# JDE PEET'S N.V.

# ANNUAL REPORT

## 2020

JDE Peet's

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***Disclaimer PDF print** – this document is only a ‘printed version’ and is not the original annual financial reporting including the audited financial statements pursuant to article 361 of Book 2 of the Dutch Civil Code. This original annual financial reporting, including the audited financial statements and the auditor’s report thereto are included in the single report package which can be found on the [JDE Peet’s website](). In any case of discrepancies between this ‘printed version’ and the report package, the single report package prevails.*



# JDE PEET'S AT A GLANCE

# KEY 2020 HIGHLIGHTS

**EUR 6.7BN**
TOTAL SALES

**-0.2%**
ORGANIC SALES GROWTH

**EUR 1.3BN**
TOTAL ADJUSTED EBIT [1]

**6.2%**
ORGANIC ADJUSTED EBIT GROWTH

**EUR 933MLN**
OPERATING PROFIT

**-10.5%**
OPERATING PROFIT GROWTH

**43 MARKETS**
WHERE WE ARE THE #1 OR #2 PLAYER
→
**78%**
OF SALES GENERATED IN THESE COUNTRIES

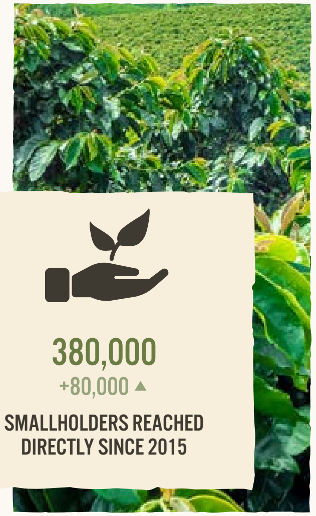
**30 MILLION CUPS**
OF COFFEE & TEA DONATED IN
**30+ COUNTRIES**

**4,500 CUPS**
OF COFFEE & TEA SERVED
**EVERY SECOND**
1 SEC

**29%**
+8% ▲
COFFEE PURCHASES WITH 3RD-PARTY SUSTAINABILITY CERTIFICATION OR VERIFICATION

**EUR 877MLN**
FREE CASH FLOW

1ST COMPANY TO USE THE SOURCEUP MODEL TO INFORM COFFEE SOURCING DECISIONS



**40 PROJECTS**
ACTIVE PROJECTS WITH SMALLHOLDERS
→
**19 COUNTRIES**
WORLDWIDE
→
**380,000**
+80,000 ▲
SMALLHOLDERS REACHED DIRECTLY SINCE 2015

**87%**
PACKAGING[2] DESIGNED TO BE REUSABLE, RECYCLABLE OR COMPOSTABLE

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*[1] More information on the non-IFRS measures can be found under the section 'Non-IFRS Measures' in the chapter 'Financial Review' in this Annual Report. Further information on the definitions of these non-IFRS measures can be found under the section 'Glossary' in this Annual Report.*
*[2] Primary and secondary packaging*

# DEAR FELLOW SHAREHOLDERS,

We are pleased to present JDE Peet's' first ever annual report. This report is a result of – and a testament to – the determination shown by our employees and partners throughout the year to progress our purpose to *Unleash the Possibilities of Coffee and Tea to Create a Better Future*.

It goes without saying that 2020 was an eventful year for JDE Peet's and an unprecedented and tumultuous year for the world. We are very proud of the tremendous efforts of our 19,000+ employees who navigated through this changing environment. Amidst the everyday challenges and difficulties experienced by consumers around the world, our teams, in close partnership with our farmers, suppliers and partners, rallied together to ensure the health and safety of our employees, maintain business continuity, serve our consumers and customers, and support local communities.

During the pandemic, the coffee and tea category demonstrated its resilience and, looking back at our achievements in 2020, we can conclude that our focus, discipline and agility have played a crucial role in managing our company during this unprecedented time. Government lockdowns and restrictions resulted in a significant reduction in Away-from-Home consumption as entire sectors such as offices, universities, hotels and restaurants were closed. At the same time, a significant part of the Away-from-Home consumption shifted to In-Home. We adapted swiftly to changing consumer preferences and habits, which resulted, among other things, in continued market share gains in the faster-growing categories like Beans, Pads and Capsules, and helped to position us for success and future growth as we believe these trends will endure.

## 2020 PERFORMANCE

JDE Peet's delivered strong performance in 2020, delivering total sales of EUR 6.7 billion, an operating profit of EUR 933 million and a free cash flow of EUR 877 million. Our global pure play focus, powerful brands, and unique premiumisation strategy all supported record In-Home organic growth in 2020 and underpinned a strong surge in e-commerce.

The strength we experienced in our In-Home segment largely offset the reduction we saw in Away-from-Home consumption, which was severely impacted by various government lockdowns and restrictions that occurred throughout the year. Early on, we adapted our Away-from-Home business models, and as a result, we expect these activities to come out even stronger following the crisis.

2020 was also an important year for our sustainability journey and we made significant progress in each of our three Corporate Responsibility pillars: Common Grounds, addressing the priority issues in our supply chain; Minimised Footprint, aimed at reducing our environmental impact; and Connected People, engaging our employees and our communities.

Under Common Grounds, we increased the share of responsibly sourced coffee and, despite the pandemic, significantly increased the number of smallholder farmers we reach through our collaborative programme. Under Minimised Footprint, we increased our recycling quota and now 87% of our primary and secondary packaging is either reusable, recyclable or compostable, while 33% of our packaging now comes from recycled materials. Recently, we joined forces with Nestlé to establish Podback in the UK, an initiative to ensure that every coffee pod enjoyed is recycled.

In 2020, we launched a new diversity and inclusion initiative under Connected People that targets gender balance across JDE Peet's' management positions by 2025. By creating an environment where the unique voices of every country, culture and individual are heard, we can better grow our business and spark innovation.

And, last but not least, we also made excellent progress on one of our other key priorities which is to reduce our level of debt. Supported by our strong cash flow profile, we reduced our net debt by EUR 1.4 billion, which reduced our leverage from 4.2 times EBITDA at the start of 2020 to 3.2 times EBITDA by the end of 2020.

This year's performance has made it clear once again that the combination of our portfolio of brands, technologies and channel strategy is powerful. This allows us to scale and reach consumers with coffee and tea offerings across various price points to meet their diversity of needs, occasions and budgets. This was our strength before the pandemic, during the pandemic, and will continue to be a great advantage in a post-COVID world.

## INVESTING IN INNOVATION

Throughout the year, we continued to invest in our manufacturing network in order to position ourselves for future growth as we look to adapt to changing consumer trends. For example, we expanded our freeze-dried instant coffee capacity at our St. Petersburg, Russia plant, establishing it as one of the largest freeze-dried coffee factories in the world. And because of the strong growth we witness in the aluminium capsules category, which resulted in the production of our ten billionth aluminium capsule this year, we have also announced a new investment of EUR 110 million to expand our manufacturing capacity of aluminium capsules to ensure that we will continue to be able to meet future consumer demand.

Given the importance of sustainable products amongst our customers, we successfully relaunched our leading Senseo brand, with an industry-first compostable coffee pad. This product now contains 100% certified coffee and is complemented by low-environmental impact appliances to create a truly sustainable offering.

These collective efforts demonstrate the company's commitment to investing in future quality growth, while cementing our position as the world's largest coffee and tea pure player.

## UNLEASHING THE POSSIBILITIES OF COFFEE & TEA TO CREATE A BETTER FUTURE

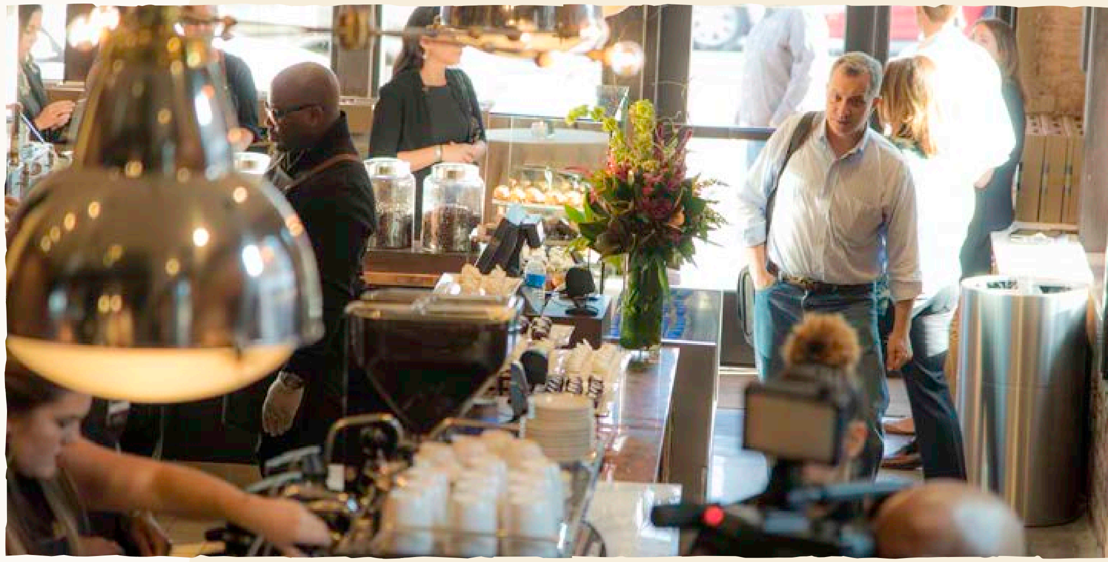
Yes, 2020 was a challenging year. Throughout it all, JDE Peet's made significant progress across many areas in our first year as a publicly traded company. In this context, our employees' resilience and dedication kept our factories running, our supply chains effective and our customers and consumers served, despite the pandemic's many challenges. We also recognise that these accomplishments were not achieved alone, as we worked together with our suppliers, our customers, our partners and our entire ecosystem to *Unleash the Possibilities of Coffee & Tea to Create a Better Future*.

We would like to thank all our stakeholders for helping us make 2020 a memorable and successful year for JDE Peet's.

Sincerely,

Olivier Goudet
Chairman of the Board

Fabien Simon
Chief Executive Officer



# OUR BUSINESS
## 2020 YEAR IN REVIEW

2020 was a challenging year for all of us at JDE Peet's. But we're pleased to say that it was also a rewarding year in many ways. Here are just a few of our most important milestones:

## Q1

JDE and Peet's were combined in December 2019, leading to the launch of JDE Peet's in early 2020.

Around the world, countries evolved strategies to navigate through the COVID-19 pandemic. This saw a significant boost in In-Home coffee consumption, but we were required to develop new and innovative strategies to meet the emerging challenges in Away-from-Home channels around the world.

## Q2

In May 2020, we successfully completed our IPO – the largest IPO in the European consumer space in the last 15 years and the first large IPO to take place 100% virtually.

## Q3

In September, Fabien Simon was named CEO of JDE Peet's.

We relaunched our leading Senseo brand, with an industry-first compostable coffee pad containing 100% certified coffee and low-environmental impact appliances to create a truly sustainable offering for our consumers.

JDE Peet's created one of the largest instant coffee manufacturing facilities in the world near St Petersburg, Russia, by expanding freeze-drying capacity.

## Q4

In November, we announced plans to invest EUR 110 million in our global supply network through the installation of new, high-speed aluminium coffee capsule production lines. The investment will increase our capsule production capacity by more than 60% to meet the rapidly expanding consumer demand for premium Single Serve coffee experiences.

Fitch assigned an investment grade rating to JDE Peet's, underscoring its operating strength, strong financial discipline, and continued progress.

Industry leaders Nestlé and JDE Peet's join forces to launch nationwide coffee pod recycling scheme Podback in the UK.

Around the world, our employees rallied together to support those most in need. Through more than 130 local initiatives we donated 30 million cups of coffee & tea to food banks, health care professionals and other communities in need.

# OUR STORY

A long and rich coffee & tea tradition which can be traced back more than 265 years.

In 1753 in Joure, the Netherlands, Egberts Douwe founded his first coffee outlet. Over a century later in 1895, in Bremen, Germany, Johann Jacobs opened his first grocery business. Then. in 1966 in Berkeley, California, U.S., Alfred Peet opened his first Peet's coffee store. Today we are the world’s largest pure-play coffee & tea company by revenue active in more than 100 markets around the world.




# OUR PURPOSE

We unleash the possibilities of coffee & tea to create a better future

# OUR VISION

A coffee & tea for every cup

# OUR VALUES

Discipline / Simplicity / Accountability / Solidarity / Entrepreneurship

# OUR BELIEF

It’s amazing what can happen over a cup of coffee or tea

Around the world, our more than 19,000 employees live by our values everyday:

- We have the **Discipline** to stay focused on what matters and to achieve excellence by doing things the right way.
- **Simplicity** at all times means we choose the most straightforward paths to achieve our desired outcomes.
- We always step up with **Accountability** to take responsibility for our actions and ownership of our results.
- Together we make a bigger difference building trust and unity around shared interests in **Solidarity.**
- Our **Entrepreneurship** ensures we win the freedom to create and pursue more opportunities by staying agile, moving fast and resisting unnecessary bureaucracy.

DISCIPLINE

ACCOUNTABILITY

SIMPLICITY

SOLIDARITY

ENTREPRENEURSHIP

# OUR BRAND PORTFOLIO

At JDE Peet's we unleash the possibilities of coffee & tea through our strong portfolio of global, regional and local brands. These brands have been built upon a rich history and heritage and are deeply rooted in the diverse coffee & tea cultures in which we operate. Our portfolio allows us to cover the category landscape and to offer a coffee & tea to everyone, no matter who they are, where they are, or what their preferences are. We embrace global, regional and local brands to ensure that we have a coffee & tea for everyone.

With a distinctive brand building model, we develop meaning and communication for our brands that meets the needs of our local consumers. Our brands bring people together, creating moments of connection and enjoyment and providing energy and sensory experiences. They give people the freedom to express their individuality and the power to transform themselves because amazing things happen over a cup of coffee or tea.

Our **global brands** are big players in multiple markets which travel with one meaning and one global execution.

Our **regional heroes** have an international footprint with local nuances. We respect these local nuances which are based on cultural drinking habits, stage of category development and brand heritage.

Our **local jewels** are iconic in their local market. These brands leverage local culture and heritage, and are of true significance in their home country.

