

## Directors' Remuneration Report Statement from the Remuneration Committee Chairman



Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for Coca-Cola European Partners plc (Group) for the year ended 31 December 2016. This is our first report, following completion of the merger which established the Group in May 2016.

The report is split into two parts:

- Remuneration Policy Report (the Policy) - This section contains details of the Policy which will govern future remuneration payments to Directors at CCEP. This Policy will be subject to a binding shareholder vote at our 2017 AGM.
- Annual Report on Remuneration - This section contains details on how our remuneration arrangements were operated from formation of the Group up until the end of 2016, and how they are intended to operate in 2017. The resolution on the Annual Report on Remuneration will be subject to an advisory shareholder vote at our 2017 AGM.

### **Business context**

As highlighted when we listed and in our Strategic Report, our core financial objectives are focused on driving shareholder value through long-term, profitable growth while maintaining an efficient and optimal capital structure. Through disciplined investment and a continued focus on free cash flow growth, CCEP targets low single-digit revenue growth, mid-single-digit Operating Profit growth, mid-to-high single-digit diluted earnings per share growth, and an increase in return on invested capital (ROIC) of 20 basis points or more annually over the long term.

These performance measures and objectives are reflected in our remuneration arrangements.

The successful implementation of our near term and long-term strategy requires a strong and stable management team and succession plan.

John Brock retired on 28 December 2016 and was succeeded by Damian Gammell. Damian was previously the Chief Operating Officer (COO) of CCE.

### **Approach to Remuneration Policy**

Following the Merger, the Remuneration Committee has spent considerable time focusing on how remuneration should be structured going forward. Each of the three legacy businesses that merged to form the Group had a differing remuneration ethos and differing pay principles. It was decided to align much of the approach immediately, with a recognition that further alignment will become possible over time. This resulted in the development of a new policy which the Remuneration Committee concluded should be based on the following key principles:

- The remuneration should incentivise delivery of the business strategy;
- The policy should be simple, transparent, and aligned between participants and shareholders;
- A consistent policy should operate across the management team, with the remuneration arrangements of the three legacy companies being harmonised where possible;
- Remuneration levels for Executive Directors should be in line with large international UK companies, while recognising the influence that our history and our links to the Coca-Cola system have had on remuneration levels for our senior team;
- Variable remuneration should be performance related against stretching targets;

- The policy should enable the recruitment and transfer of employees on the open market and within the Coca-Cola system; and
- The policy should be able to be cascaded through the organisation in order to foster the development of talent and succession.

### **Determination of the new CEO's remuneration**

In considering the remuneration arrangements for Damian Gammell, the Remuneration Committee was mindful of striking an appropriate balance between different factors, including the current market sentiment on executive remuneration and Damian's package as COO, itself influenced by CCE's US heritage and the Coca-Cola system. The new structure of base salary, annual bonus and long-term incentives is more aligned than the prior CCE model with the creation of shareholder value. The mix also reduces the quantum of long-term incentives versus the prior CCE model, bringing the Company more in line with UK and European practice. Recognising and addressing the immediate and substantive task around integration gives stronger alignment with existing and new shareholder expectations.

The CEO's remuneration, summarised below, has been determined according to our remuneration principles outlined above.

#### *Base salary*

- Set at competitive level and reflecting individual skills, experience and performance.
- Damian Gammell's base salary has been set at £1,100,000.
- While not driven by benchmarking, FTSE 30-50, EU FMCG and Coca-Cola system comparators were used to test reasonableness.

#### *Annual bonus*

- Primarily based on financial performance with an individual performance modifier.
- Target bonus: 150% of base salary.
- Maximum bonus: 360% of base salary.
- For 2017, the financial measures will be Operating Profit (50%), Revenue (30%) and Free Cash Flow (20%). These measures have been chosen as they are in line with our core objectives stated earlier on pages 10 to 11 and in our Strategic Report. Given the focus on profitable growth and synergies, Operating Profit has been given the larger weighting.
- For 2017, no annual bonus will be paid in the event that the Group fails to deliver an Operating Profit in excess of that delivered in the prior year.
- Individual performance measures will reflect broader company goals including sustainability, diversity and safety.
- Performance targets will be fully disclosed retrospectively (unless commercially sensitive).

#### *Long-term incentive*

- A single long-term incentive plan based on performance assessed over a three year performance period.
- Target LTIP award: 250% of base salary.
- Maximum LTIP award: 500% of base salary. Whilst high in the context of UK practice, this represents a substantive reduction versus the previous CCE CEO package.
- For the 2017 LTIP award, the financial measures will be EPS (50%) and ROIC (50%). EPS and ROIC are our long term strategic targets to drive shareholder value. Stretching targets have been set for each measure (see page 71).
- Total Shareholder Return TSR was considered, but given the absence of a sufficient number of close comparators, it was considered that EPS and ROIC, together with a new share ownership requirement (see below), would better serve to align CEO and shareholder interests.

#### *Malus and clawback*

- Comprehensive malus and clawback provisions on all elements of variable pay.

#### *Pension*

- Eligible to participate in the same defined contribution pension plan (or cash alternative) as that offered to other UK employees and on the same basis. Currently, the Company's maximum contribution per employer to such arrangements is capped at £30k p.a.

#### *Share ownership guideline*

- To provide further alignment with shareholders, the CEO is required to hold shares equivalent to 300% of his base salary, including for a period of one year after cessation of employment. The Remuneration Committee would encourage continued shareholding under these guidelines for a period of one year following termination of employment.

### **Outcomes for 2016**

During the year, despite a challenging environment, CCEP delivered operating profit growth of 5 percent on a pro forma comparable basis. The integration is well underway and we are well positioned to deliver on our objectives for 2017. This performance has been reflected in the annual bonus outcomes, which are outlined on page 74.

As mentioned earlier, John Brock retired on 28 December 2016. Details of his arrangements, which are in line with his contractual entitlements and the rules of the applicable share plans, are stated in the Annual Remuneration Report.

### **2017 AGM and shareholder engagement**

In early 2017, the Remuneration Committee consulted with shareholder representative bodies on our new remuneration structure. We welcomed the constructive feedback provided through the consultation process and this was taken on board in our final proposals.

We value all feedback from shareholders and intend to engage with shareholders on a regular basis.

I very much hope you will support our proposed Remuneration Policy and our Annual Report on Remuneration at our forthcoming AGM. I will be available at the meeting to answer any questions about the work of the Remuneration Committee.

