BEING A GOOD BUSINESS - OUR APPROACH TO TAX

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

The way we organise our operations and monitor our Tax Strategy supports this ambition.

The Four Principles of our Tax Strategy

- **Our Approach to Tax**: We comply with tax laws in a responsible manner and align our Tax Strategy with our business strategy.
- **Tax Governance**: We apply diligent professional care and judgment to ensure all decisions are well-considered and documented.
- **Tax Transparency**: We value open and constructive relationships with tax authorities and support efforts to increase public trust in tax systems.
- **Our Tax Contribution**: We believe that the taxes we pay have a positive impact in the communities where we operate and engage in initiatives to simplify and improve tax regimes to encourage investment and economic growth.

Our Tax Strategy is intended to provide our stakeholders with answers to the following questions:

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

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

Our Approach to Tax

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

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

In practice:	**Our business is very local. In most of the countries where we operate, more than 95% of the products we sell to our customers are manufactured in the same country. Our tax exposure on transfer pricing related to the finished products' transactions is therefore relatively low compared to other organisations with more global business models.** **Our comparable Effective Tax Rate (ETR) in 2016 was 25% and reflects the natural blend of the statutory tax rates and the alignment of our Tax Strategy and our business model within the various countries where we operate (i.e., in 2016 our most significant countries were subject to the following statutory rates: Great Britain 20%, France 34%, Germany 30%, Belgium 34%, Spain 25%, The Netherlands 25%, Norway 25%, and Sweden 22%). We expect that our recurring ETR will be relatively stable mid-term, unless major changes impact our structure, our business model or our territories.**

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

In practice:	**When concluding on the tax treatment of a particular transaction, we would not undertake it unless it successfully meets the following criteria:** **Our recommendation is based on strong technical tax positions;** • **When necessary and if there may be an ambiguity in interpreting the applicable tax provisions, we may draft a position paper for our files explaining those positions;** • **All position papers would clearly assess and document the facts** **In addition, when addressing tax risk, the following factors are considered;** • **What is the impact of our tax position on corporate reputation/brand?** • **What is the impact of our tax position on relationships with governments?** • **What would be the benefit of certainty in respect of uncertain or disputed tax position?**

We recognise that tax is complex. If there are uncertainties when applying a particular area of the tax code in a territory, we always work to interpret the obligations in a responsible way.

We do not engage or become involved in artificial tax arrangements. The artificiality of a tax treatment is tested by our tax team against the existence of commercial purpose and/or economic substance. For example, no value or income would be allocated to an entity of the group if there is no economic substance in such entity nor any functional analysis evidencing why such value or income was allocated to such entity. When performing tax services on behalf of CCEP, we instruct any external organisations to comply with these principles, under the supervision of the tax team. As tax laws are not always clear, getting this right requires careful judgment and we recognise that the tax authorities in the territories in which we operate may not always agree with some of the judgments we make.

In practice:	**If a significant transaction that may occur or has occurred may give rise to different interpretations, we generally tend to proactively disclose such transactions to the relevant tax authorities in the form of an official request for interpretation or a disclosure in our annual tax return. For example, when the legislation changed in Sweden limiting intercompany interest deductions, we disclosed the amount of our intercompany debt and the business reasons driving the implementation of such debt in our tax return.**

Tax Governance

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

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

In practice:	**For example, we share our approach to some of the main drivers to our effective tax rate with the Audit Committee, in order for the Committee to have a full understanding of factors which are controllable (e.g., the amount repatriated to our headquarters), able to be influenced (e.g., industry tax reforms to foster investments) or not controllable (e.g., worldwide economy, major tax reforms) and which strongly influence our effective tax rate. The Audit Committee of the Board of Directors has reviewed and approved our Tax Strategy paper.**

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

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

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CCEP has a strong internal control structure in place and tax is one of the processes that is subject to the CCEP controls framework, which goes beyond the minimum requirements of UK legislation. We also have a risk management process, managed and controlled by our Enterprise Management Team to which we report our main risks framework.