1753 DOUWE EGBERTS

1923 KENCO THE COFFEE COMPANY

1966 Peet's COFFEE

1992 L'OR

1999 STUMPTOWN COFFEE ROASTERS

2014 TI ORA

1853 GEVALIA

1937 PICKWICK

1978 PILÃO

1995 INTELLIGENTSIA

2001 Senseo

1895 JACOBS

1960 MOCCONA

1987 SUPER

1996 Mighty Leaf WHOLE LEAF TEA

2004 TASSIMO

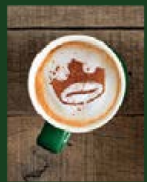
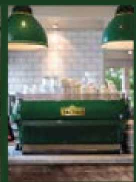
Brand Highlight

# AN UPLIFTING SENSE OF POSSIBILITIES

## RICH AND STRONG HERITAGE SINCE 1895

Our commitment to coffee mastery started in 1895 when Johann Jacobs roasted, blended and packed beans in his shop so that he could offer rich, quality coffee. We've been dedicated to mastering a rich aroma and taste ever since. That's why we proudly top our coffees with our mastery crown.

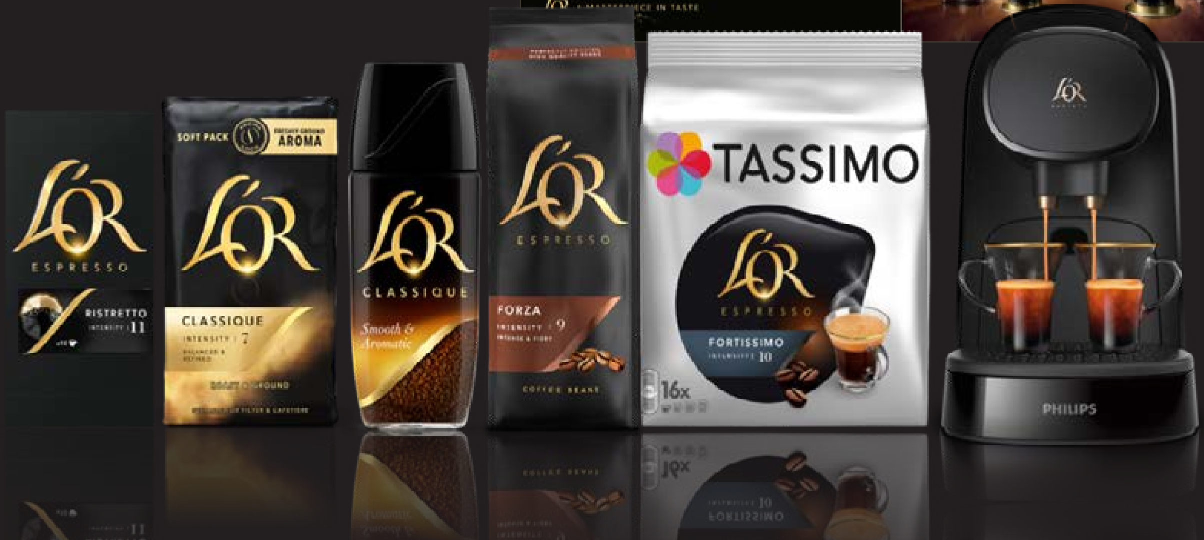
Coffee drinkers have trusted the Jacobs brand and its magical pampering aroma for 125 years. This trust enabled Jacobs to establish itself as the leading coffee brand from Germany into 42 markets. Thanks to innovative products in filter coffee, coffee pods, whole beans, dissolving coffee and specialties, there is something for everyone.

Brand Highlight

# DELIVERING ULTIMATE PLEASURE THROUGH TASTE EXPERIENCE & COFFEE EXPERTISE

**Created in France in 1992**, the ambition for L'OR has always been to offer the best coffee in the world. In 2016, it transformed the market with it's high quality aluminium capsules and exquisite blends. Today, the unequalled quality of L'OR coffee continues to seduce connoisseurs all over the world.


Brand Highlight

# A 55-YEAR OBSESSION: THE PURSUIT OF BETTER COFFEE

Alfred Peet introduced craft specialty roasting to the US in 1966. We continue to drive premium quality distinction through selective sourcing, hand roasting, artisan blending & superior freshness.

Peet's is the fastest growing premium coffee brand in the U.S., driven by the power of our proprietary nationwide direct store sales & distribution system.

Our retail coffeebar and e-commerce footprint in the growing China coffee market is expanding rapidly.

Brand Highlight

# DOUWE EGBERTS
# MARKET LEADING COFFEE BRAND
# REAL DUTCH COFFEE FOR EVERYONE

Douwe Egberts started in 1753 in Joure, the Netherlands, where Egbert Douwes and his wife Akke Thijsses opened a grocery selling tea and coffee.

The strong heritage is what makes D.E a trusted brand to deliver the comforting qualities people have always known and loved, unleashing people's innate potential to connect to each other. Douwe Egberts remains the leading coffee brand in the Netherlands today.


Brand Highlight

# DELIVERS COFFEE ENJOYMENT ON DEMAND.

## AN IMPRESSIVE RANGE OF INNOVATIVE COFFEE SHOP STYLE DRINKS AND VARIETIES FROM LOVED BRANDS

TASSIMO



## THE SMARTEST BREWING SYSTEM FOR THE HIGHEST CONVENIENCE

Creamy latte, delicious cappuccino, intense espresso or even a hot chocolate. TASSIMO brews it at the simple touch of one button thanks to our INTELLIBREW™ Barcode Technology. Perfect, Easy, Every Time.

## THE RIGHT BREW THROUGH OUR INTUITIVE APPLIANCES

Through our appliance partnership with BOSCH, we ensure the quality delivery of our drinks across all our appliances.

# DELICIOUS COFFEE WITH CARE FOR THE PLANET


A partnership with Philips® since 2001 to offer to everyone A CUP OF FRESH COFFEE AT THE SIMPLE TOUCH OF A BUTTON

Compostable coffee pads, 100% certified coffee, low environmental coffee system

#1 single serve system in Western Europe with 15 million households

The entry point to single serve with affordable price per cup & varieties of drinks


# AUSTRALIA'S MOST LOVED COFFEE BRAND

## INSPIRING EVERYDAY MOMENTS OF PLEASURE

Launched in Australia in 1960 and in New Zealand in 1980 building a premium positioning around its distinctive glass jar.

Our coffee offers an experience that stimulates the senses, providing a moment of indulgent pleasure.

Moccona now has portfolio presence in all key coffee segments across retail and Out-of-Home.


Brand Highlight

# PIONEER OF COFFEE MIXES

## SUPER STARTED FROM ONE MAN'S VISION TO MAKE COFFEE UNIVERSALLY LIKED AND ACCESSIBLE IN ASIA


Customised to suit ASIA palate. A region of tea drinkers, unaccustomed to the taste of coffee. A combination of instant coffee, sugar and creamer was created to make coffee simple, inexpensive and customised to suit the Asian palate. 3-in-1 coffee comes across as an obvious invention; but it transformed coffee consumption in the region, and today is found in **25 countries globally**.


Brand Highlight

# A POWERFUL TEA BRAND THAT INSPIRES YOU TO TAKE THE TIME. FOR SELF AND OTHERS

## TAKE YOUR TIME

Our Purpose: If you really take time for self and others; you give attention to what really matters in life

## TEA TOPICS

Pickwick as conversation starter; with different questions on each tea tag.

Loved by Dutch consumers and actively shared on social channels

Tea Topics


# CREATOR OF AUTHENTIC WHITE COFFEE MIXES

OLDTOWN is most known for popularising authentic White Coffee (a thick, creamy coffee from Ipoh Town).

## OLDTOWN IS THE HEART OF AUTHENTIC CULTURAL EXPERIENCES

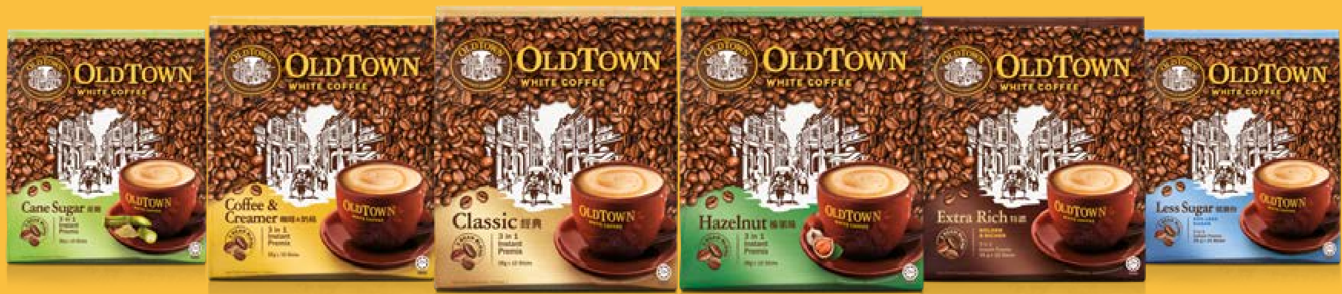
Aside from introducing White Coffee mixes, OLDTOWN is known to have modernised the traditional kopitiam setting – creating a space that is cosy, casual and serves local fare.

Today, OLDTOWN has over 200 F&B outlets which span across Malaysia, Singapore, Indonesia, and Hong Kong.

The fare at OLDTOWN is made out of many local favourites meant to bring back fond memories.

3 BEAN BLEND

OLDTOWN is the No. 1 White Coffee brand in the world. Its signature taste is attributed to its 3-bean blend of Arabica, Robusta and Liberica.




# OUR APPROACH

Coffee & tea make the world go round. And every day, millions and millions of people enjoy coffee & tea products supplied by JDE Peet's. But customers and consumers want to access our products in ways that align with their preferences. As such, it is essential that we reach out to them via the widest possible variety of channels. That's why JDE Peet's sells its full range of products through a go-to-market approach that covers the full spectrum of sales channels.

# CONSUMER PACKAGED GOODS: HIGH QUALITY COFFEE & TEA EXPERIENCE AT HOME

This is the way in which we reach hypermarkets, supermarkets, traditional trade markets and, in markets where they operate, buying groups.

Our consumer packaged goods (CPG) business offers the full range of coffee & tea products to meet consumer preferences and price partitions including instant coffee (pure and mixes), various single-serve formats, roast whole beans, roast and ground and ready-to-drink coffee beverages in addition to a variety of loose leaf and packaged tea products.

# OUT-OF-HOME: UNIQUE COFFEE SOLUTIONS FOR EVERY OCCASION

Out-of-Home coffee solutions are sold or rented to businesses and widely available within the B2B industry. These businesses include offices (including corporates), hospitals, colleges and universities, hotels, restaurants (including quick service restaurants), convenience and retail outlets, sports venues, cruise- and airliners.

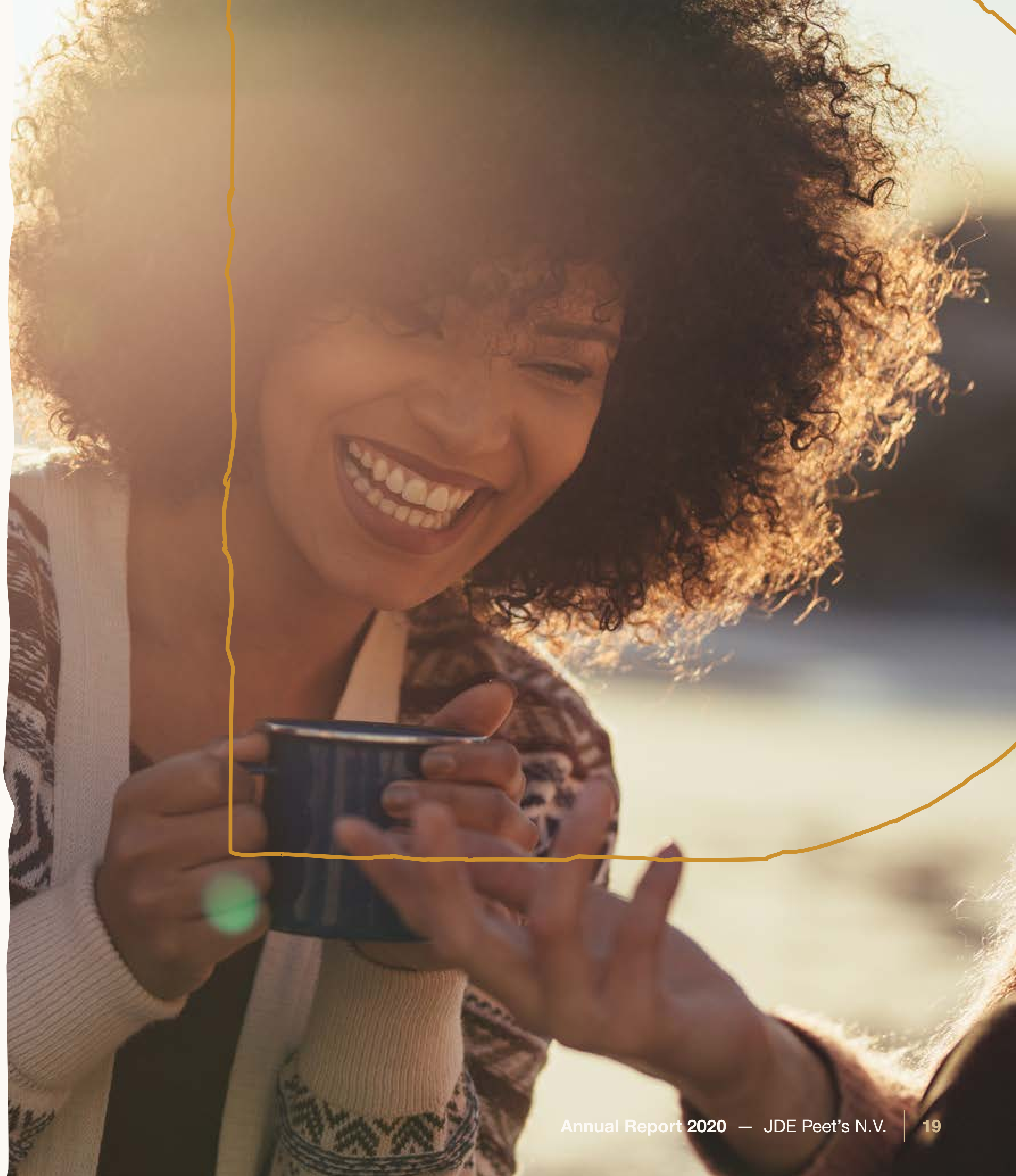
We offer a full range of professional solutions and complementary coffee systems. They include proprietary liquid coffee concentrate technology; multi-serve coffee (roast and ground and whole beans); single-serve and double-shot coffee capsules; pads and pods; instant pure and instant mixes; ready-to-drink coffee beverages. We also offer a variety of professional tea products.