**Christine Cross**  
**Chairman of the Remuneration Committee**

**11 April 2017**

## Directors' Remuneration Report

### Remuneration Policy Report

The following sections set out our Remuneration Policy Report (the Policy). This Policy will be put forward for shareholder approval at the 2017 AGM. Subject to shareholder approval, the Policy will take effect from the 2017 AGM and it is anticipated that the Policy will remain in place for three years.

The Policy will be disclosed on the Company's website ([www.ccep.com](http://www.ccep.com)) following the 2017 AGM.

#### Policy table for Executive Directors

The table below summarises each element of the Policy for Executive Directors, with further details set out after the table. Currently, the CEO is the only Executive Director in the Company.

##### Base salary

Purpose and link to strategy	<ul style="list-style-type: none"> <li>Core element of remuneration used to provide competitive level of fixed salary for Executive Directors of the calibre required for the long term success of the business.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>Paid in cash and pensionable.</li> <li>Typically reviewed annually.</li> <li>In reviewing salaries, consideration is given to a number of internal and external factors including business and individual performance, role, responsibilities, scope, market positioning, rate relative to other internal pay bands to ensure succession pay headroom, inflation and colleague pay increases.</li> </ul>
Opportunity	<ul style="list-style-type: none"> <li>While there is no prescribed formulaic maximum, annual increases will normally take into account the overall business performance and the level of increase awarded to the general relevant workforce.</li> <li>Where the Remuneration Committee considers it necessary and appropriate, larger increases may be awarded in individual circumstances, such as a change in scope or responsibility or where a new Executive Director is appointed at a lower than market rate and the salary is realigned over time as the individual gains experience in the role. Salary adjustments may also reflect wider market conditions in the geography in which the individual operates.</li> </ul>
Performance conditions	<ul style="list-style-type: none"> <li>None, although individual performance will be taken into account when determining the appropriateness of base salary increases, if any.</li> </ul>

##### Benefits

Purpose and link to strategy	<ul style="list-style-type: none"> <li>Competitive and market-aligned benefits for Executive Directors of the calibre required.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>A range of benefits may be provided, including, but not limited to, the provision of a company car or car allowance, the use of a driver, financial planning and tax advice, private medical insurance, medical check-ups, personal life and accident assurance and long-term disability insurance. Other benefits may be provided if considered appropriate to remain in line with market practice.</li> <li>Expenses incurred in the performance of executive duties (including occasional expenses associated with spouse accompanying the Executive Director on business travel or functions as required) for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the benefits.</li> <li>The Company may also meet certain mobility costs, such as relocation support, housing and education allowances and tax equalisation payments.</li> <li>Directors are eligible to participate in all employee share plans on the same basis as other employees.</li> </ul>
Opportunity	<ul style="list-style-type: none"> <li>The value of benefits provided will be reasonable in the context of relevant market practice for comparable roles and taking into account any individual circumstances (e.g. relocation). It is not possible to state a maximum for all benefits as some will depend on individual circumstances (e.g. private medical insurance) and some may depend on family circumstances (e.g. relocation / housing / schooling allowances).</li> <li>The Remuneration Committee keeps the level of benefit provision under review.</li> <li>Participation in all employee share plans on the same basis as other employees up to the statutory limits.</li> </ul>
Performance conditions	<ul style="list-style-type: none"> <li>None.</li> </ul>

##### Pension

Purpose and link to strategy	<ul style="list-style-type: none"> <li>Provides an income for Executive Directors following their retirement in arrangements consistent with those offered to other employees in the relevant location.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>Executive Directors can participate in the same plan as other local employees and on the same basis. The Company reserves the right to amend a pension arrangement for Executive Directors over the life of this Policy to reflect changes to the broader employee plan.</li> </ul>
Opportunity	<ul style="list-style-type: none"> <li>The current CEO can participate in the UK pension plan or can opt out and receive a partial cash alternative on the same basis as other employees in the UK.</li> <li>The current maximum annual employer contribution is £30k.</li> </ul>
Performance conditions	<ul style="list-style-type: none"> <li>None.</li> </ul>

### Annual bonus

Purpose and link to strategy	<ul style="list-style-type: none"> <li>To incentivise the delivery of the business plan on an annual basis, and reward performance against key indicators which are critical to the delivery of the strategy.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>Performance is measured over one year, with the bonus normally payable in cash after year end.</li> <li>The bonus is based on a combination of a business performance factor and an individual multiplier.</li> <li>The Remuneration Committee has the ability to apply both malus and clawback provisions to awards.</li> </ul>
Opportunity	<ul style="list-style-type: none"> <li>The bonus is calculated by multiplying the target bonus by a business factor (with a range of 0-200%) and an individual modifier (with a range of 0-120%).</li> <li>Target bonus is 150% of base salary.</li> <li>The bonus earned for business performance is subject to adjustment by the Remuneration Committee based on its evaluation of performance against individual goals for the year. The adjustment can range from eliminating the award, regardless of business performance, to providing up to a 20% increase. In no event, however, would an award exceed a cap of 360% of base salary.</li> <li>10.4% of the maximum bonus is payable for threshold business performance, excluding individual modifier (or assuming individual modifier of 100%).</li> </ul>
Performance conditions	<ul style="list-style-type: none"> <li>Business and individual performance measures and targets are set annually to align with the strategic plan and pay-out levels are determined by the Remuneration Committee after the year-end, based on performance against those targets during the relevant financial year.</li> <li>The Remuneration Committee ensures that targets are appropriately stretching in the context of the strategic plan and that there is an appropriate balance between incentivising Executive Directors (i) to meet financial targets for the year and (ii) to deliver specific non-financial goals. This balance allows the Remuneration Committee to reward effectively performance against the key elements of the strategy.</li> <li>Each year, the Remuneration Committee determines the measures and weightings, with the majority of the annual bonus being based on financial performance measures.</li> <li>Each year, the annual performance targets set in the prior year are published in the annual remuneration report (unless considered commercially sensitive).</li> <li>The Remuneration Committee will retain the discretion to amend subsisting performance measures and/or targets in exceptional circumstances (e.g. significant transactions), where it considers that they no longer remain appropriate.</li> </ul>