In practice:	**CCEP follows Sarbanes-Oxley 404 (SOX) requirements with our major income tax and indirect tax processes and controls outlined in detailed process flows. All internal documents and reports are reviewed annually by CCEP's Internal Controls. The tax related controls are independently tested by Internal Audit. At each quarter, tax charge and provisioning decisions are discussed internally between the CCEP accounting and tax teams.** **Such decisions are also disclosed on a quarterly basis to the CCEP statutory auditors to ensure that all transactions are adequately translated into the actual tax charge or tax returns. The tax team collects details of all exposures and provisions on a quarterly basis with an approval process for any new provisions or changes to existing provisions. In quarterly calls, all countries confirm that they have met all their statutory tax obligations, that their controls are operating effectively and that all tax positions are in compliance with our Tax Principles.**

CCEP provides training and supports all members of the tax team to ensure the team has the skills, knowledge and technical expertise to fulfil their responsibilities and perform to the best of their abilities. This enables our people to develop into talented, mindful and skilled professionals, as we want to attract, retain and grow the best tax professionals and rely on in-house resources rather than extensive reliance on external advisors.

In practice:	**The CCEP Tax Leadership team's annual objectives are aligned with the CCEP leadership sets of objectives and requires that all tax team members develop an Individual Personal Development Plan.** **All tax team members also grow "on the job" by sharing best practices, risk management processes and accounting policies in an all hands bi-weekly meeting. The tax team includes qualified tax professionals who are members of independent professional institutes, each personally subject to rigorous ethical and technical standards.**

Tax Transparency

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

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

In all jurisdictions in which CCEP operates, we want to establish an open and transparent dialogue with the local tax authority and provide, where it is both relevant and reasonable, the information that is required (subject to confidentiality agreements). Wherever possible, we work in collaboration with local tax authorities to reach agreements, such as transfer pricing agreements, find the correct interpretation of the law, and discuss any disputed issues.

In practice:	**In the UK and in the Netherlands, for example, we have an enhanced working relationship with our Customer Relationship Manager ("CRM"), with whom we have a regular open dialogue and meet in person at least once a year. We promote open transparent working relationships with our CRM and early engagement in advance of undertaking transactions and filing tax returns. This constructive cooperation with the tax authorities results in transparency as well as faster and greater clarity on our tax positions and ensures working as much as possible in real time.** **We have the same approach vis-à-vis countries which do not have a formal "enhanced partnership" process or approach with the taxpayer. This open approach is aligned with our goal of achieving certainty over tax positions.**

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We are always looking to build public trust in CCEP's tax dealings. We feel that this is best achieved by informing the public of our approaches to tax, and by increasing the public's understanding of the tax system. Our publicly available Stakeholder Progress Report 2016 details our economic contributions and taxes paid in the jurisdictions in which we operate. We also provide extensive information on the taxes we pay in our annual reports.

In practice:	**The tax disclosures in our annual report (see pages 96-100 and Note 19 on pages 134-137 of the CCEP 2016 Financial Statements) summarise in aggregate the significant components of corporate income tax expense for the periods presented. The taxes note (see Note 19 on pages 134-137 of the CCEP 2016 Financial Statements) summarise, in aggregate, the significant components of corporate income tax expense) also includes a reconciliation of our income tax expense at the statutory UK federal tax rate to our actual income tax expense, highlighting the impact of tax rates which differ from the UK rate, and significant country specific items where material.**

We actively support and work in collaboration with the Organisation for Economic Co-operation and Development (OECD) on the Base Erosion and Profit Shifting (BEPS) project. CCEP understands the need for more transparency and a mutual understanding of new business models, but supports the enforcement of some international tax reform in a coherent and coordinated way, enabling a level playing field and reducing the risk of paying tax twice on the same income.