# COFFEE STORES

As at 31 December 2020, the company operated 520 coffee stores under leading brand names including Peet's, Intelligentsia, Stumptown, OldTown, Coffee Company and 12Oz in the United States, China, Malaysia, the Netherlands and Italy. Our coffee stores play an important role in serving consumers high-quality fresh coffee & tea and also allow them to try new product offerings.

# ONLINE SALES CHANNELS: CONVENIENCE, CHOICE AND WORLD CLASS INNOVATION

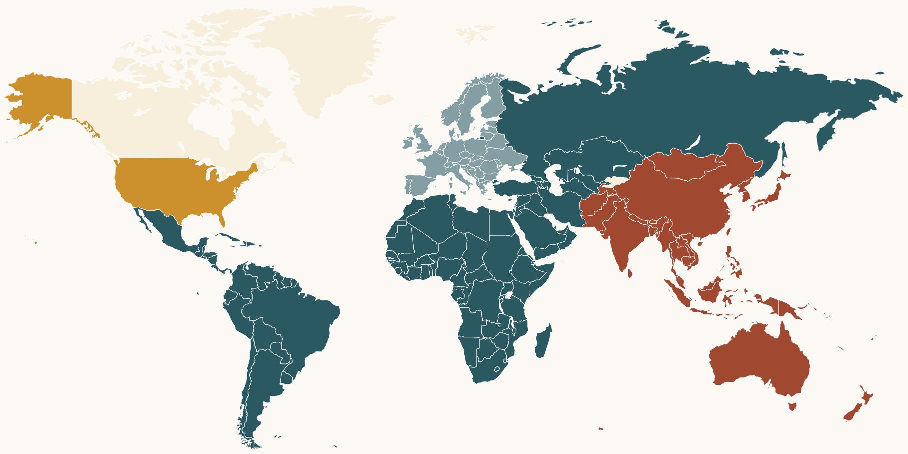
More and more consumers are turning to online sales channels for their coffee & tea needs. The COVID-19 pandemic further increased the sales channel in 2020 which experienced explosive growth. Over the last few years we have invested heavily behind this emerging sales channel allowing us to offer a wide portfolio direct to consumers via branded webshops and through leading third-party online marketplaces.



# BUSINESS STRUCTURE

JDE Peet's is a global business fueled by a global supply chain reaching more than 100 countries around the world. However, we can only succeed by working at a regional and local level to truly understand the needs of customers and consumers, and to meet or surpass their evolving expectations. Our business is organised in five commercial segments taking into account coffee & tea cultures across different geographies:

1. CPG Europe
2. CPG LARMEA (Latin America, Russia, Middle East and Africa)
3. CPG APAC (Asia-Pacific)
4. Peet's (predominantly U.S.) and
5. Out-of-Home (predominantly Europe)

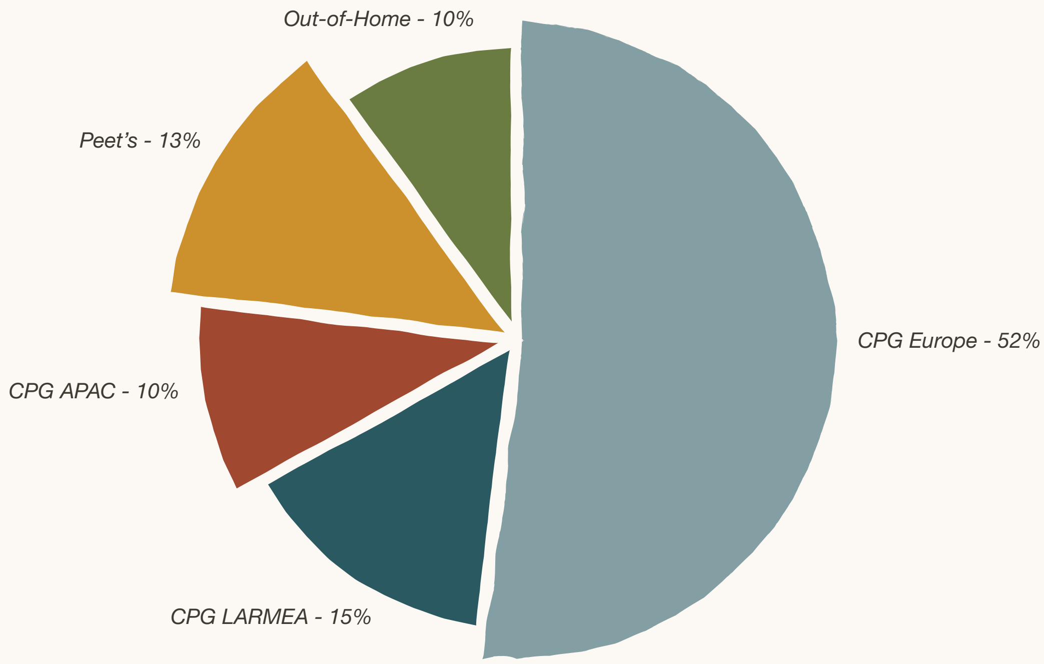


# REVENUES BY SEGMENT

In 2020, the company's sales by segment comprised: 52% from CPG Europe; 15% from CPG LARMEA; 10% from CPG APAC; 13% from Peet's and 10% from Out-of-Home. The remaining sales are unallocated and primarily represent income generated from selling licensed products and renting available production facility space to third-party businesses.

Unallocated sales are not included in one of the five operating segments as the company does not engage any business activities therein.

A complete list of countries that we operate in can be found under the section '*Consolidated Financial Statements, note 9.6*', in this Annual Report.



# EXTERNAL TRENDS

The coffee & tea categories have been in a state of dynamic flux over recent years, largely due to changes in consumer tastes and behaviours. Then, in 2020, the COVID-19 pandemic hit. Inevitably, this has directly driven some short-term impacts, but it has also accelerated a number of longer-term trends. Within this ever-evolving scenario, JDE Peet's has identified several key trends to which we are responding with a powerful combination of innovation, expertise and agility.

## THE IMPACT OF COVID-19

COVID-19 has led to a significant decrease in Away-from-Home coffee consumption, with offices, hotels, bars, restaurants and many of our coffee stores forced to close during lockdowns. Inevitably, with this has come a significant increase in coffee consumption In-Home as millions and millions of people across the world transitioned to remote working. As in many other consumer product categories, COVID-19 has accelerated the shift from buying coffee in physical stores to online shopping.

We believe that the shift to online shopping is here to stay. However, the long-term effects on In-Home consumption are unclear and depend on whether or not working from home becomes part of a 'new normal'. We anticipate that Away-from-Home coffee & tea consumption will bounce back to pre-COVID levels over time, but this will depend on whether consumers return seamlessly to their pre-pandemic routines.

**As part of our growth strategy, we want to enhance our brands' visibility online and continue to invest in our online sales channels.**

# CONSUMERS ABANDON THE MIDDLE GROUND

Across the coffee & tea categories, consumers are increasingly fragmented in their choices. A trend that sees dramatically more consumers seeking premium products runs alongside the move to more people seeking value product propositions. Caught in the middle, the mid/mass market is declining. The result is a divergence in pricing opportunities as both premium product propositions (e.g., traceable and organic beans) and value products (e.g. instant coffees with creamer) become more prominent.

Reinforcing this fragmentation is the rise of millennials as a dominant consumer class. This generation is characterised by tastes and expectations that are distinctly different from their parents' generations. Thus, millennials consume more coffee on-the-go and pay increased attention to innovation and product quality.

**In response to this emerging trend, we have tailored our growth strategy to expand our single-serve and whole-bean coffee subcategories.**

# CAFÉ CULTURE IS HERE TO STAY

Recent years have seen the global expansion of a café culture. Obviously, this increases the consumption of coffee & tea, but it also creates new consumer touch points. JDE Peet's utilises these touch points to introduce consumers to new and different tastes, textures and concepts, expanding brand awareness and building stronger consumer relationships. This, in turn, can lead to consumers purchasing additional products through different channels. For instance, consumers will often buy their favourite coffee chain branded beans online.

**As part of our growth strategy, we have successfully increased the household penetration of Peet's in the United States.**

# EMERGING MARKETS, EMERGING GROWTH

As the world becomes more prosperous, consumers in emerging markets are developing a taste for the coffee experience. The total spend on coffee is accelerating and we expect this to continue, driven by increased coffee consumption overall and an increased share Away-from-Home. There is every chance of this bringing large coffee chains to urban areas in these markets.

**We are increasing exposure to, and driving growth in, emerging markets as part of our growth strategy, directly capitalising on this emerging trend.**

# A SUSTAINABLE CONSCIOUSNESS

For some years, consumers have grown more and more conscious of the impact their choices have on the environment and the well-being of others. As a consequence, they have been choosing more sustainable options such as responsibly and fairly sourced coffees & teas, environmentally friendly packaging, and products with a limited or zero carbon footprint. Alongside these developments, governments across the globe are increasingly focused on this topic, especially regarding greenhouse gas emissions.

**Through our corporate responsibility strategy, we directly respond to the growing focus on sustainability.**

# HEALTHY OPPORTUNITIES

In recent years, consumers have become more aware of the health effects of the products they consume. Drinking coffee & tea in moderation is part of a balanced diet and healthy lifestyle.

At a time when consumer trends increasingly favour new beverage segments with greater nutrient content, fats and sugar face both intensified consumer scrutiny and increased government attention. In response, countries such as Malaysia and Thailand have introduced a sugar tax.

**Through our Healthy Indulgence Programme, we continue our heritage of keeping consumer health at the heart of product development.**

# BETTER DATA FOR A BETTER EXPERIENCE

Access to consumer data delivers a competitive advantage in consumer product categories. Combined with AI-driven models and other data analytics techniques, this enables us to perform the real-time mapping and identification of shifts in consumer behaviour. We are then in a position to respond with more streamlined and efficient operations that deliver faster and more targeted innovation, along with higher levels of consumer loyalty.

**As part of our growth strategy, we want to build direct consumer relations through our own Direct-to-Consumer channels.**

# VALUE CREATION

# OUR STRATEGY

JDE Peet's operates in categories that touch almost every market in the world. All of these markets have their own traditions, trends and tastes, making the coffee & tea categories fascinating, complex and fast-moving. It is imperative that we respect this endless diversity by responding to external trends whilst also proactively shaping consumer tastes and habits where possible.

Within this context, we have put in place a strategic framework designed to generate sustainable and inclusive, profitable growth in the global coffee & tea categories in developed and emerging markets. This framework is built on three pillars:

## SERVING MORE CUPS

through a relentless focus on attracting customers

## MASTER EXECUTION

which fuels our growth from quality and discipline

## GROWING TOGETHER

by championing an inclusive ecosystem

Our growth strategy pursues four areas of opportunity:

## 1: INCREASING THE HOUSEHOLD PENETRATION OF THE FASTEST GROWING COFFEE SUBCATEGORIES

The single-serve and whole beans subcategories have been the fastest growing segments of the coffee category. However, we believe we are yet to exploit their full potential globally. That's why, for instance, we announced a EUR 110 million investment to expand our aluminium capsule manufacturing capacity. Investments such as this demonstrate our intent to pursue these growth opportunities through various offerings and product innovations in both existing and new markets, at different price points and across multiple brands. We can achieve this by building on the strength of our current brand portfolio. This portfolio enables us to be active in many different countries and to serve the whole spectrum of consumers from value seekers to super-premium.

## 2: INCREASING EXPOSURE TO, AND DRIVING GROWTH IN, EMERGING MARKETS

We have seen emerging markets grow twice as fast as developed markets in recent years and expect this trend to continue in a post-COVID environment. In 2020, we derived 21% of our sales from emerging markets. We believe that the changing consumer trends and preferences in these markets, including an increase of consumption of coffee & tea as well as the premiumisation of the coffee & tea categories, present significant growth opportunities. Our growth strategy includes the expansion of sales in existing and new markets. For some time, JDE Peet's has been significantly active in Brazil, Russia and South Africa. Over the last three years, JDE Peet's has expanded its footprint in South East Asia with the acquisition of Super Group and OldTown. We plan to further strengthen our position in emerging markets, in particular in China with our joint venture partner HillHouse Capital.

## 3: CAPTURING ATTRACTIVE OPPORTUNITIES IN THE OUT-OF-HOME SALES CHANNEL

Although we have a solid position in the Out-of-Home sales channel, we believe we are well positioned to capture the opportunities of the COVID-19 rebound. We intend to seize these opportunities by offering full coffee & tea solutions to customers. This applies particularly to non-commercial customers where coffee solutions are provided as a service. At the same time we will leverage our portfolio of brands (including Peet's, L'OR and Jacobs), our direct go-to-market approach, and our ability to enhance the customer experiences and its operational efficiencies through its IT platforms.

## 4: BUILDING DIRECT CONSUMER RELATIONS THROUGH OUR OWN DIRECT-TO-CONSUMER CHANNELS

COVID-19 has substantially boosted an already pre-existing growth in online coffee purchases. In many regions we have seen a substantial rise in the number of people working from home, and a subsequent increase in In-Home coffee & tea consumption. Consequently, we are serving more consumers through our own Direct-to-Consumer channels such as peets.com, tassimo.com and lorespresso.com. The growth in direct relationships with our consumers has and will continue to enable innovative new connections and the creation of more personalised offerings.

# SOLID AND RESPONSIBLE. OUR CORPORATE RESPONSIBILITY FRAMEWORK

The growth strategy outlined above is built on a solid corporate responsibility framework. At JDE Peet's, we recognise that our business activities impact the environment and the communities in which we operate. Sourcing our raw materials responsibly, taking care of the environment, and engaging our own employees and communities are all important principles that guide our business activities.

Within this context, our corporate responsibility strategy focuses on those issues that are most material to our business and where we can have the greatest impact given the reach of our operations, supply chain and value chain.

More information can be found under the section '*Material Steps towards Value Creation and Corporate Responsibility*' in this Annual Report. In line with feedback from our stakeholders, our corporate responsibility strategy is underpinned by a commitment to Responsible Business Practices and is built on three pillars:

## COMMON GROUNDS

Addressing the priority issues in our supply chain

Working towards 100% responsibly sourced coffee, tea & palm oil by 2025

## MINIMISED FOOTPRINT

Reducing our environmental impact step-by-step

Designing 100% of our packaging to be reusable, recyclable or compostable by 2025

## CONNECTED PEOPLE

Engaging our employees and our communities

Targeting gender-balanced management positions by 2025

# HOW WE CREATE VALUE

## WE UNLEASH THE POSSIBILITIES OF COFFEE & TEA TO CREATE A BETTER FUTURE

At JDE Peet's, we are driven by our passion for coffee & tea, care for the environment, and respect for people. We take responsibility for our supply chain - from bean to cup - and the communities in which we operate. Through our brands, we offer an extensive range of high-quality innovative coffee & tea products and solutions, across consumer tastes and preferences as well as price points.

