited. Our credit ratings can be materially influenced by a number of factors including, but not limited to, acquisitions, investment decisions and working capital management activities of TCCC and/or changes in the credit rating of TCCC. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

# Business and financial review continued

The ratio of net debt to adjusted EBITDA is used by investors, analysts and credit rating agencies to analyse our operating performance in the context of targeted financial leverage, and so we provide a reconciliation of this measure. Net debt enables investors to see the economic effect of total borrowings, related foreign exchange impact and cash and cash equivalents in total. Adjusted EBITDA is calculated as EBITDA after adding back items impacting the comparability of year over year financial performance.

Adjusted EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments. Further, adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs and, although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised are likely to be replaced in the future and adjusted EBITDA does not reflect cash requirements for such replacements.

## Net debt to adjusted EBITDA

| Adjusted EBITDA<br>In millions of € | Year ended<br>31 December 2020 | <br>31 December 2019 |
|---|---|---|
| **Reported profit after tax** | **498** | **1,090** |
| Taxes | 197 | 364 |
| Finance costs, net | 111 | 96 |
| Non-operating items | 7 | (2) |
| **Reported operating profit** | **813** | **1,548** |
| Depreciation and amortisation | 727 | 639 |
| **Reported EBITDA** | **1,540** | **2,187** |
| **Items impacting comparability:** | | |
| Mark-to-market effects[(A)] | 2 | (2) |
| Restructuring charges[(B)] | 247 | 92 |
| **Adjusted EBITDA** | **1,789** | **2,277** |
| **Net debt to EBITDA** | **3.70** | **2.79** |
| **Net debt to adjusted EBITDA** | **3.19** | **2.68** |

(A) Amounts represent the net out of period mark-to-market impact of non-designated commodity hedges.
(B) Amounts represent restructuring charges related to business transformation activities, excluding accelerated depreciation included in the depreciation and amortisation line.

Adjusted EBITDA has fallen in 2020 relative to 2019 by €488 million, primarily driven by reported profit after tax, which has fallen by €592 million, which in turn was driven by the impact of COVID-19 on the away from home channel.

## Dividends

In line with our commitments to deliver long-term value to shareholders, we paid a full year dividend of €0.85 per share in December, maintaining a payout ratio of approximately 50% in line with our dividend policy. For the year ended 31 December 2020, dividend payments totalled €386 million (2019: €574 million).

## Share buyback

During the first quarter of 2020, we returned approximately €130 million to shareholders, in connection with the €1 billion share buyback programme announced in February 2020. On 23 March 2020, in response to COVID-19, the Board took the decision to suspend the share buyback programme. No further Shares have been purchased under this programme in the period through to 31 December 2020.

## Proposed acquisition of Coca-Cola Amatil Limited

In connection with the proposed acquisition of CCL, the Group has arranged a term loan facility of up to €4.4 billion with a syndicate of 13 banks. This term loan facility matures in December 2021, with options to extend to December 2022, and can only be used to effect the proposed acquisition. The facility was undrawn at 31 December 2020.

Subject to the remaining conditions of the acquisition being satisfied, CCEP is currently expecting to pay cash consideration of between A$7.4bn and A$9.0bn to CCL shareholders, depending on the election to acquire TCCC's remaining 20% shareholding in CCL. CCEP intends to fund the proposed acquisition through a combination of new external borrowings and existing cash and hence our net debt will be impacted. We do not expect this change in the net debt to have a material negative impact on our liquidity or capital resources going forward. In addition, following completion of the acquisition CCEP will be exposed to greater currency exchange risk. Refer to Note 1 of the consolidated financial statements for further information.



# Supplementary financial information – Income Statement

The following provides a summary reconciliation of CCEP's reported and comparable results for the full years ended 31 December 2020 and 31 December 2019:

| Full year 2020<br>Unaudited, in millions of € except per share data which is calculated prior to rounding | As reported<br>CCEP | Items impacting comparability<br>Mark-to-market effects[(A)] | <br>Restructuring charges[(B)] | <br>Acquisition related costs[(C)] | <br>Net tax items[(D)] | Comparable<br>CCEP |
|---|---|---|---|---|---|---|
| Revenue | 10,606 | — | — | — | — | 10,606 |
| Cost of sales | 6,871 | — | (62) | — | — | 6,809 |
| **Gross profit** | **3,735** | **—** | **62** | **—** | **—** | **3,797** |
| Operating expenses | 2,922 | (2) | (306) | (11) | — | 2,603 |
| **Operating profit** | **813** | **2** | **368** | **11** | **—** | **1,194** |
| Total finance costs, net | 111 | — | — | (3) | — | 108 |
| Non-operating items | 7 | — | — | — | — | 7 |
| **Profit before taxes** | **695** | **2** | **368** | **14** | **—** | **1,079** |
| Taxes | 197 | — | 103 | 3 | (45) | 258 |
| **Profit after taxes** | **498** | **2** | **265** | **11** | **45** | **821** |
| **Diluted earnings per share (€)** | **1.09** | **—** | **0.58** | **0.03** | **0.10** | **1.80** |
| | | | | | **Diluted weighted average Shares outstanding** | **456** |

| Full year 2019<br>Unaudited, in millions of € except per share data which is calculated prior to rounding | As reported<br>CCEP | Items impacting comparability<br>Mark-to-market effects[(A)] | <br>Restructuring charges[(B)] | <br>Net tax items[(D)] | Comparable<br>CCEP |
|---|---|---|---|---|---|
| Revenue | 12,017 | — | — | | 12,017 |
| Cost of sales | 7,424 | (1) | — | | 7,423 |
| **Gross profit** | **4,593** | **1** | **—** | **—** | **4,594** |
| Operating expenses | 3,045 | 3 | (130) | — | 2,918 |
| **Operating profit** | **1,548** | **(2)** | **130** | **—** | **1,676** |
| Total finance costs, net | 96 | — | — | — | 96 |
| Non-operating items | (2) | — | — | — | (2) |
| **Profit before taxes** | **1,454** | **(2)** | **130** | **—** | **1,582** |
| Taxes | 364 | (1) | 36 | (2) | 397 |
| **Profit after taxes** | **1,090** | **(1)** | **94** | **2** | **1,185** |
| **Diluted earnings per share (€)** | **2.32** | **—** | **0.21** | **—** | **2.53** |
| | | | | **Diluted weighted average Shares outstanding** | **469** |

(A) Amounts represent the net out of period mark-to-market impact of non-designated commodity hedges.
(B) During the full year 2020, we recognised restructuring charges totalling €368 million, which include €202 million related to Accelerate Competitiveness proposals announced in October 2020. These proposals are aimed at reshaping CCEP using technology enabled solutions to improve productivity and include the closure of certain production sites in Germany and Iberia.
(C) Amounts represent costs associated with the proposed acquisition of CCL.
(D) Amounts include the deferred tax impact related to income tax rate and law changes.

The Company's Strategic Report is set out on pages 2–61. The Strategic Report was approved by the Board on 12 March 2021 and signed on its behalf by

**Damian Gammell,** Chief Executive Officer