### Long-Term Incentive Plan (LTIP)

Purpose and link to strategy	<ul style="list-style-type: none"> <li>Recognises and rewards delivery of Group performance over the longer term and delivered in shares to provide alignment with shareholder interests.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>Awards of conditional shares (or equivalent) with vesting dependent on performance measured over at least three financial years.</li> <li>The Remuneration Committee sets targets each year, achievement of which it considers would represent stretching performance in the context of the strategic plan.</li> <li>Dividends (or equivalents) may accrue on vested shares and be paid in cash or shares. The Group's current practice is to pay in cash.</li> <li>The Remuneration Committee has the ability to apply both malus and clawback provisions to awards.</li> <li>In the event of any variation of the Company's share capital, demerger, delisting, or other event which may affect the value of awards, the Remuneration Committee may adjust or amend the terms of awards in accordance with the rules of the plan.</li> </ul>
Opportunity	<ul style="list-style-type: none"> <li>Target LTIP award is 250% of base salary.</li> <li>The maximum annual award is 500% of base salary.</li> <li>For threshold levels of performance, 12.5% of the maximum award vests.</li> </ul>
Performance details	<ul style="list-style-type: none"> <li>The Remuneration Committee will align the performance measures under the LTIP with the long-term strategy of the Group with measures focused on delivering sustainable value creation.</li> <li>Prior to each grant, the Remuneration Committee will select performance measures and targets. These may be financial, non-financial, share-price based, strategic, or on any other basis that the Remuneration Committee considers appropriate.</li> <li>Weighting will normally be split evenly across each measure used, although the Remuneration Committee may vary this as appropriate to reflect strategic priorities.</li> <li>Currently, the performance measures used are EPS and ROIC<sup>1</sup>. The Remuneration Committee will retain the discretion to amend subsisting performance measures and/or targets in exceptional circumstances (e.g. significant transactions), where it considers that they no longer remain appropriate, although it would only do so following consultation with major shareholders.</li> </ul>

<sup>1</sup> For definitions, please refer to the glossary of terms.

### Illustration of the application of the Remuneration Policy

The Remuneration Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders.

The charts below provide illustrative values of the remuneration package for the CEO in 2017 under three assumed performance scenarios. These scenarios do not take account of share price appreciation or dividends received.



	Assumed performance	Assumptions
<b>Fixed pay</b>	All scenarios	Fixed pay consists of : <ul style="list-style-type: none"> <li>• Base salary effective on appointment: £1,100,000</li> <li>• Benefits - assumed £175,000, which is broadly consistent with annualised benefits received in 2016</li> </ul>
<b>Variable pay</b>	Below threshold	<ul style="list-style-type: none"> <li>• 'Threshold performance' is set annually by the Board of Directors. It defines the minimum level of company performance required to warrant any award</li> <li>• No pay out under the annual bonus plan</li> <li>• No vesting under the LTIP</li> </ul>
	Target performance	<ul style="list-style-type: none"> <li>• 'Target performance' is set annually by the Board of Directors. It defines the target level of company performance based on the approved annual business plan</li> <li>• Target annual bonus, representing 150% of base salary</li> <li>• Target LTIP award, representing 250% of base salary</li> </ul>
	Maximum performance	<ul style="list-style-type: none"> <li>• 'Maximum performance' is set annually by the Board of Directors. It defines the maximum level of company performance that could be reasonably foreseen for the coming year</li> <li>• Maximum annual bonus, representing 360% of base salary</li> <li>• Maximum LTIP award, representing 500% of base salary</li> </ul>

### Share ownership guidelines

The CEO is required to hold 300% of his base salary in Company shares. The guideline is expected to be met within five years of appointment. Until the guideline is met, 50% of any vested shares from incentive awards (post-tax) have to be retained. The guideline continues to apply for one year following termination of employment.

### Malus and clawback

The Remuneration Committee has the ability to operate malus and clawback under the annual bonus and LTIP plans. This provides the Remuneration Committee with the ability to restrict or reclaim payments to Executive Directors in circumstances where such an outcome would be inappropriate.

The circumstances in which the provisions may be invoked are:

Actions / conduct of individual	<ul style="list-style-type: none"> <li>• Dismissal for cause (as defined in the rules of the LTIP).</li> <li>• Misbehaviour.</li> <li>• Conduct resulting in significant loss.</li> <li>• Failure to meet appropriate standards of fitness and propriety.</li> <li>• Behaviour which materially contributes to reputational damage for the Company.</li> </ul>
Risk	<ul style="list-style-type: none"> <li>• Material failure of risk management.</li> </ul>
Financial accounts	<ul style="list-style-type: none"> <li>• Material misstatement in the audited consolidated accounts.</li> <li>• Error in the determination of the vesting of an award.</li> </ul>
Regulatory requirement	<ul style="list-style-type: none"> <li>• Any recovery requirement in line with applicable regulations.</li> </ul>

In these circumstances, where the Remuneration Committee considers it appropriate it may apply the provisions set out below:

Annual bonus	<ul style="list-style-type: none"> <li>• Malus may be applied during the performance period to reduce (including to nil) the annual bonus pay-out.</li> <li>• Clawback may be applied for up to two years post-payment of the bonus, to recover some (or all) of any amount paid out.</li> </ul>
LTIPs	<ul style="list-style-type: none"> <li>• Malus may be applied during the performance period to reduce (including to nil) the level of vesting of the award.</li> <li>• Claw-back may be applied for up to two years post-vesting of the award, to recover some (or all) of any amount paid out.</li> </ul>

### External appointments

Executive Directors are permitted to hold one external appointment with the prior consent of the Board. Any fees may be retained by the individual. At the time that this policy comes into operation the current CEO has no such external appointments.

### Consideration of wider employee pay and conditions

The Remuneration Committee considers the budgeted salary increases for the broader relevant employee population when determining the remuneration policy for Executive Directors. It is expected that future salary increases for Executive Directors will be in line with the general relevant employee population (UK for the current CEO), except in exceptional circumstances, such as where a recently appointed Executive Director's salary is increased to reflect his or her growth in the role over time or where significant additional responsibilities are added to the role.

The annual bonus metrics and related targets for Executive Directors are aligned with those of senior management and are cascaded through the organisation, adjusted in some cases for local market context. The performance metrics for LTIP awards are normally the same for all participants. Executive Directors may participate in all employee share plans on the same basis as other employees.

The Remuneration Committee does not consult directly with employees as part of the process of setting the Policy.