By offering more people around the world access to higher quality coffee & tea experiences, we create long-term value beyond financial performance. Our approach is to optimise value through the disciplined execution of our growth strategy in a culture of pride and performance that grows our business and people in a sustainable manner. We strive to continuously improve the way we do business to benefit our customers, consumers, employees, shareholders and society at large while taking good care of our environment.

# OUR VALUE CREATION MODEL

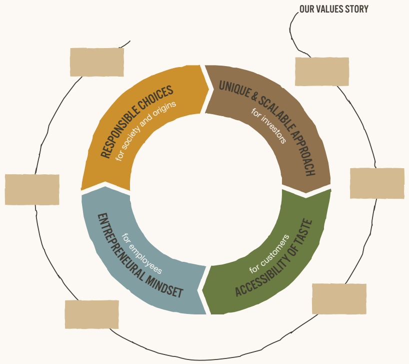
Our value creation model is based on the Integrated Reporting Framework, issued by the International Integrated Reporting Council (IIRC). This model builds on the following structure:

- **Inputs**: the resources and marketing approaches that we need and use for our operations.
- **Activities**: the activities that we perform in order to operate in a distinguished way from our competitors and to achieve the goals that we have set for ourselves.
- **Outputs**: every type of output resulting from our operations.
- **Impact**: the impact that we have on our stakeholders and our contribution to the achievement of the United Nations Sustainable Development Goals (SDGs).

For example, we buy green coffee from our supply chain (input) that we transform in our manufacturing facilities (activity) into high quality coffee products (output) while supporting the smallholder farmers that grow our coffee to strengthen their livelihoods and apply more sustainable agricultural methods (impact).

**INPUT**
The value we share

**ACTIVITIES**
What makes us special

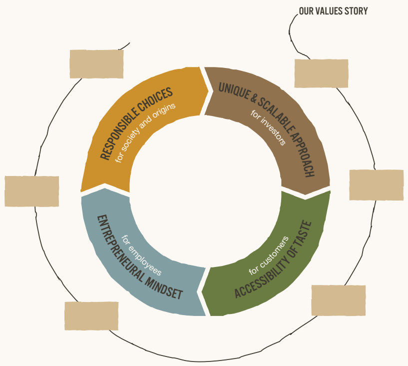



**OUTPUT**
The value we create

**IMPACT**
What we employ

**INPUT**
The value we share

**ACTIVITIES**
What makes us special




**OUTPUT**
The value we create

**IMPACT**
What we employ

# INPUT

## THE VALUE WE SHARE

### FINANCIAL

- EUR 20.7 bn total assets in 2020
- EUR 252 mln capex in 2020

### MATERIALS

- 8% of the world's coffee, <1% of the world's tea
- Packaging which maintains the freshness and quality of coffee and tea

### GO-TO-MARKET

- Distribution across all channels
- Active in more than 100 markets around the world

### INFRASTRUCTURE & TECHNOLOGY

- 44 manufacturing facilities globally
- Operating across all coffee & tea technology platforms

### PORTFOLIO OF BRANDS

- Owner of the largest portfolio of coffee & tea brands with offers across price points
- 78% of revenue from #1 or #2 positions in CPG and Out-of-Home markets

### TALENT

- A global team of 19,000+ employees across 80+ nationalities

**INPUT**
The value we share

**ACTIVITIES**
What makes us special


**OUTPUT**
The value we create

**IMPACT**
What we employ

# ACTIVITIES

## WHAT MAKES US SPECIAL

### OUR PURPOSE

We unleash the possibilities of coffee & tea to create a better future

### OUR VISION

A coffee & tea for every cup

### OUR VALUES

Discipline / Simplicity / Accountability / Solidarity / Entrepreneurship

**INPUT**
The value we share

**ACTIVITIES**
What makes us special


**OUTPUT**
The value we create

**IMPACT**
What we employ

# OUTPUT

## THE VALUE WE CREATE

### PRODUCTS

- 4,500 cups of coffee & tea served every second
- Wide portfolio of brands and product choices that is accessible wherever the consumer is, through whatever channel they buy, in any format/taste they prefer, at different price points

### FINANCIALS

- EUR 6.7 bn total sales
- EUR 1.3 bn total adjusted EBIT, 6.2% organic adjusted EBIT growth
- EUR 877 mln free cash flow

### COMMUNITIES

- 380,000 smallholder farmers reached across 19 countries
- 30 million cups of coffee and tea donated

### CUSTOMER/CONSUMERS

- In-Home organic sales growth of 9.1%
- Ranked “top tier” in 71% of our markets for Driving Category Growth in 2019 Advantage Survey

### MATERIALS

- 29% third-party certified/verified coffee, 22% tea, 31% palm oil
- 87% packaging designed to be recyclable, reusable or compostable

### TALENT

- Employees engaged and inspired by development and growth opportunities
- An inclusive, diverse work environment
- A resilient team adapting to global changes

**INPUT**
The value we share


**OUTPUT**
The value we create

**IMPACT**
What we employ

# IMPACT

## WHAT WE EMPLOY

## COMMON GROUNDS

Together with our partners, we continuously improve the social and environmental conditions in origins where coffee, tea and palm oil are grown.

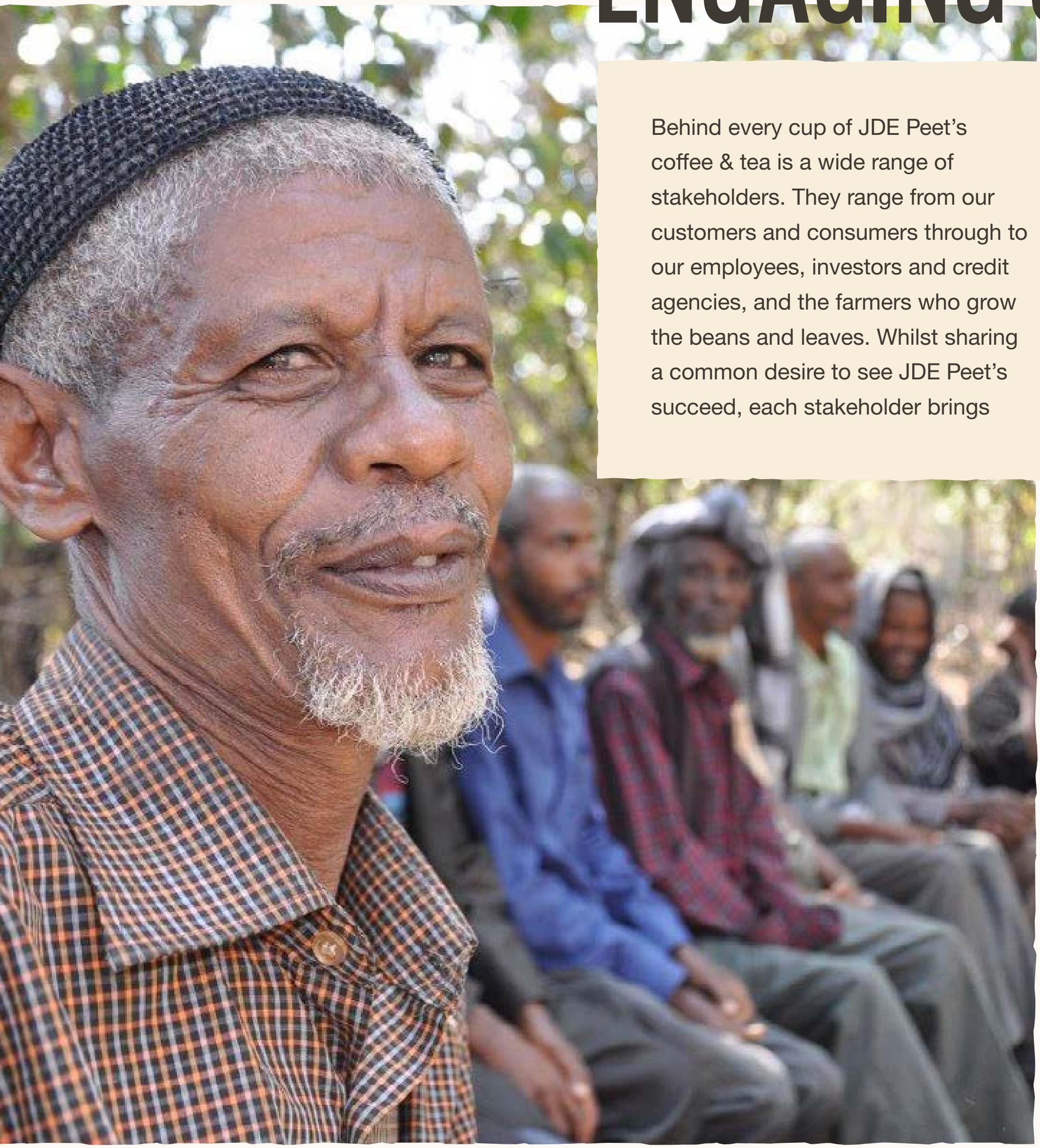
## MINIMISED FOOTPRINT

We are working hard to reduce our environmental footprint while providing quality products that meet the needs and preferences of our consumers and customers.

## CONNECTED PEOPLE

We give back to the communities where we live and work based on our belief that effectively operating our business also means being a good corporate citizen and a good neighbour.

# ENGAGING OUR STAKEHOLDERS



Behind every cup of JDE Peet's coffee & tea is a wide range of stakeholders. They range from our customers and consumers through to our employees, investors and credit agencies, and the farmers who grow the beans and leaves. Whilst sharing a common desire to see JDE Peet's succeed, each stakeholder brings a unique perspective. We therefore maintain regular and ongoing interaction with all of them. This allows us to draw on their expertise in order to improve and set priorities for long-term strategy for value creation, and to better anticipate risks.

As part of a materiality assessment process (see section below) we identified the following stakeholder groups:

- Our customers and consumers
- The farmers and their workers who supply our coffee & tea
- Our direct suppliers
- Our employees
- NGOs
- Industry peers
- Governments
- Investors, including our shareholders, and the financial institutions and credit and ESG rating agencies we do business with

We engage with our stakeholders on many levels, both within our organisation and throughout our value chain. Forms of engagement include regular stakeholder dialogue and engagement by members of our Executive Committee.

To enhance our societal impact, we actively engage with organisations such as the Global Coffee Platform, the Sustainable Coffee Challenge, the European Coffee Federation, Rainforest Alliance, World Coffee Research, the Ethical Tea Partnership, CEFLEX, RECOUP or the One Planet Business for Biodiversity (OP2B) coalition. These partnerships form a central pillar of our stakeholder engagement so that we effectively address the broader sustainability challenges which go beyond our immediate supply chain.

A more detailed outline of our engagement with stakeholder groups can be found on the next page. More information on how we respond to stakeholders' needs and concerns can be found under the section "*Our Performance*" in this Annual Report.

| Stakeholder group | How we engage | Exemplary topics covered |
| --- | --- | --- |
| **Customers and consumers** | Key account management, sustainability exchanges with customers, education and awareness programmes on corporate responsibility issues, integrated marketing efforts to encourage purchase of sustainable products and sustainable product use | Recycling initiatives for single-serve coffee, Senseo low environmental impact system, partnerships with retail customers |
| **Smallholder farmers** | Common Grounds supplier engagement programme, farmer training and other support programmes | Sustainable agriculture and good agricultural practices, farmer labour practices, gender & youth, climate change, IDH Farmfit Fund |
| **Suppliers** | Common Grounds supplier engagement programme, industry collaborative fora | Responsible sourcing, Supplier Code of Conduct and related policies on responsible business practices |
| **Our Employees** | Online collaboration tools: Workplace and MS Teams, Learning/ Wellness platforms, regular meetings and town halls, employee engagement surveys, our semi-annual employee development process | Strategic alignment sessions, responsible business practices and compliance/ Code of Conduct, employee well-being, training & development, engagement, diversity & inclusion |
| **NGOs** | Project collaboration in origin countries, regular dialogue and exchange, as appropriate, on our most material issues | Partnerships in Common Ground origin projects, IDH, Rainforest Alliance, SCC, WCR, Impacto |
| **Industry** | Industry groups (e.g., ECF) to tackle complex challenges across the entire value chain, collaboration to address supply chain challenges | Responsible sourcing, biodiversity protection (e.g., OP2B), food safety, product recycling, e.g., CELAA in France, Podback in the UK |
| **Governments, international organisations** | Multi-stakeholder Initiatives of international organisations (e.g., ICO); public-private partnerships under Common Grounds, e.g. including PPPs with government entities in Australia, Germany, the Netherlands, USA and the United Kingdom | Sustainable agricultural production, living incomes for coffee farmers through ICO |
| **Shareholders, investors and financial institutions** | Annual General Meeting of Shareholders, investor roadshows, (ESG) investor conferences, investor and analyst calls, investor meetings | Management and strategic changes, competitive environment, ESG, financial and operational results, recent developments in the COVID-19 context |