In practice:	**At the 2017 Ministerial Bureau Consultation with BIAC and TUAC on 27th April 2017 in Copenhagen, Denmark, Karine Uzan-Mercie, Vice Chair of the BIAC Tax Committee, CCEP Vice President Tax & Strategic Corporate Initiatives, indicated BIAC's strong support for OECD work on tax competition and global standards, provided global standards can be fairly and consistently applied and translated locally. While the OECD G20 project on Base Erosion and Profit Shifting has provided a very constructive dialogue, the absence of harmonised standards would be counterproductive for investment and growth. OECD must keep the leadership role on this vital work, and we recommended three areas in which OECD and the business community should cooperate to ensure clear, consistent implementation. These are the Inclusive Framework, where the business community is engaging in work on capacity building to understand business models, and seeking to accelerate this capacity building; the signing of the BEPS multilateral instrument; and finally, work to develop cooperative compliance approaches for tax certainty, as stable revenue streams are important for governments while visibility and security are important for business.**

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Tax Contribution

We believe the taxes we pay have a positive impact in the communities where we operate and engage in initiatives to simplify and improve tax regimes to encourage investment and economic growth.

The taxes that we pay play a key role in the economies of the countries in which we operate. We pay corporate income taxes, real estate taxes, production taxes, stamp duties, employment and taxes in many other forms. In addition, we collect and pay employee taxes as well as indirect taxes, such as excise duties and VAT. We are proud of our contribution to the local communities in which we operate.

We have established strong fundamentals for how we hold ourselves accountable to the outside world. We are a global brand but a local business, and we are proud to contribute to our local communities. We comply with all local tax laws, and we know how important our taxes are in positively benefiting the local economies where our business is based. In 2016, we paid €946 million in taxes across all of the territories in which we operate but our local economic impact goes beyond that. In 2016, we invested over €407 million in our facilities, improving our operating infrastructure and supporting thousands of local jobs and we spent €6.6 million supporting local community activities.

In practice:

We pay a significant amount of tax throughout our territories. In 2018, when we will get comparable data, we will provide a Country-by-Country reporting, which will break down the taxes we pay by territory. We intend to go beyond our legal requirements by doing so for all taxes and not for corporate income tax only.

Tax category	Net Tax Paid (EUR m)
Corporate Income Taxes	187.9
Transaction Taxes	1.3
VAT & Commodities Taxes	5.8
Employer Paid Payroll Taxes	271.2
Property Taxes	21.9
Ecology Taxes	121.7
Excise Taxes	315.1
Other Taxes	21.2
Total Taxes Paid	**946.1**

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

In practice:

Many countries in Europe, in territories in which CCEP operates, are evaluating the implementation of, or increase in, behavioural taxes. For example, Belgium and the Netherlands have increased the excise tax on certain of CCEP's products in 2016, Catalonia introduced a sugar tax in 2017 and the UK will introduce a levy on soft drinks, based on sugar content, with effect from April 2018. We agree that obesity rates are currently too high, but we do not agree that a tax on the sugar in soft drinks is the right approach. There is no evidence anywhere in the world to suggest that such taxes reduce obesity levels. We remain focused on working on other means to make a positive difference to people's sugar and calorie intake. We have reformulated the contents of many of our drinks to reduce their sugar content, introduced smaller packs and increased our marketing spend on no-sugar options, as well as ensuring we provide the information people need on our products to make the right choices for themselves and their families.

We understand that tax evasion is a concern for all parties, and believe it is the right time to brainstorm together with governments and institutions on global Pro-Growth Tax Policies. We also strongly advocate for harmonised incentive regimes throughout the world. We also strongly back calls for globally consistent tax incentive schemes. Tax incentives and exemptions are often implemented by governments and authorities to support investment, employment and economic development. We do not currently benefit from any form of significant incentive scheme but, if there is an opportunity to do so and if the scheme existed in a transparent and open process, CCEP would be open to applying them in the manner intended.

Note

CCEP plc regards this publication as complying with the duty to publish our Tax Strategy in respect of UK taxation under Schedule 19 of the UK Finance Act 2016.

Related links

Financial Statements
Stakeholder Progress Report 2016