### Treatment of outstanding arrangements

The Company will honour remuneration related commitments to current and former Executive Directors (which may involve the exercise of discretions available to the Remuneration Committee or the Board in relation to such commitments) where the terms were agreed prior to the approval and implementation of the Policy (provided that, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming an Executive Director of the Company).

For these purposes, payments include the Remuneration Committee or the Board satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment as agreed at the time the award was granted.

## Recruitment policy

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director and the approach to be adopted by the Remuneration Committee in respect of each component.

Overall	Policy and operation
Policy application	<ul style="list-style-type: none"> <li>The Remuneration Committee's approach when considering the overall remuneration arrangements on the recruitment of a member of the Board from an external party is to take account of the Executive Director's remuneration package in their prior role, the market positioning of the remuneration package, and not to pay more than necessary to facilitate the recruitment of the individual.</li> <li>Where an Executive Director is appointed from within the business, in addition to considering the matters detailed above for external candidates, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions.</li> <li>With the potential for internal succession planning in mind the Company will ensure alignment between the approach taken at the Executive Director level and at other senior levels, ensuring that an appropriate pay progression is in place, thus facilitating talent development and succession planning.</li> </ul>
Fixed elements	<ul style="list-style-type: none"> <li>Salary levels drive other elements of the package and would therefore be set at a level which is competitive, but no more than necessary.</li> <li>The Executive Director would be eligible to participate in any benefit and/or pension arrangements which were operated for Executive Directors at the time, in accordance with the terms and conditions of such arrangements.</li> <li>The Company may meet certain mobility costs as required, including for example relocation support, expatriate allowances, temporary living and transportation expenses in line with the prevailing mobility policy and practice for senior executives.</li> <li>The individual will be eligible to participate in the annual bonus plan, in accordance with the rules and terms of the plan in operation at the time.</li> <li>The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 360% of base salary).</li> <li>The individual will be eligible to participate in the LTIP, in accordance with the rules and terms of the plan in operation at the time. The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 500% of base salary).</li> </ul>
Buy-out awards	<ul style="list-style-type: none"> <li>The Remuneration Committee will consider what buy-out awards (if any) are necessary to facilitate the recruitment of a new Executive Director. This includes an assessment of the awards forfeited on leaving their current employer.</li> <li>In determining the quantum and structure of these commitments, the Remuneration Committee will seek to provide no more than the equivalent value and replicate, as far as practicable, the form, timing and performance requirements of the awards forfeited.</li> <li>Buy-out share awards, if used, will be granted using the Company's existing LTIP to the extent possible, although awards may also be granted outside of this plan if necessary and as permitted under the Listing Rules.</li> <li>In the case of an internal hire, any outstanding awards made in relation to the previous role will be allowed to pay out according to their original terms.</li> <li>If promotion is part way through the year, an additional top-up award may be made to bring the Executive Director's opportunity to a level that is appropriate in the circumstances.</li> </ul>

**Service contracts and loss of office arrangements**

The Remuneration Committee’s policy on service contracts and termination arrangements for Executive Directors is set out below. On principle, it is the Remuneration Committee’s policy that there should be no element of reward for failure. The Remuneration Committee’s approach when considering payments in the event of a loss of office is to take account of the individual circumstances including the reason for the loss of office, Group and individual performance, contractual obligations of both parties as well as share and pension plan rules.

The key employment terms and conditions of the current Executive Directors, as stipulated in their service contracts are set out below:

Overall	Policy and operation
Notice period	<ul style="list-style-type: none"> <li>The service contract for Executive Directors provides for a notice period of 12 months from the Company and 12 months from the individual.</li> </ul> <p>New Executive Directors will be appointed on service contracts that have a notice period of not more than 12 months for both the Group and the individual.</p> <p>The Remuneration Committee considers this policy provides an appropriate balance between the need to retain the services of key individuals for the benefit of the business and the need to limit the potential liabilities of the Group in the event of termination.</p>
Contractual payments	<ul style="list-style-type: none"> <li>The standard Executive Director service contract does not confer any right to additional payments in the event of termination though it does reserve the right for the Group to impose garden leave on the Executive Director during any notice period. In the event of redundancy benefits would be paid according to the Company’s UK redundancy policy prevailing at that time.</li> </ul>
Annual bonus	<ul style="list-style-type: none"> <li>Executive Directors may be eligible for a pro rata bonus for the period served, subject to performance.</li> <li>No bonus will be paid in the event of gross misconduct.</li> </ul>
Long-term incentives	<ul style="list-style-type: none"> <li>The treatment of unvested long term incentive awards is governed by the rules of the plan.</li> <li>Guidelines for normal treatment under the LTIP:               <ul style="list-style-type: none"> <li>Resignation or termination for cause: the award is forfeited;</li> <li>Death or disability: the award will normally vest in full;</li> <li>Redundancy or other involuntary termination: the award will normally continue, pro-rated for time served, and subject to performance conditions;</li> <li>Good leaver: the Remuneration Committee may determine that a participant who ceases employment for any other reason (e.g. retirement, departure by mutual agreement) be treated as a ‘good leaver’ in which case the award will normally continue, pro-rated for time served and subject to performance conditions; and</li> <li>Change of control: the award normally vests pro-rated for time and subject to performance conditions. Alternatively, the award may be exchanged for awards in the acquiring company.</li> </ul> </li> </ul>

The cost of legal fees spent on reviewing a settlement agreement on departure may be provided where appropriate. The Company also reserves the right to pay for outplacement services as appropriate.

**Policy table for Non-executive Directors**

The table below summarises the remuneration policy for Non-executive Directors.

Purpose and link to strategy	<ul style="list-style-type: none"> <li>To attract and retain high calibre individuals by offering market competitive fee arrangements.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>Non-executive Directors ('NEDs') and the Chairman receive a basic fee in respect of their Board duties.</li> <li>Further fees may be paid for specific committees or other Board duties.</li> <li>Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company. Fees will be reviewed and may be increased periodically.</li> <li>Annual fees are set in UK Sterling and may be received in UK Sterling, US Dollars or Euros at the election of the NED. If appropriate, fees may be set and paid in alternative currencies, using the applicable spot rate.</li> <li>The Chairman and NEDs are not eligible for incentive awards or pensions.</li> <li>Expenses incurred in the performance of Non-executive duties (including occasional expenses associated with spouse accompanying the Chairman or NED on business travel or functions as required) for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the benefits.</li> <li>Additional small benefits may be provided.</li> </ul>
Opportunity	<ul style="list-style-type: none"> <li>The Company's articles of association provide that the total aggregate remuneration paid to the Non-executive Chairman and the NEDs will be within the limits set by shareholders.</li> </ul>

The Non-executive Directors, including the Chairman of the Board, do not have service contracts, but have letters of appointment.