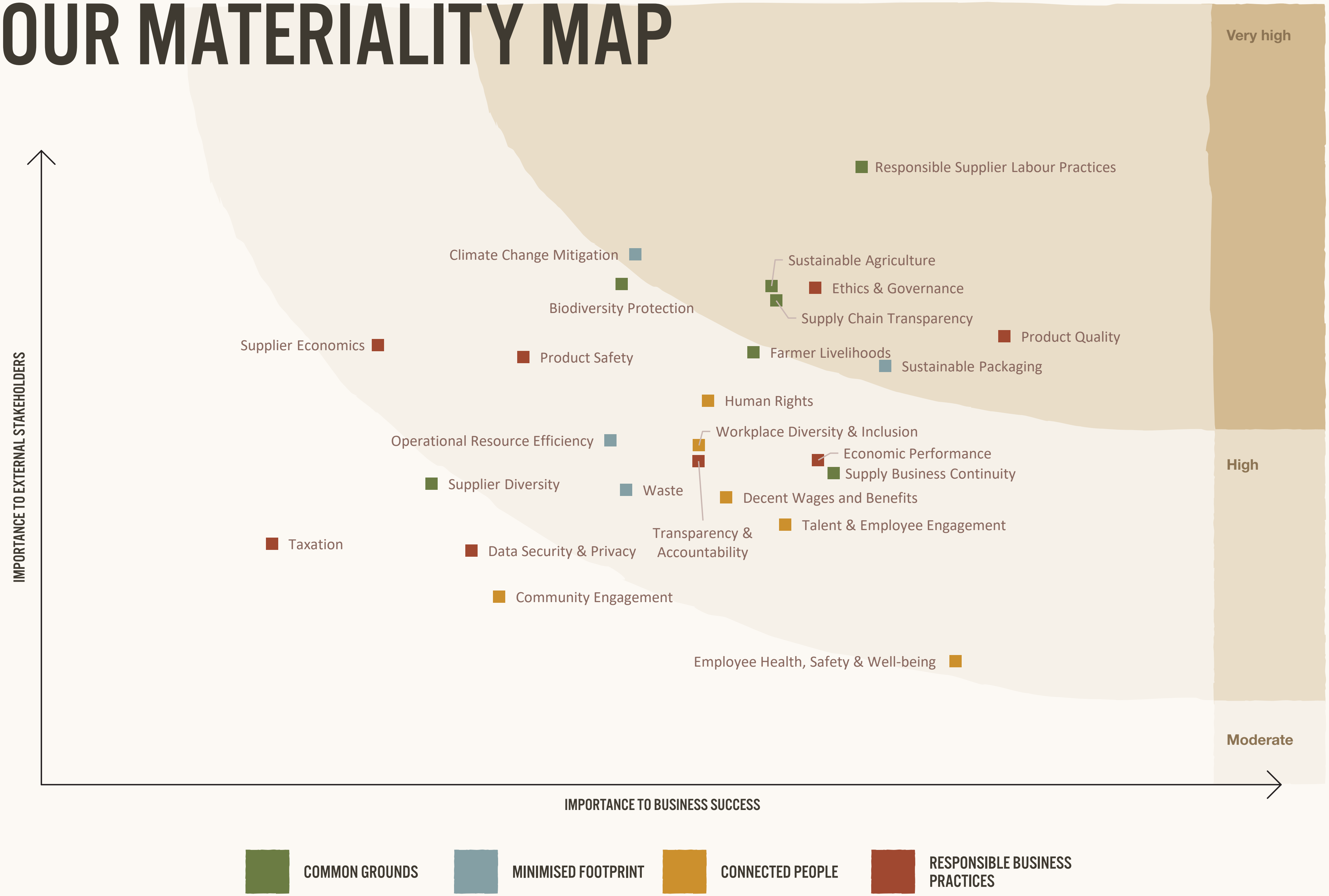
# MATERIAL STEPS TOWARDS VALUE CREATION AND CORPORATE RESPONSIBILITY

In 2020, we completed our first comprehensive materiality analysis as a company. This was an important tool for informing our corporate responsibility strategy. It also identified our priorities according to their importance for external and internal stakeholders as well as their impact on our business success. The results of the process were reviewed and discussed comprehensively by our Corporate Responsibility Governance Committee.

To guide our approach, we collaborated with BSR, a global business network and consultancy focused on sustainability. We identified, scored and prioritised issues using the following methodology:

1. **Identify material issues**: A comprehensive list of issues was identified and determined through a sector analysis, review of sustainability reporting standards and company priorities and strategies.
2. **Determine importance to business**: In order to determine their relative importance to business, each issue was assessed according to its impact on JDE Peet's' brands and reputation, growth, employee engagement, operational efficiency and product quality and innovation. Key internal stakeholders provided input via in-depth interviews with JDE and Peet's leadership as well as surveys to a broader audience of colleagues in both businesses.
3. **Determine importance to external stakeholders**: In order to determine their relative importance to external stakeholders, each issue was assessed according to its importance to various stakeholder groups: business partners, NGOs and civil society, shareholders/investors, customers, and governments/regulators. In-depth interviews were conducted with external stakeholders spanning our key stakeholder types: coffee farmer representatives, coffee traders, customers, NGOs, certification bodies, industry groups, investors, coffee value chain experts, and multi-stakeholder collaborations.
4. **Prioritise**: We mapped scores for each issue, taking into account business and external stakeholder importance, which identified the priorities presented in our materiality matrix.

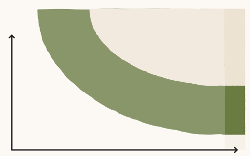
# OUR MATERIALITY MAP



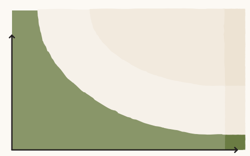
The material topics are linked to the three pillars of our corporate responsibility strategy, our underlying commitment to responsible business practices and our evolving business model. The distribution of topics on our materiality map, across three distinct tiers, informs our approach to value creation for our company and society and helps to integrate our business and sustainability priorities with the United Nations Sustainable Development Goals.

The topics on our materiality map do not exist independently. Climate change mitigation, for instance, is closely linked to other topics such as sustainable agriculture, farmer livelihoods, operational resource efficiency, and sustainable packaging. The wider topic of human rights is intimately connected to responsible supplier labour practices and ethics and governance. As a result, some of the topics on our materiality map are addressed in multiple sections of this report. The definitions of material topics can be found under section '*About this report*' in this Annual Report.

The **first tier** is made up of the topics most material to our external stakeholders and the company's business success. They form the core of our corporate responsibility strategy. The seven top priorities emerging from the assessment are listed below:



The **second tier** is a cluster of major topics for creating medium and long-term value, including farmer livelihoods, operational resource efficiency or human rights. This tier also includes most of the topics related to our employees. A talented pool of engaged employees is critical if we are to thrive as a business and effectively address other topics on our materiality map.



The **third tier** of topics is devoted mainly to compliance-driven matters. These topics are addressed through compliance, monitoring and ongoing management.

## OUR TOP 7 PRIORITIES

- **Climate change mitigation**
- **Ethics and governance**
- **Product quality**
- **Responsible supplier labour practices**
- **Supply chain transparency**
- **Sustainable agriculture**
- **Sustainable packaging**

# OUR CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS

JDE Peet's is proud to embrace the UN Sustainable Development Goals (SDGs). We operate in, and source raw materials from, many developing and emerging markets, and we are committed to their socio-economic development.

To determine our contribution to the 17 SDGs, we used their specific targets and KPIs[3] and assessed the extent to which we contribute to these through our operational management, internal policies, corporate responsibility strategy and initiatives and supply chain programmes. We identified three levels of contribution:

1. **JDE Peet's contributes to a significant extent** to those SDGs that are linked to our most material topics and on which our business activities and initiatives focus accordingly.
2. **JDE Peet's contributes to some extent** to these SDGs mainly as a result of our programmes to increase livelihoods in our supply chain, minimise our footprint and ensure to provide a fair, safe and diverse working environment to our employees.
3. **JDE Peet's contributes to a limited extent** to some targets set for those specific SDGs.

As a result of this analysis, we believe we make the strongest contribution to the following SDGs:


[3] *Available on the United Nations website*

# SIGNIFICANT CONTRIBUTION:

## SDG 1 - NO POVERTY

The prosperity of farmers is one of the three pillars of our Common Grounds responsible sourcing programme. Many smallholder farmers still earn low incomes, driven by a combination of low farm productivity and small farm sizes. In turn, these factors often impact the conditions under which our raw materials are grown and the agricultural practices that are used.

Through Common Grounds, we work to improve the productivity, profitability and sustainability of smallholder farms. This directly addresses many of the priorities on our materiality map and strengthens the resilience of our supply chains. JDE Peet's is also a founding member of the IDH Farmfit Fund which aims to increase the incomes of 3-5 million farmers through input loans, working capital and renovation and rehabilitation.

## SDG 8 - DECENT WORK AND ECONOMIC GROWTH

Our aim is to generate economic value while respecting the environment and the people involved throughout our value chain. Through Common Grounds we work to strengthen the sustainability of our entire value chain. We acknowledge the risks and challenges related to labour practices that may arise in certain parts of our supply chain and actively work to continuously strengthen responsible supplier labour practice in partnership with our suppliers, civil society, governments and others. Our employment practices are guided by the conventions set by the International Labour Organisation (ILO) regarding minimum age and the worst forms of child- and forced labour. It is our responsibility as an organisation to provide a safe working environment for all our employees.

# SDG 12 - RESPONSIBLE CONSUMPTION AND PRODUCTION

At JDE Peet's we believe in our responsibility to manufacture our products in a responsible way and in our ability to promote sustainable consumption to our customers and consumers. We recognise the pressures of our operations on scarce natural resources and we are committed to an efficient use of natural resources along our entire value chain, in line with the priorities identified in our materiality assessment. We are working towards our targets of 100% responsibly sourced coffee, tea and palm oil by 2025. Alongside this we promote sustainable agricultural practices to the farmers we work with and raise awareness on topics such as water stress and climate resilience.

Within our own operations we are rethinking the ways in which we package our products to reduce the amount of packaging material and to increase recycled content. Our aim is to design all of our products to be recyclable, reusable or compostable by 2025. We also continuously work to minimise our environmental footprint by focusing on a more efficient use of water and energy, and a sound waste management system.

# SDG 13 - CLIMATE ACTION

Climate change poses a direct threat to the livelihoods of many smallholder coffee & tea farmers and has the potential to impact the long-term supply of coffee & tea. We are currently updating our climate strategy, including a more detailed mapping of our GHG emissions and refined roadmaps to deliver GHG emission reductions across the entire value chain. We will release further information on those efforts later in 2021.

Through Common Grounds we support smallholder farmers to build their resilience to climate change while minimising the environmental impacts of coffee production. The challenges are geographically specific and require a participatory approach designed to address the issues locally at farm level right up to the landscape approach.

# SDG 17 - PARTNERSHIPS

Supporting the communities along our value chain and protecting their natural environment is important to us. We do so by creating partnerships between motivated farmers, cooperatives, exporters, traders, coffee roasters, civil society, and governments. These partnerships bring together the strengths and capabilities that will make us more effective in reaching out to the smallholder farmers in our supply chain.

At the source, partnerships help to empower smallholder farmers to make informed long-term choices: choices that are good for them, good for the people who work with them to produce and harvest their products, good for the environment, good for the long-term sustainability of coffee & tea. And, ultimately, good for our business.

# SOME CONTRIBUTION:

## SDG 5 - GENDER EQUALITY

We believe that a diverse, inclusive culture makes us stronger. Yet we recognise that there still is a gender gap in today's business world. JDE Peet's targets gender balance across its management positions by 2025. JDE Peet's also provides a work environment where no form of discrimination or harassment is tolerated.

Additionally, women and the young are heavily engaged in coffee & tea farming activities, yet often have limited access to training and extension services. Our Common Grounds projects aim to address these challenges by increasing both the opportunities for women and young people to benefit equally.

## SDG 6 - CLEAN WATER & SANITATION

Even though the manufacturing process of our coffee & tea products is not very water intensive overall, the production of instant coffee is. As part of our Minimised Footprint strategy, we are committed to the careful use and sustainable management of this precious resource. In our supply chains, sufficient clean water availability is key to the sustainable development of largely agricultural, rural based economies. Common Grounds projects use various approaches to raise awareness and transfer knowledge and build capacity for water-saving techniques among smallholder farmers.

## SDG 10 - REDUCED INEQUALITIES

We aspire, through our business activities, to contribute to the reduction of inequality within the countries in which we operate by helping the most vulnerable communities, including many smallholder farmers. In partnership with our suppliers, non-profit organisations, governments, and competitors, our Common Grounds programme engages in a cycle of continuous improvement to ensure the socio-economic inclusion of farmers and their improved livelihoods and incomes. For example, we are proud to be part of the programme *'Improving the lives of women and children in Assam's tea communities.'* This programme addresses a number of complex social and environmental issues in tea communities, catalysing transformational change that improves the lives of tea workers and farmers.

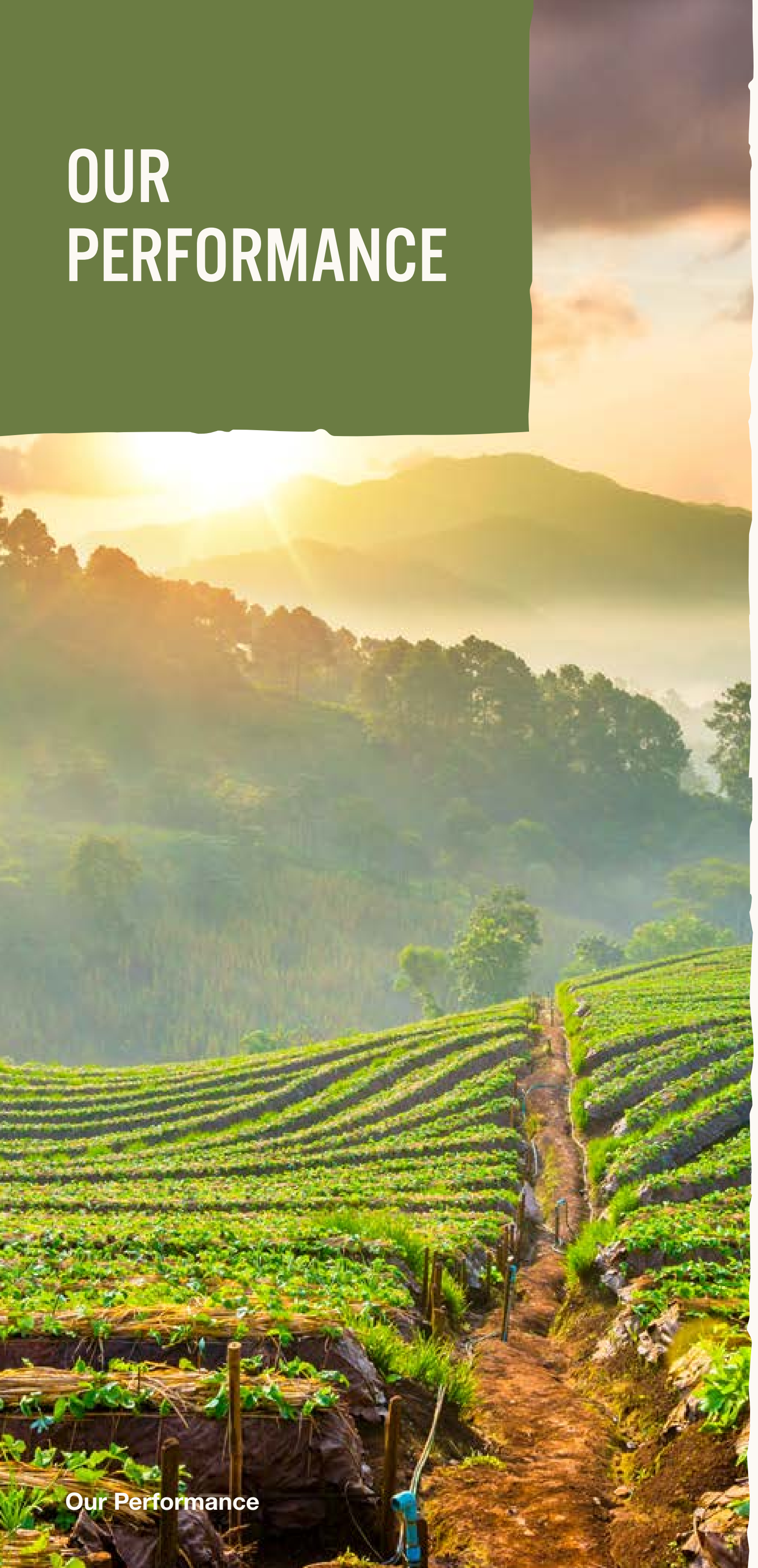
# CONNECTIVITY MATRIX

To support the implementation of our strategy, we have put in place a series of performance targets. Below, for each impact area, we mapped the related material topics, the concerned stakeholders, the key risks identified, the targets we have set for ourselves, the KPIs we use to monitor our performance and the SDGs we contribute to.