Non-executive Directors and the Chairman of the Board are not entitled to compensation on leaving the Board.

In accordance with the Shareholders' Agreement entered into at the time of the merger, all directors will be elected annually, other than the initial independent Non-executive Directors and the initial Chairman, who have longer initial terms, as described in the Corporate Governance Report.

**Consideration of shareholder views**

The Remuneration Committee recognises the importance of building and maintaining a good relationship with shareholders.

The Remuneration Committee engaged with shareholder representative bodies in early 2017 on the proposed Policy. Going forwards, the Remuneration Committee will continue to monitor shareholder views when evaluating and setting ongoing remuneration strategy, and will consult with shareholders prior to any significant changes to our remuneration policy.

**Minor amendments**

The Remuneration Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

# Directors' Remuneration Report

## Annual Report on Remuneration

### Implementation of the Remuneration Policy in 2017

As highlighted in the Chairman's Statement, 2017 is the first year full year of operation for CCEP and the first year of implementation of the Policy.

Damian Gammell became CEO of CCEP on 29 December 2016 and his remuneration arrangements are aligned with the Policy and consist of the following:

#### Base salary

- Damian Gammell's base salary has been set at £1,100,000.

#### Annual bonus

- Target bonus: 150% of base salary.
- Maximum bonus: 360% of base salary.
- Business targets are based on Operating Profit (50%), Revenue (30%) and Free Cash Flow (20%). These measures have been chosen as they are in line with our core objectives stated above. Given the focus on profitable growth and synergies, Operating Profit has been given the larger weighting.
- For the purpose of the annual bonus, Operating Profit includes restructuring costs. This differs from the reported Operating Profit number in order to increase focus on delivering the synergy targets.
- Free Cash Flow will be measured excluding cash taxes, interest expense, pension and other non-financial items but will include cash restructuring expenses.
- All financial targets used for annual bonus calculations are set on a constant currency basis.
- Individual objectives (for the purposes of the individual multiplier) have been set and include embedding a new CCEP culture (to include purpose, values, operating framework), driving further diversity in the organisation and delivering against the Group's stated synergy saving targets.
- Financial targets are not disclosed prospectively as they are deemed commercially sensitive, but it is intended that they will be disclosed in next year's Annual Remuneration Report. A description of individual performance including specific quantitative measures (where appropriate) will also be disclosed in next year's Annual Remuneration Report.

#### Long-term incentive

- Target LTIP award: 250% of base salary.
- Maximum LTIP award: 500% of base salary.
- The vesting of the 2017 LTIP award will be based on EPS and ROIC, equally weighted, and measured over a three year performance period. EPS and ROIC have been chosen as these are our long term strategic targets to drive shareholder value.
- Both EPS and ROIC will be measured on a corporate tax and currency neutral basis, against the following targets:

Vesting level	EPS element (50% of the award)	ROIC element (50% of the award)
	Compound annual growth over the three year period to FY 2019	ROIC achieved in the final year of the performance period (FY 2019)
25%	4.0% p.a.	8.8%
100%	8.7% p.a.	10.4%
200%	12.0% p.a.	11.5%

Straight-line vesting between points. No vesting below threshold.

#### Share ownership guidelines

The CEO, who is the only Executive Director, is required to hold 300% of his base salary in Company shares. The guideline is expected to be met within five years of appointment. Until the guideline is met, 50% of any vested shares from incentive awards (post-tax) have to be retained. The guideline encourages continued shareholding for one year following termination of employment.

#### Pension

The maximum employer contribution, in line with other UK employees, is 10% of base salary or £30k if the employee opts out of the pension plan in favour of the cash alternative, as the CEO has.

### Benefits

- The main benefits include a car allowance (£14,000), financial planning allowance (£10,000) and as provided under the terms of his service contract, schooling allowance (£75,000) and international private healthcare coverage (£48,130<sup>1</sup>).

<sup>1</sup> Paid in USD, exact figure: \$65,937.16.

### Chairman and Non-executive Director fees

The table below shows the Non-executive Director current fee structure that will remain applicable for 2017:

Role	Fees
Chairman	£550,000
Non-executive Directors	£80,000
Senior Independent Director Supplement	£30,000
Committee Chairman	
Audit, Remuneration and ATC	£35,000
Nomination and CSR	£20,000
Committee Membership	
Audit, Remuneration and ATC	£15,000
Nomination and CSR	£10,000

### Single Figure table for Non-executive Directors (audited)

The following table sets out the total remuneration received by the Chairman and Non-executive Directors from the date of the Company's admission to the UK market (28 May 2016) (Admission) up until 31 December 2016.

Individual	Base fee	Chairman/ Committee fees	Taxable benefits	Total remuneration
Sol Daurella	£320,833.33	£14,583.33	£ -	£335,416.67
Jan Bennink	£46,667.67	£26,250.00	£ -	£72,916.67
José Ignacio Comenge Sánchez-Real	£46,667.67	£8,750.00	£ -	£55,416.67
Christine Cross	£46,667.67	£29,166.67	£ -	£75,833.33
J. Alexander M. Douglas, Jr	£46,667.67	£5,833.33	£ -	£52,500.00
Javier Ferrán	£46,667.67	£17,500.00	£ -	£64,166.67
Irial Finan	£46,667.67	£14,583.33	£ -	£61,250.00
L. Phillip Humann	£46,667.67	£11,667.67	£ -	£58,333.33
Orrin H. Ingram II	£46,667.67	£14,583.33	£ -	£61,250.00
Thomas H. Johnson	£64,167.67	£14,583.33	£ -	£78,750.00
Alfonso Libano Daurella	£46,667.67	£11,667.67	£ -	£58,333.33
Véronique Morali	£46,667.67	£14,583.33	£ -	£61,250.00
Mario Rotllant Solá	£46,667.67	£8,750.00	£ -	£55,416.67
Francisco Ruiz de la Torre Esporrín	£46,667.67	£ -	£ -	46,667.67
Garry Watts	£46,667.67	£29,166.67	£ -	£75,833.33
Curtis R. Welling	£46,667.67	£14,583.33	£ -	£61,250.00

While the Remuneration Policy does provide for the payment of certain taxable benefits, none were paid in 2016.

### Remuneration outcomes for 2016

The following pages set out information on remuneration received by Executive Directors from Admission up until 31 December 2016. As the Company was a newly incorporated and listed company during 2016, there is no disclosure in this report for the prior year.

The information presented in the single figure table for Non-executive Directors and from this section, up to and including the note on outstanding awards on page 76, represents the audited section of this report.

**Single figure of remuneration for Executive Directors (audited)**

Individual	Salary	Taxable benefits	Annual bonus	Long-term incentives	Pension	Other emoluments	Total remuneration <sup>3</sup>
Damian Gammell <sup>1</sup>	£9,007.45	£1,205.98	£16,456.61	0	0	0	£26,670.04
John Brock <sup>2</sup>	\$745,397.00	\$2,165,743.00	\$978,813.72	0	0	\$102.00	\$3,890,055.72

<sup>1</sup> Damian Gammell was appointed as Chief Executive Officer and joined the Board on 29 December 2016. Figures shown above are for the period in which he served as an Executive Director (i.e. 29 Dec - 31 Dec: 3/366 days). He is a UK employee hence his remuneration is paid in GBP.

<sup>2</sup> John Brock served as Chief Executive Officer until retirement on 28 December 2016. Figures shown above are for the period in which he served as an Executive Director (i.e. 29 May - 28 Dec: 214/366 days). He was a US employee hence his remuneration was paid in USD. All employee benefits ended on retirement.

<sup>3</sup> Using the 2016 average Euro exchange rates (1.2236 GBP and 0.9036 USD) Damian Gammell's total remuneration equated to €32,633.46, John Brock's total remuneration equated to €3,515,054.35.

**Notes to the table**
*Base salary*

Damian Gammell was appointed an Executive Director as at 29 December 2016. His base salary was £1,100,000 per annum. From Admission to 28 December 2016 John Brock's annual base salary was \$1,285,000 per annum.

*Taxable benefits*

For Damian Gammell, these benefits relate mainly to financial assistance with the following annualised value: financial planning allowance (£10,000), a car allowance (£14,000), schooling allowance (£75,000), and international private medical coverage (£48,130)<sup>1</sup>. Figures in the table above are prorated for the period 29 to 31 December 2016.

For John Brock, the reported figure is made up of two items:

- Company aircraft usage: (\$2,140,743). For personal security reasons, John Brock was required by the Board to use the company aircraft for all air travel, both business and personal.
- Legal advice: (\$25,000). Associated with the amendment of John Brock's employment agreement.

*Annual bonus*

In 2016 both Damian Gammell and John Brock participated in a legacy CCE annual bonus which ended on Admission. From Admission they participated in the CCEP annual bonus. For Damian Gammell the maximum bonus opportunity was 450% of base salary (this reduces to 360% in 2017 following the implementation of the remuneration policy). For John Brock the maximum bonus opportunity was 416% of base salary. Results of this Group annual bonus are based on Operating Profit goals set from Admission to 31 December 2016.

The performance outcome for the financial element of the CCEP bonus (from Admission to 31 December 2016) was as follows:

Measure	Weighting	Performance			Actual outcome
		Threshold	Target	Maximum	
Operating Profit <sup>1</sup>	100%	€903.6m	€1,063m	€1,190.6m	€1,023m

<sup>1</sup> As described above

The 2016 CCEP bonus was calculated as shown in the illustration below. It takes account of the employee's bonus target set as a percentage of base pay, the financial performance of the Group as measured against the pre-set business targets, and for Damian Gammell his individual performance.

In the 2016 plan, the financial multiplier was set to take account of actual performance versus target:

- Financial performance at 112% of target would have delivered a financial performance multiplier of 200%;
- Financial performance of 100% of target would have delivered a financial performance multiplier of 100%;
- Financial performance of 90% of target would have delivered a financial performance multiplier of 50%; and
- Financial performance of 85% of target would have delivered a financial performance multiplier of 25%.

2016 financial performance was 96.2% of target. This delivered a financial performance multiplier of 81.2%.

The Remuneration Committee assessed Damian Gammell's individual performance against the objectives set at the beginning of the year. They noted in particular the pivotal role Damian played in the merger, the rapid integration of the new business, the results delivered in 2016 and clear plans developed to deliver against the Group's stated targets. As a result the Committee determined that it was appropriate to award the maximum individual modifier of 150% which resulted in a total annual bonus of £729,579.32 from the period from Admission to 31 December 2016. Mr Gammell also received £581,403.17 in annual bonus from CCE based on CCE performance results from 1 January 2016 to Admission.

For John Brock, his employment agreement provided for an annual bonus from Admission based solely on the Company's businesses' performance results from Admission to 28 December. Mr Brock also received \$1,329,165 in annual bonus from CCE based on CCE performance results from January to May 2016.

*2016 CCEP annual bonus outcomes*

Damian Gammell: 29 December - 31 December

Target bonus 150% of base salary	x	Financial performance factor 81.2%	x	Individual performance factor 1.5	=	2016 bonus = £16,456.61 (182.7% of base salary)
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John Brock: Admission - 28 December

Target bonus 160% of base salary	x	Financial performance factor 81.2%	=	2016 bonus = \$978,813.72 (129.9% of base salary)
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The bonus figures shown in the single figure table have been pro-rated for time served as an Executive Director during the period from Admission up until 31 December 2016.

*Long-term incentives*

No long term incentives awards were made to Mr Brock or Mr Gammell during the period from Admission to 31 December 2016.

No long term incentives awards vested for Mr Brock during the period from Admission to 28 December 2016. Details are listed below in the description of payments made to Mr Brock for payments to past directors.

No long term incentives awards vested for Mr Gammell during the period from 29 December 2016 to 31 December 2016.

Details of outstanding awards are shown in the table on page 76.

*Pension*

Neither Damian Gammell nor John Brock received any Group pension contributions in the period from Admission to 31 December 2016.

*Other emoluments*

John Brock received a \$102.00 medical benefit refund. All US employees received a refund.

**Payments to past directors**

John Brock retired from the Board on 28 December 2016. Details of his remuneration for the period from Admission to retirement on 28 December 2016 are set out in the single figure of the remuneration table above. The following arrangements apply in respect of Mr Brock's cessation of employment.