## EXTERNAL TRENDS

- **The impact of COVID-19**
- **Consumers abandon the middle ground**
- **Café culture is here to stay**
- **Emerging markets, emerging growth**
- **Healthy opportunities**
- **A sustainable consciousness**
- **Better data for a better experience**

| | Common Grounds | Minimised Footprint | Connected People | Responsible Business Practices |
|---|---|---|---|---|
| **Related material topics** | • Responsible Supplier Labour Practices<br>• Sustainable Agriculture<br>• Supply Chain Transparency | • Climate Change Mitigation<br>• Sustainable Packaging<br>• Operational Resource Efficiency | • Human Rights<br>• Workplace Diversity<br>• Employee Health, Safety & Well-being | • Ethics & Governance<br>• Product Quality<br>• Economic Performance |
| **Concerned stakeholders** | Smallholder farmers, suppliers, industry, NGOs, governments | Customers and consumers, industry, governments | Employees, communities, customers and consumers | Customers and consumers, shareholders and investors, industry |
| **Key related risks** | • Insufficient supply of quality and sustainable coffee and tea<br>• Failure to comply with ESG standards | • Insufficient supply of quality and sustainable coffee and tea<br>• Failure to comply with ESG standards | • Labour practices risks and challenges (child and forced labour in the supply chain) | • Legal and regulatory requirements<br>• Food safety and packaging compliance |
| **Measurable targets** | • Working towards 100% responsibly sourced coffee, tea and palm oil by 2025<br>• Working towards reaching 500,000 smallholder farmers by 2025 | • Saving 15,000 tonnes of packaging from a 2019 baseline<br>• Designing 100% of our packaging to be reusable, recyclable or compostable by 2025<br>• Using 35% recycled content in our packaging | • Targeting gender-balanced management positions by 2025 | Medium-term targets:<br>• Organic sales growth of 3 to 5%<br>• Mid-single-digit organic adjusted EBIT growth with quality margins<br>• Free cash flow conversion of approximately 70% |
| **KPIs** | • % of certified/verified raw materials<br>• Number of smallholder farmers reached<br>• Number of projects across a number of countries | • Packaging saved<br>• % of packaging designed to be reusable, recyclable or compostable<br>• % of recycled content in our packaging<br>• Manufacturing energy use and GHG emissions | • Number of employees<br>• Gender breakdown of employees and governance bodies<br>• Total recordable incidents rate | • Sales and organic sales growth<br>• Organic Adjusted EBIT growth<br>• Free cash flow conversion<br>• Leverage ratio |
| **SDGs** | 1, 10, 12, 13, 17 | 6, 12, 13 | 5, 8, 10 | 8, 16 |



# OUR PERFORMANCE

At JDE Peet's, we are driven by our passion for coffee & tea, care for the environment, and respect for people.

2020 was a tumultuous and challenging year. Entire sectors such as hotels, restaurants, and cafes, as well as offices had to close as a result of the lockdowns and restrictions imposed by governments around the world due to the COVID-19 pandemic. As a consequence, Away-from-Home coffee & tea dropped significantly while In-Home coffee & tea consumption saw strong growth. The fact that our business spans all coffee & tea categories while covering all channels enabled us to be extremely resilient.

In-Home organic sales grew by 9.1% offsetting the steep decline in Away-from-Home consumption. Our pure-play coffee & tea focus, our premiumisation strategy and a disciplined approach to cost management delivered an organic increase in adjusted EBIT of 6.2% despite the volatility of 2020. At the same time, we were able to decrease our leverage to 3.2 times EBITDA compared to 4.2 times EBITDA at the end of 2019.

Similarly, we made progress in many areas of our corporate responsibility journey despite the challenges posed by the COVID-19 pandemic. For instance, we increased the share of responsibly sourced coffee. We also significantly increased the number of smallholders we reach through our collaborative programmes with suppliers, civil society organisations, governments, and others. This was despite the difficulties of supporting smallholders during a pandemic.

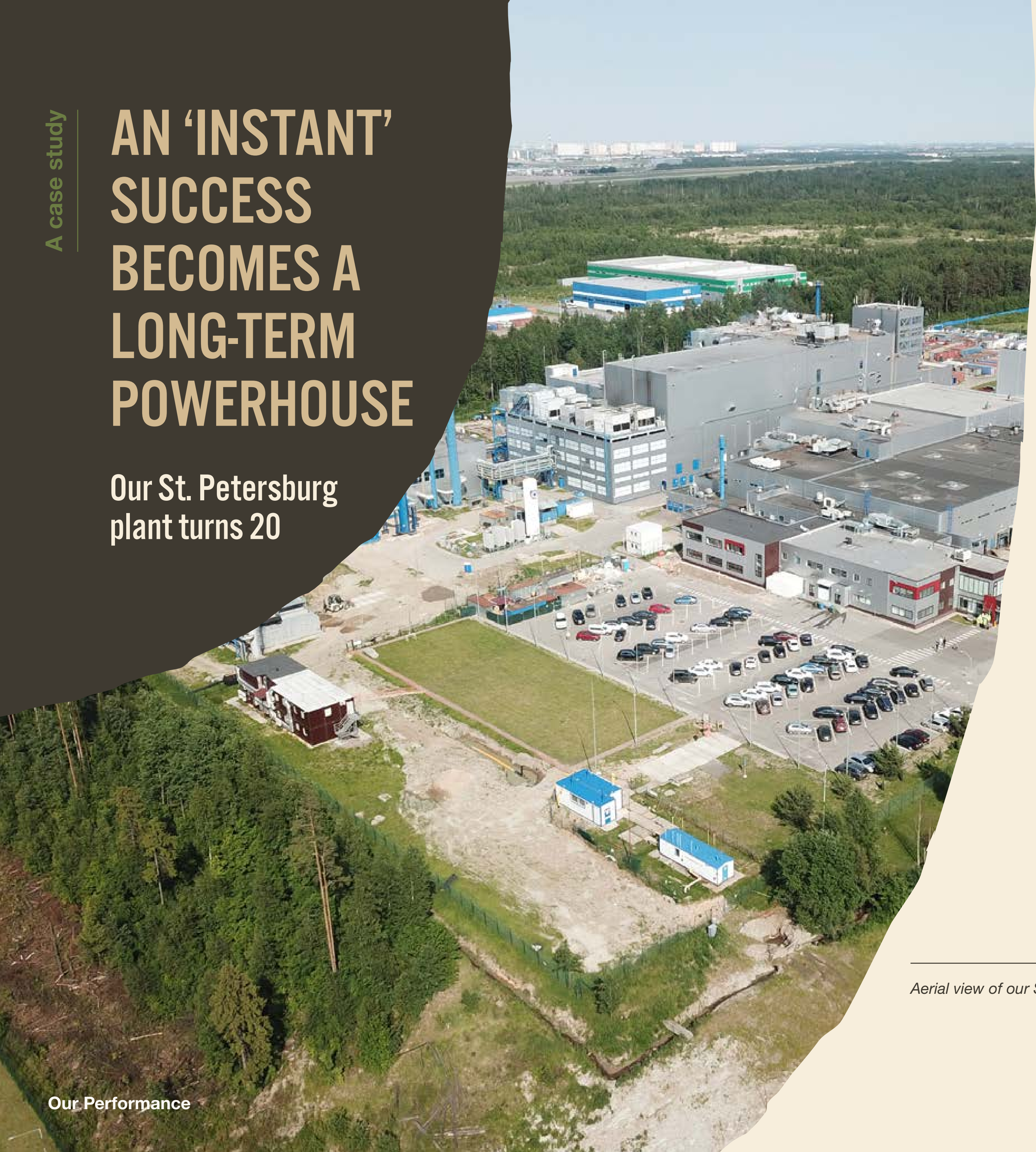
By establishing some firm and stretching targets we renewed our commitment to sustainable packaging, and we reduced the energy and water intensity of our manufacturing operations. We are especially proud to say that our employees carried out more than 130 community initiatives in more than 30 countries. They donated coffee & tea to our long-standing foodbank partners and handed out millions of free cups of coffee & tea to front-line healthcare professionals. JDE Peet’s will always be grateful to those who have worked tirelessly throughout the year to save lives.

Yet, we have a long road ahead of us in our corporate responsibility journey. Together with our partners and stakeholders, we will work hard to make further progress against our commitments in the coming years.

A case study

# AN 'INSTANT' SUCCESS BECOMES A LONG-TERM POWERHOUSE

## Our St. Petersburg plant turns 20



20 years ago, in November 2000, we received Russian Government approval to start production at our manufacturing facility near St. Petersburg, Russia. Shortly afterwards, in January 2001, the first tin line of the small packaging facility began to operate in three shifts, packing our Jacobs Monarch and Maxwell House brands.

The site was an 'instant' success and has gone from strength to strength. In 2008, when the first freeze dryer was installed, the plant started full-cycle instant coffee production. By 2020 it had grown to be a leading instant coffee manufacturing facility. And there was more to come as 2020 marked another extraordinary milestone on this growth journey.

To meet growing demand for our instant coffee, we wanted to expand freeze-drying capacity. However, the restraints and travel bans imposed by COVID-19 made it impossible to bring in the necessary foreign specialists.

*Aerial view of our St. Petersburg manufacturing facility*

A case study

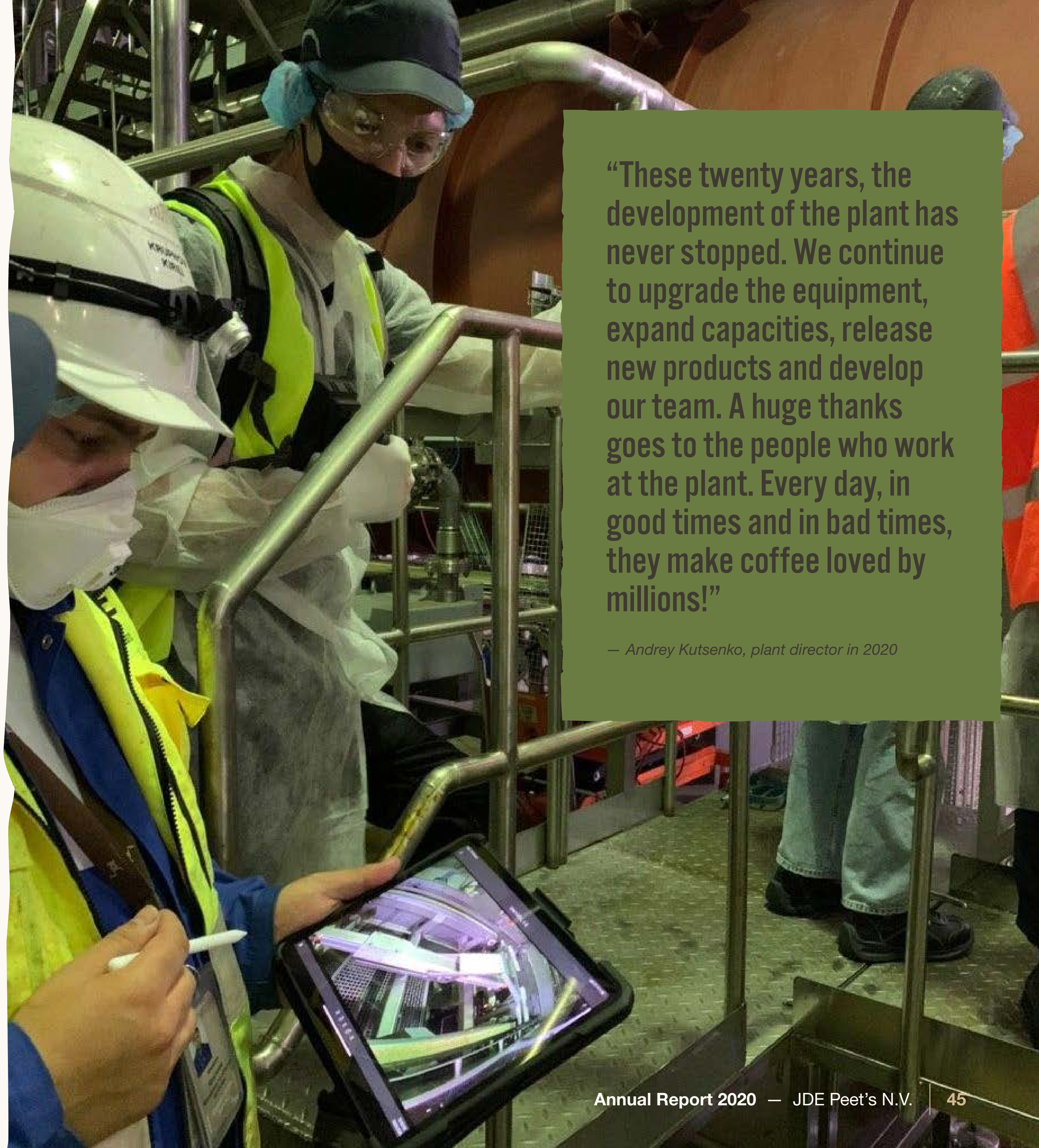
# ANYTHING IS POSSIBLE

Instead of waiting for the pandemic to pass, the Russian engineering team took the bold decision to expand capacity and start up the equipment with local resources instead and with the remote support of the foreign specialists only. Assisted by the installation of cameras for the remote monitoring of the equipment and processes, 4G network coverage, and virtual control rooms, the added capacity began operation in July 2020, only one month behind the original schedule.