In accordance with the terms of his contract of employment, Mr Brock will provide services to the Company as a consultant for a one year period, as requested, which began on 29 December 2016. Mr Brock is not receiving any additional compensation for providing services to the Company as a consultant, but he will be provided with an office and administrative support for the first six months of this period.

In accordance with the rights and obligations set out in Mr Brock's employment agreement in the event of retirement following change in control, he was entitled to receive:

- Accrued vacation pay and unreimbursed business expenses in accordance with Company policies;
- \$535,417, representing the proportion of annual base salary which Mr Brock would have otherwise been entitled to receive to 27 May 2017; and
- \$5,011,500, being equal to 1.5 times the sum of Mr Brock's final annual base salary and his most recent target annual incentive award.

Subject to Mr Brock fulfilling his post-termination obligations, these amounts due are payable in instalments, namely: (a) \$1,232,648 in January 2017, (b) \$924,496 in June 2017, (c) the balance of 11 equal monthly instalments of \$308,648, commencing in August 2017.

As of 29 December 2016 it was recorded that the performance conditions on his 2014 and 2015 long-term incentive awards had been satisfied. These awards were made up of (a) 194,942 and 92,800 performance stock units (PSUs) under the 2014 and 2015 awards respectively; and (b) 249,751 stock options under his 2015 option award, which have an exercise price of US\$39.00 per share. Also in accordance with his employment agreement and the awards' terms, stock options held by him remain exercisable for the balance of the original term of each grant.

### Statement of Directors' share ownership and share interests (audited)

As stated above, the CEO is required to hold 300% of his base salary in Company shares. The guideline is expected to be met within five years of appointment. Until the guideline is met, 50% of any vested shares from incentive awards (post-tax) have to be retained. The guideline continues to apply for one year following termination of employment.

Share ownership requirements and the number of shares held by Directors are set out in the table below.

	Interests in shares at 31 December 2016	Interests in share incentive schemes subject to performance conditions at 31 December 2016	Interests in share incentive schemes not subject to performance conditions at 31 December 2016	Share ownership requirement as a % of salary	Share ownership as a % of salary achieved at 31 December 2016
Sol Daurella	32,312,263 <sup>1</sup>	0	0	0	0
John Brock	1,382,214 <sup>2,3</sup>	0	6,143, 537 <sup>4</sup>	0	0
Damian Gammell	28,975	0	443,443 <sup>4</sup>	300%	67.1% <sup>5</sup>
Jan Bennink	27,200	0	0	0	0
Christine Cross	0	0	0	0	0
Alfonso Líbano Daurella	6,493,803 <sup>1</sup>	0	0	0	0
J. Alexander M. Douglas, Jr	0	0	0	0	0
Javier Ferrán	0	0	0	0	0
Irial Finan	0	0	0	0	0
L. Phillip Humann	49,055	0	0	0	0
Orrin H. Ingram II	10,000	0	0	0	0
Thomas H. Johnson	10,000	0	0	0	0
Véronique Morali	0	0	0	0	0
Francisco Ruiz de la Torre Esporrín	0	0	0	0	0
José Ignacio Comenge Sánchez-Real	7,728,413 <sup>1</sup>	0	0	0	0
Mario Rotllant Solá	0	0	0	0	0
Garry Watts	10,000	0	0	0	0
Curtis R. Welling	10,000	0	0	0	0

<sup>1</sup> Shares held indirectly through Olive Partners S.A.

<sup>2</sup> Shareholding stated at date of retirement (i.e. 28 December 2016), not 31 December 2016

<sup>3</sup> 386,462 of these shares are held by John Brock and his wife in various trusts, where they are trustees

<sup>4</sup> For further information on these interests, please refer to the outstanding awards table.

<sup>5</sup> The Company's share ownership policy stipulates that the Remuneration Committee will translate the relevant percentage of base salary requirement into a number of shares for each individual, using base salary, share price on the NYSE (average of the high and low), and the currency exchange rate on 1 December 2016 (or on the appointment date for new joiners post-implementation). 67.1% is therefore calculated using a share price of \$31.97 and a GBP / USD FX of 1:1.25604, being the applicable price/rate.

## Outstanding awards (audited)

Director and grant date	Scheme	Exercise price	Number of shares subject to awards on Admission	Granted between Admission and 31 December 2016	Vested/ exercised between Admission and 31 December 2016	Lapsed during the year	Number of shares subject to awards at 31 December 2016	End of performance period	Vesting date	Exercise period end
<b>John Brock</b>										
31.10.07	Options	\$13.35	451,499	0	0	0	451,499	0		31.10.17
30.10.08	Options	\$5.09	857,876	0	0	0	857,876	0		30.10.18
04.11.09	Options	\$9.89	1,030,148	0	0	0	1,030,148	0		04.11.19
04.11.10	Options	\$18.40	628,590	0	0	0	628,590	0		04.11.20
03.11.11	Options	\$19.68	695,588	0	0	0	695,588	0		03.11.21
05.11.12	Options	\$23.21	655,124	0	0	0	655,124	0		05.11.22
31.10.13	Options	\$31.46	510,912	0	0	0	510,912	0		31.10.23
30.10.14	Options	\$32.51	626,202	0	626,202	0	626,202	0		30.10.24
05.11.15	Options	\$39.00	499,502	0	249,751	0	249,751	0		05.11.25
31.10.13	PSUs	0	150,105	0	150,105	0	0	31.12.14	29.12.16 <sup>1</sup>	0
30.10.14	PSUs	0	194,942	0	194,942	0	0	31.12.15	29.12.16 <sup>1</sup>	0
05.11.15	PSUs	0	92,800	0	92,800	0	0	31.12.16	29.12.16 <sup>1</sup>	0
<b>Damian Gammell</b>										
05.11.15	Options	\$39.00	324,643	0	108,214	0	216,429	0		05.11.25
05.11.15	PSUs	0	60,300	0	0	0	60,300	31.12.16	30.04.19	0
02.11.15	RSUs <sup>2</sup>	0	78,000	0	19,500	0	58,500	31.12.16	02.11.17 <sup>2</sup>	0

1 Under the terms of John Brock's contract (see above) it is agreed that the PSU vesting conditions are met as at 29 December 2016 however, these awards will not however be distributed to John Brock earlier than the original planned vest date.