# ONE OF THE WORLD'S BIGGEST

Today, our St. Petersburg manufacturing facility employs more than 500 people. With our expansion of freeze-drying capacity, it is now one of the world's largest instant coffee manufacturing facilities. As part of our investments in 2020, we also further increased the energy and water efficiency of our operations, with additional measures planned for the coming years to continue on our sustainability journey in manufacturing.

With its modern freeze-drying processing lines and equipment, our St. Petersburg manufacturing facility will continue to supply high-quality coffee for our consumers in Russia and abroad.



*Camera-supported monitoring of the equipment*

"These twenty years, the development of the plant has never stopped. We continue to upgrade the equipment, expand capacities, release new products and develop our team. A huge thanks goes to the people who work at the plant. Every day, in good times and in bad times, they make coffee loved by millions!"

*— Andrey Kutsenko, plant director in 2020*

# COMMON GROUNDS
## SOURCING OUR RAW MATERIALS RESPONSIBLY

Coffee & tea are our two primary raw materials. We source approximately 8% of the world's green coffee and less than 1% of the world's tea. However, both products are grown in countries that face significant socio-economic and environmental challenges. Common Grounds, our supplier engagement programme, aims to address these challenges.

Developed with the Rainforest Alliance in 2018, Common Grounds is designed to provide transparency on the priority sustainability challenges in the coffee supply chain and to continuously improve the social, economic and environmental conditions in the origin countries. The primary focus is on coffee & tea, but our engagement also extends to ingredients such as palm oil.

"Our partnership with JDE is all about bringing long-term sustainability to coffee and tea farmers in key producing regions. The Common Grounds programme offers an innovative approach based on engaging suppliers, jointly identifying high risk areas, and implementing improvement projects that help mitigate these risks and advance sustainability progress in key sourcing origins. By working together on responsible sourcing solutions that complement certification, the Rainforest Alliance partnership with JDE is a powerful vehicle to accelerate sector innovation and scale up impact."

— *Aparajita Bhalla, Senior Director Markets Transformation, Rainforest Alliance*

Common Grounds is built around three thematic areas:

## SUSTAINABILITY OF LAND

Sustainable agricultural methods that contribute to protecting the natural environment and biodiversity and to addressing climate change.

- Climate Change
- Soil
- Water

## EQUALITY OF PEOPLE

Responsible supplier labour practices that improve working conditions and promote equal opportunities as well as supplier diversity, in particular addressing the needs of women, children and youth.

- Gender and Youth Inclusivity
- Child Labour
- Working Conditions

## PROSPERITY OF FARMERS

Building the capabilities that are needed to make farming economically viable and that improve farmer livelihoods.

- Farm Management
- Yield Improvement
- Income Diversification

A case study

# ESSENTIAL RELIEF IN HONDURAS

JDE has a long history with Honduras as a key sourcing origin. Since 2013, we have worked with our partners to directly reach over 20,000 smallholder coffee farmers and their communities. Under the Common Grounds programme, The Coffee Alliance brings together CoHonducafe, Fundacion CoHonducafe and USAID to: promote sustainable coffee production, protect natural resources, improve socio-economic development, and foster climate change resilience.

In November 2020, The Coffee Alliance provided essential relief for smallholder coffee farmers and their families following Hurricanes Eta and Iota in Honduras. Activities included support with clothing, food, biosafety kits and personal care kits in the most affected areas (Lima, Chamelecon, San Pedro). The programme also carried out boat rescue missions and provided basic medical assistance, reducing the incidence of diseases.

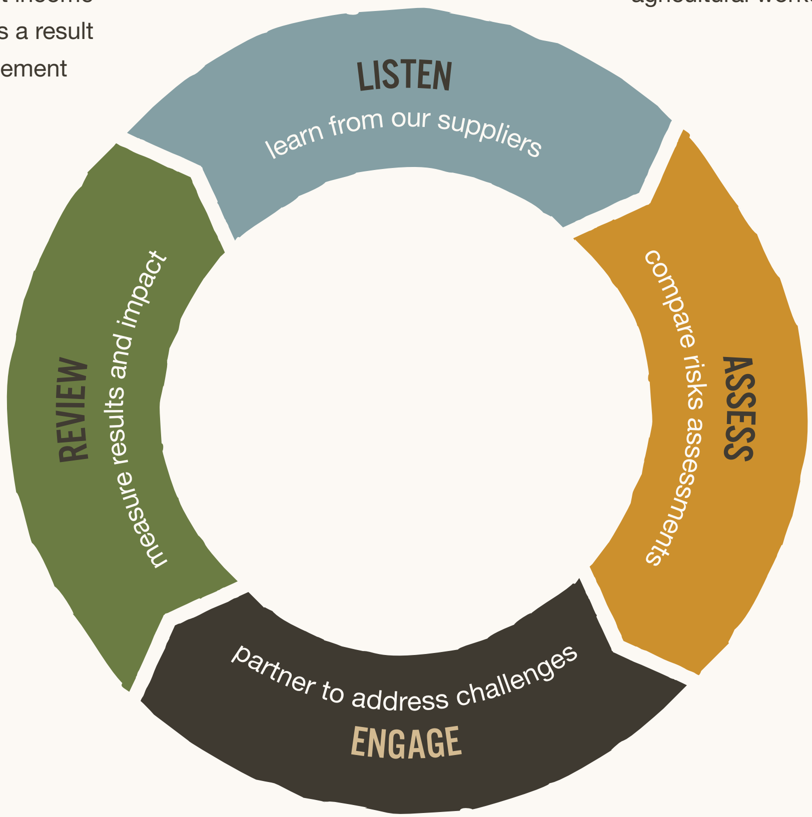
JDE increased its commitment to The Coffee Alliance to further support repairing the houses of coffee producers, increasing technical assistance for more than 5,000 families, restoring coffee processing facilities, strengthening logistics to face post-hurricane challenges and restoring at least 200 model farms to revitalise and strengthen coffee production as a key source of income in the affected regions.

# TACKLING POVERTY AND THE PANDEMIC

The need for Common Grounds is more urgent than ever. Poverty among smallholder farmers is still widespread and the COVID-19 pandemic has only added to the economic pressure for many of them. Border closures, trade restrictions and confinement measures prevented farmers from accessing markets, buying inputs and selling their produce. Agricultural workers were also at risk of increased exploitation as a result of border closures, increasing unemployment, and access to basic necessities. Coffee farmers in Uganda and Ethiopia, for example, reported lost income from coffee farming as a result of restrictions on movement and transport.

# ENVIRONMENTAL DISRUPTION

Deforestation and biodiversity loss are also a problem in many regions. This is compounded by extreme weather such as more frequent droughts and heavy rains. In November 2020, for example, Hurricanes Eta and Iota affected some 5.2 million people across Central America, according to United Nations estimates. Government estimates suggested that more than 10,000 hectares of coffee farmland have been completely or partially damaged in Honduras and Nicaragua, negatively impacting the livelihoods of countless smallholders and agricultural workers in those countries.




# COLLABORATIVE STEPS TOWARDS SUSTAINABILITY

Many smallholder farmers are not part of formal cooperatives and are currently beyond the reach of sustainability certification. Moreover, many sustainability challenges are complex and go beyond what an individual producer or cooperative can address. These challenges require systemic change and take multiple years to solve. Accordingly, we believe that the best way to improve coffee & tea sustainability is to drive continuous improvement through partnerships among farmers, cooperatives, exporters, traders, roasters, civil society, and governments.

Common Grounds works with stakeholders to identify the most important social and environmental issues wherever we source our coffee & tea. We then address those issues through collaborative action and open, direct communication with our suppliers. After identifying the local priorities, we work in partnership with our suppliers, NGOs and governments to address the challenges faced by smallholders.

# OUR GOALS AND PROGRESS

## At JDE Peet's we are working towards 100% responsibly sourced coffee, tea and palm oil by 2025.

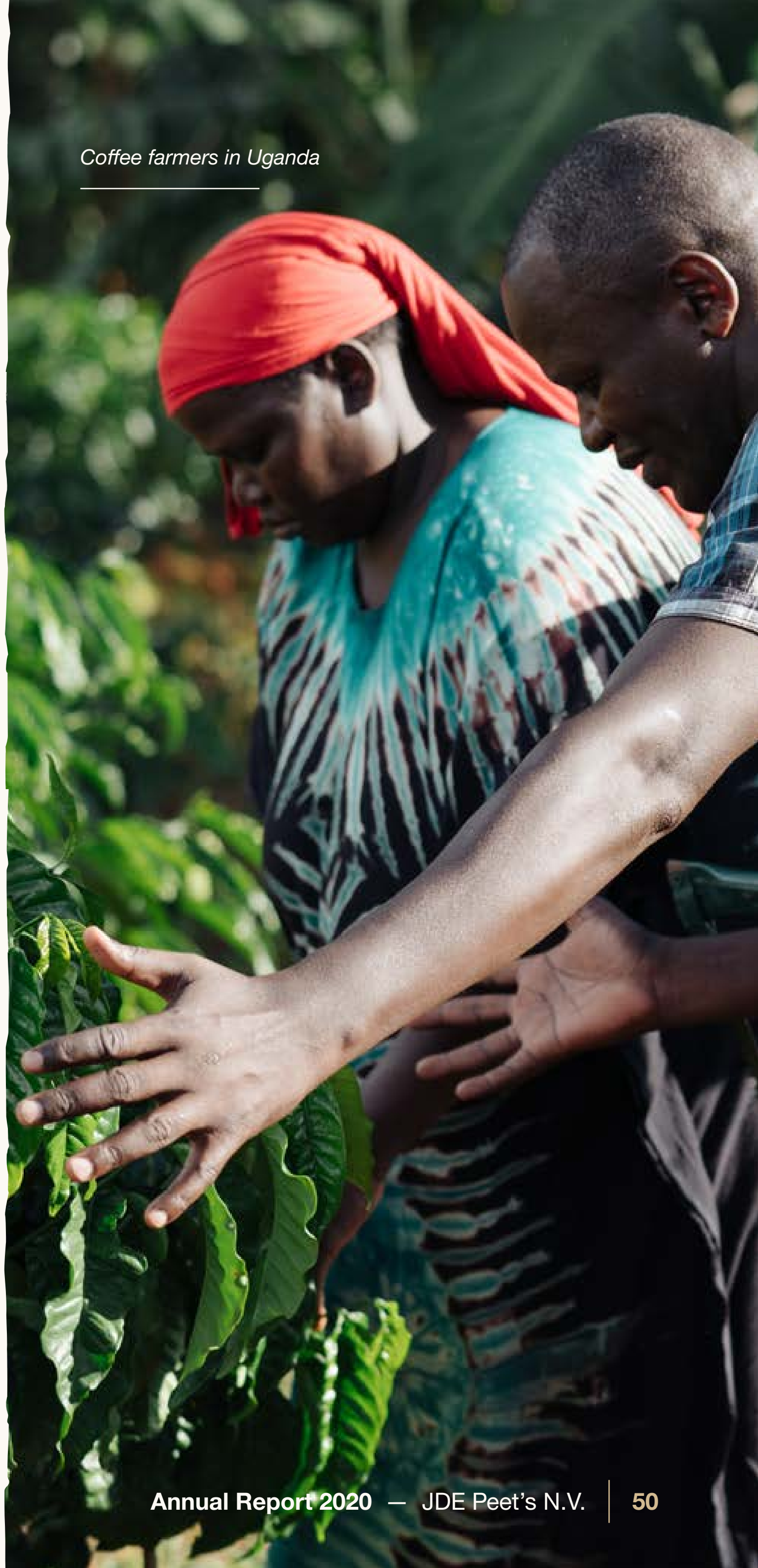
We recognise the investments farmers are making in committing to sustainable production via third-party certification or verification programmes. That's why coffee, tea and palm oil that carry a third-party certification or verification form an important pillar of our responsible sourcing strategy. On coffee, we have set the goal of 40% third-party certified or verified coffee purchases by 2025 as part of our responsible sourcing commitment.

To further support sustainable production of our raw materials, we are also committed to directly reaching 500,000 smallholder farmers by 2025.

| THIRD-PARTY CERTIFIED/VERIFIED PURCHASES[4] | 2020 | 2019 |
|---|---|---|
| Coffee | 29% | 21% |
| Tea | 22% | 100%[5] |
| Palm oil | 31% | 11% |
| Smallholders reached[6] | 380,000 | 300,000 |

*[4] Includes 4C certification, Ethical Tea Partnership, Enveritas, Fairtrade, the Rainforest Alliance, Roundtable on Sustainable Palm Oil (RSPO) and UTZ*
*[5] 2019 volumes exclude tea sold under our Ofçay brand*
*[6] Cumulatively since 2015*

*Coffee farmers in Uganda*



# COFFEE: CONTINUOUS IMPROVEMENT IN THE SUPPLY CHAIN

In 2020, we were able to increase our third-party certified or verified coffee purchases to 29% globally, up from 21% in 2019. In addition, we want to engage the many smallholder farmers who are currently beyond the reach of sustainability certification. That's why JDE launched Common Grounds in 2018. Today, Common Grounds covers 15 of our most important coffee origin countries, from which we sourced more than 90% of coffee in 2020.

The Common Grounds programme started with Origin Issue Assessments across nine coffee origins and with self-assessments from 54 of our key suppliers. This represented a 60% response rate against our *Coffee Sourcing Principles*. As a further step in our due diligence process, we commissioned seven on-the-ground country risk assessments by independent third parties.

## A GREAT RESPONSE

In the 2019/20 cycle we received 145 self-assessments from our suppliers representing a 95% response rate. Despite the limitations imposed by the COVID-19 pandemic on our country risk assessment process, we worked with the Rainforest Alliance to successfully conduct or update independent Origin Issue Assessments in 5 priority countries.[7] This means that two-thirds of our conventional coffee purchases[8] in 2020 were covered by both a supplier self-assessment and Origin Issue Assessment. This process has equipped us and our suppliers with a much deeper understanding of the most pressing sustainability challenges in each origin country.

## INNOVATIVE, FAR-REACHING INITIATIVES

We work to address these challenges through a cycle of continuous improvement in multi-year projects. These are implemented in close partnership with our suppliers, as well as with farmers, cooperatives, exporters, traders, civil society and governments. Today, we have projects in place across all the 15 Common Grounds coffee origin countries. They focus on the identified priorities and vary by country. They include, for example:

- Global Coffee Platform Collective Action Initiatives in Brazil and Vietnam to foster the responsible use of agrochemicals
- Smallholder training in Indonesia that aims to decouple coffee production from encroachment and deforestation in the neighbouring national park; and
- Efforts to address child labour in Honduras

More details can be found in the case studies on the following pages.