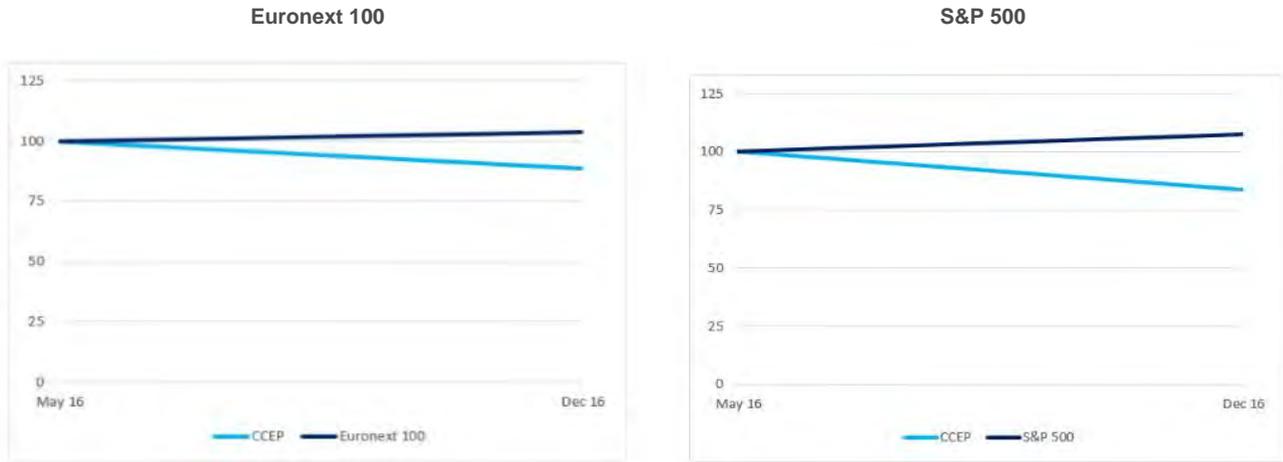
2 RSU: Restricted Stock Units. First tranche of three (19,500) vested 12 October 2016. Other two tranches vest on 12 October 2017 (19,500) and 12 October 2018 (36,000).

**Dilution levels**

The terms of the Company's share plans set limits on the number of newly issued shares that may be issued to satisfy awards. In accordance with guidance from the Investment Association, these limits restrict overall dilution under all plans to under 10% of the Company's issued share capital over a ten-year period in relation to the Company's issued share capital, with a further limitation of 5% in any ten-year period on discretionary plans.

**Historical TSR performance and Group Chief Executive Remuneration outcomes**

The charts below compare the TSR performance of the Company from Admission up until 31 December 2016 with the TSR of both the Euronext 100 and the S&P 500. These indices have been chosen as recognised equity market indices of companies of a similar size, complexity and global reach as the Company.



The following table summarises the CEO’s single figure of total remuneration and annual bonus pay-out as a percentage of the maximum opportunity over this period.

	Damian Gammell	John Brock
Chief Executive single figure of remuneration	£26,670.04	\$3,890,055.72
Annual bonus payout (as a % of maximum opportunity)	40.6%	31.23%
LTI vesting (as a % of maximum opportunity)	N/A	N/A

**Requirements related to year on year changes**

As the Company was listed in May 2016, the chart showing the percentage change in remuneration of the CEO and the relative importance of the spend on pay are not applicable this year.

**The Remuneration Committee**

As a company with Standard Listing, the Company is not obliged to comply or explain its non-compliance with the UK Corporate Governance Code, however it has determined to do so. The terms of the Shareholders’ Agreement and the Company’s Articles of Association contain provisions in relation to the Remuneration Committee that depart from the UK Corporate Governance Code, notably:

- The Remuneration Committee does not have sole authority to determine the compensation of the CEO or the Chairman as recommended by the UK Corporate Governance Code. Rather, the terms of the compensation of the CEO and the total individual compensation of the Non-Executive Directors and the Chairman are determined by the entire Board upon the recommendation of the Remuneration Committee.
- So long as the Olive Partners’ equity proportion is at least 15%, the Remuneration Committee will be required to include at least one Olive Partners nominated Director, and for so long as the Coca-Cola Company’s Equity Proportion is at least 10%, it will be required to include at least one Coca-Cola Company nominated Director. The Remuneration Committee will not, therefore, be comprised solely of independent Non-Executive Directors.

The Remuneration Committee’s Terms of Reference were approved on 17 May 2016 and can be found in the corporate governance section within the Investors section of our website at <http://ir.ccep.com>.

**Remuneration Committee members and attendance**

In line with the Shareholders’ Agreement, the Remuneration Committee has five members including three independent Non-executive Directors, one director nominated by Olive Partners and one director nominated by European Refreshments (an indirect subsidiary of The Coca-Cola Company).

	Attendance
Christine Cross (Chairman of the Remuneration Committee)	6/6
Irial Finan (European Refreshments nominated director)	6/6
Tom Johnson	6/6
Mario Rotllant Solá (Olive Partners nominated director)	5/6
Garry Watts	4/6

**Remuneration Committee key activities**

- Review of the CEO and senior management remuneration with a view to harmonise remuneration arrangements of the three legacy companies where possible.
- Development of the Company’s first Remuneration Policy.
- Recommendation of remuneration arrangements for the CEO for Board approval.
- Approval of the remuneration arrangements for senior managers.
- Determination for Board approval of performance measures applicable to the annual bonus and long-term incentive plan and annual bonus payout for the CEO and approval of these matters for senior managers.
- Recommendation for Board approval of the termination arrangements for John Brock.

**Support for the Remuneration Committee**

During the year, Deloitte LLP (Deloitte) was appointed by the Remuneration Committee to provide external advice on executive remuneration. Deloitte is a member of the Remuneration Consultants Group and has voluntarily signed up to the Remuneration Consultants’ Code of Conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is satisfied that the engagement partner and team which provides advice to the Remuneration Committee do not have connections with the Company that may impair their independence. The wider Deloitte firm has also provided unrelated tax and consultancy services to CCEP.

Total fees received by Deloitte in relation to the remuneration advice provided to the Remuneration Committee from June to December 2016 amounted to £169,950 based on the required time commitment.

The Chairman, the past and current CEO, the CFO, and the past and current Chief Human Resources Officers attended meetings by invitation of the Remuneration Committee in order to provide the Remuneration Committee with additional context or information, except where their own remuneration was discussed.

This Directors’ Remuneration Report is approved by Board and signed on its behalf by

**Christine Cross**  
**Chairman of the Remuneration Committee**

**11 April 2017**