## LOOKING FORWARD

In 2021, we will launch the third cycle of Common Grounds Supplier Self-Assessments, focusing on further improvements in reach and quality of the process, alignment with our Coffee Sourcing Principles, and identification of key sustainability challenges. This cycle will further inform and enhance both our supplier engagement strategy as well as the continuous improvement approach of addressing priority issues in our supply chain.

[7] *Available in the Common Grounds section of our JDE website*
[8] *I.e. coffee without a third-party sustainability certification or verification*

A case study

# RE-ENGINEERING THE SUPPLY CHAIN

## Responsible Sourcing at Peet's

In a pioneering partnership with Enveritas, Peet's has developed a rigorous approach to understanding its coffee supply chain. The process dramatically increases field surveys and utilises robust statistical analysis and geo-spatial innovations to gain an unbiased understanding of conditions in the supply chain, from the arid mountains of Yemen to the highland forests of Sumatra.

The cost of the field surveys is covered by Peet's, not farmers, and pertains to its entire farm footprint, rather than a certified subsection. Work to address social, environmental, and economic issues is undertaken by Peet's, their suppliers, and critical collaboratives like World Coffee Research, after which Enveritas takes the added step of assessing if impact is being achieved or if interventions need to be rethought.

Peet's believes these efforts represent an honest and earnest contribution to a more sustainable coffee sector. In 2020, Enveritas verified 80% of Peet's total coffee purchases.

*Coffee highlands, Lake Toba, Sumatra*

A case study

# CREATING SAFE PLACES FOR CHILDREN TO LEARN

## Addressing a priority in Honduras

Through Common Grounds and its risk mapping process, JDE and the Rainforest Alliance determined in 2018 that child labour was a priority risk in Honduran coffee production. Accordingly, we partnered with the Asociación de Exportadores de Café de Honduras (ADECAFEH) and World Vision to establish the project 'Prevention of Child Labour During the Coffee Harvest'.

*Children at one of the programme's childcare centres*

That same year, we created five childcare and development centres, focusing on education, sensitisation and child protection. Beyond the simple objective of eliminating child labour, the project works by providing parents with the reassuring knowledge that their children are in safe hands during the day.

In 2020, we reassessed the risk of child labour and determined that COVID-19 exacerbated the problem, thereby requiring us to increase our efforts with the local Protection Committees, the Municipal Council, and the Childhood and Youth Office, ensuring that each entity fully understands its role for the functionality of the childcare centres.

**"On behalf of ADECAFEH, I would like to thank JDE for their support since 2018 of our project 'Prevention of Child Labour During the Coffee Harvest' in the coffee-producing community of San Juan, Intibuca. The impact of the daily childcare and education programmes is well documented. The children's academic index and their overall development have increased substantially, along with their parents' income. The parents can now proceed with their daily work knowing their child is in professional hands."**

*— Daniel Gerber, Chairman ADECAFEH*

ADECAFEH
ASOCIACIÓN DE EXPORTADORES DE CAFÉ DE HONDURAS

**"JDE's commitment to the coffee communities of Honduras remains strong. For this, we are deeply grateful and proud to work together to improve opportunities for children, youth and their families."**

*— Jorge Galeano, National Director for World Vision Honduras*

World Vision

A case study

# TOWARDS AN INTEGRATED COFFEE EXTENSION SERVICE

## Delivering coffee advisory services to 40,000 smallholder coffee farmers in Uganda

Since 2018 JDE, IDH - the Sustainable Trade Initiative and Café Africa Uganda have partnered to test a model of linking private Coffee Community Based Facilitators (CCBFs) to the public agricultural extension system, combining private community outreach with district knowledge and infrastructure.

After three years of implementation, the programme has reached more than 40,000 smallholder coffee farmers in 6 districts in Uganda. It successfully demonstrated that CCBFs complement the district infrastructure with effective farmer-to-farmer training. The model is now adopted to significantly increase extension outreach without the need to grow government extension services.

As further evidence of success, many CCBFs are being taken on by Government or private coffee companies to continue providing coffee advisory services to farmers, creating income earning opportunities in the communities. Programme-trained CCBF Ms. Adrine Natukunda, popularly known as the 'Rubirizi District Coffee Queen', for example, is now engaged by the Government of Uganda as a coffee service provider and supports a local coffee trading company as a coffee farm inspector in her district.

*Field training in Uganda*

> "My rehabilitated coffee garden serves as a community demo, and the hands-on practical training approach, use of local language during training and matching the trainings with the coffee calendar, have made me a popular CCBF in Rubirizi."
>
> *— Ms. Adrine Natukunda*

A case study

# JDE COMMITTED TO SOURCING COFFEE FROM THE FIRST 'SOURCEUP COMPACT' IN VIETNAM.

*Coffee farmers in Vietnam*

We source coffee from the beautiful Central Highlands of Vietnam. In recent years, we have addressed key sustainability challenges such as extreme climate events, recurring droughts, and the responsible use of agrochemicals to reduce GHG emissions through a landscape programme.

Partnering with IDH - the Sustainable Trade Initiative, our key suppliers, the public sector, farmers and development partners (the World Bank, USAID, UNDP), this EUR 11 million programme has achieved 20% savings in water consumption and reduced fertiliser input. Further, it has has recorded no use of banned pesticides, and no observed deforestation in the area.

Building on this success, we recently applied IDH's innovative SourceUp model and entered into a PPI (Production - Protection - Inclusion) compact. This is an agreement between the programme's public, private and civil society stakeholders to improve livelihoods by making the land more productive, in exchange for the protection of the natural ecosystem. Coffee from the compact is fully compliant with EU limits on glyphosate residue and comes with a 60% lower carbon footprint in 2019/20 compared to the 2015/16 crop. A recent evaluation showed a 20% increase in the income of farmers in the PPI compact compared with farmers outside of the intervention area. The increase is mainly attributed to better input management and intercropping, i.e., growing coffee together with other crops in the same field.

We are proud to be the first company to use the SourceUp platform to inform our coffee sourcing decisions. The programme's success has already triggered commitment from local partners to expand to 140,000 hectares by 2025 in a similar approach.

Dak Lak and Lam Dong districts have set a vision to become official Verified Sourcing Areas. With this sourcing commitment, JDE is proud to be able to help the provinces on their path to a more sustainable future.

"The investment succeeded because it was well supported by farmers and matched the needs of the public and private sector."

*— Mr. Y Giang Gry Knie Knong, Vice Chairman of Dak Lak Province*

"For almost ten years, all coffee products originating from our PPI compact in Krong Nang district have always met the market requirement of Glyphosate residue. I attribute this success to the fruitful partnership with IDH, JDE, local authorities, and especially farmers. JDE is our committed buyer."

*— Mr. Nguyen Tien Dung, Sustainability Manager of SIMEXCO*

# TEA - OUR RESPONSIBLE SOURCING JOURNEY

Overall, 22% of our tea volume was responsibly sourced through a third-party certification or verification in 2020. We remain committed to our goal of working towards sourcing all our tea responsibly by 2025.

As in previous years, all of our purchases for our Bell Tea, Pickwick, Hornimans and TiOra brands carried a third-party certification or verification. In 2018, we acquired Ofçay and tea sold under the Ofçay brand is not yet covered by a responsible sourcing programme. We are actively working with partners to develop such a programme that fits the specific needs and local context of Ofçay.

In 2020, we continued our support of tea farmers and their workers across 4 projects in 4 countries. These projects addressed key issues on child labour, working conditions, gender, living income and healthy diets for tea communities. They include, for example, projects with the Ethical Tea Partnership (ETP) to reduce the living wage gap through the Malawi Tea 2020 programme and improving opportunities for women and girls in Assam, India.

A case study

## PROMOTING EDUCATION FOR HEALTHIER LIVES

JDE is one of the eight tea companies co-funding the programme Healthy Diets for Tea Communities (2020-2023). This coalition, led by the Global Alliance for Improved Nutrition (GAIN) and the Ethical Tea Partnership, addresses poor nutrition in tea supply chains in Assam (India), Kenya, and Malawi.

Poor diets are the leading cause of global ill health and a driver of under-nutrition and deficiencies. Tea workers and farmers often suffer from high under-nutrition rates because their diets consist largely of staples such as rice, bread, maize and wheat. These foods lack the essential nutrients and vitamins needed for good health and an active life.

The programme works on different areas in each country context, but focuses on:

- Increasing demand for nutritious foods through interactive and educational activities which improve food knowledge and choices. Activities include training, street theatre or cooking demonstrations
- Increasing access to nutritious food through a variety of methods, including vegetable gardens, fruit trees and fortified lunches at work
- Improving the enabling environment by promoting the importance of investing in workforce nutrition programmes to businesses and governments

In Malawi, the Healthy Diets for Tea Communities programme is working with farmers to help improve diets and nutrition. Given the high costs of fortified foods these are sometimes inaccessible to farmers. Through training sessions, farmers therefore learn about the benefits of growing bio-fortified crops such as orange fleshed sweet potatoes themselves as well as how to grow them, covering topics such as the correct spacing, fertiliser and access to the seeds.

# PALM-BASED OILS: TOWARDS 100% RESPONSIBLE SOURCING

The large majority of our products do not contain any palm oil or palm kernel oil and our purchase volume of palm-based oils is relatively small at approximately 10,000 tons. Historically, all of our palm oil and palm kernel oil purchases were certified.

However, recent acquisitions required us to recommence our journey to 100% responsibly sourced palm oil with the first Roundtable on Sustainable Palm Oil (RSPO) certified palm oil shipment for this acquisition in November 2019. Since then, we have been able to increase our total purchases of RSPO-certified volumes from 11% in 2019 to 31% in 2020. We also recently updated our purchasing principles for palm-based oils and will continue on our journey towards 100% responsibly sourced palm-based oils by 2025, with an expectation to meet this goal several years earlier than planned.

# SMALLHOLDER ENGAGEMENT: FURTHER OUTREACH AND EXPANSION

Our smallholder engagement programme is designed to address the priority sustainability challenges and improve the livelihoods of smallholder farmers. In 2020, we supported more than 40 coffee & tea projects across 18 countries. We have now reached 380,000 smallholder farmers since 2015 and are well on track to reach our goal of 500,000 smallholder farmers by 2025, primarily through technical assistance.

2020 was a particularly challenging year for smallholder engagement as COVID-19 restrictions challenged the implementation of our programmes. Despite this, our project partners developed innovative approaches to continue support to farmers and we were able to further expand our project work with coffee & tea farmers.

## COVID-19 HYGIENE FOR FARMERS

In Indonesia, for example, project staff in our joint project with Louis Dreyfus Commodities (LDC) and the Louis Dreyfus Foundation organised telephone surveys and arranged individual farm visits by LDC's field technicians living in coffee producing areas. They also prepared hygiene kits for distribution to the farmers. Each kit included a reusable mask, soap and a COVID-19 brochure explaining in local language the main symptoms of the virus, the protective measures to adopt, and how to seek help if symptoms appear.



In China, we are partnering with Kunming-Fumin and the Yunnan Agricultural University to improve Good Agricultural Practices. Together, we have developed the Smart Coffee app and social media programme, through which agronomists connect with farmers throughout COVID-19 lockdowns. In Vietnam, our project with local exporter ACOM developed an application which can be used by farmers to order fertiliser. In Papua New Guinea, our project partner ECOM SMS distributed radios to farmers so they could receive trainings though radio broadcastings. The trainings covered both agricultural topics and COVID-19 educational campaigns. In addition, provincial authorities are now using the channel for emergency awareness.

# MULTI-STAKEHOLDER PLATFORMS: AN OPPORTUNITY FOR COLLABORATION

Collaborative partnerships are at the core of our Common Grounds programme. This is underpinned by our active participation in a broad set of multi-stakeholder platforms and initiatives.

JDE and Peet's are active in many multi-stakeholder organisations designed to promote sustainability in the coffee & tea sectors. We are a founding member of the IDH Farm Fit Fund, the world's biggest public-private impact fund for smallholder farmers. We are a member of the International Coffee Organization (ICO) Coffee Public-Private Task Force and committed to its vision and roadmap towards achieving a prosperous, sustainable and inclusive coffee sector.

We are also actively involved in the Global Coffee Platform and three of its Collective Action Initiatives: to foster responsible use of agrochemicals in Brazil; to deliver effective coffee-specific extension services to smallholder coffee farming households in Uganda; and to improve the responsible use of agro-inputs in Vietnam's coffee sector. In addition, we support the Sustainable Coffee Challenge and the European Coffee Federation.

Peet's currently chairs the Board of World Coffee Research (WCR). WCR uses research in coffee genetics and agronomy to develop better, GMO-free coffee varieties and establish better agronomic approaches. WCR also strives to create market opportunities that empower farmers to navigate the impacts associated with plant diseases and pests, poor soil health, and climate change.

In tea, our work with the Ethical Tea Partnership (ETP) supports a range of programmes and activities in tea communities across Asia and Africa. ETP's work tackles the grass roots issues in tea communities that impact farmers' and workers' lives; incomes, gender inequality, climate change and social empowerment.

Finally, we are a member of One Planet Business for Biodiversity (OP2B) which is a unique international cross-sectoral, action-oriented business coalition on biodiversity with a specific focus on agriculture. The coalition is determined to drive transformational systemic change and catalyse action to protect and restore cultivated and natural biodiversity within the value chains, engage institutional and financial decision-makers, and develop and promote policy recommendations for the 2021 CBD COP15 framework.


# ACTIVE PROJECTS IN 2020

Climate Change | Soil | Water | Gender & Youth Equality | Child Labour | Working Conditions | Farm Management | Yield Improvement | Diversification

JDE Peet's | CommonGrounds

Cumulative farmers reached since 2015

**380,000**

Projects

**40+**

Countries

**18**

# MINIMISED FOOTPRINT

## BIG STEPS TOWARDS A SMALLER FOOTPRINT

As an organisation we are committed to reducing our environmental footprint while providing quality products that meet the needs and preferences of our consumers and customers. To this end, our Global Environmental Management System pursues continuous sustainability improvements by optimising our use of energy, water and other resources while reducing waste across our manufacturing activities. We also address our environmental footprint along the rest of the value chain by, for instance, the introduction of more sustainable packaging.

This is a relentless process that involves non-stop dialogue with our suppliers and other stakeholders. We can never relax or assume that the job is done. But we can see that the constant innovations and small steps we take are adding up to significant leaps forward.

We produce our coffee & tea across 44 manufacturing facilities globally, a network that has grown significantly as a result of acquisitions in recent years. Currently, 18 of our manufacturing facilities are certified against ISO 14001, including all our manufacturing facilities within the European Union. Our Peet's roastery in the U.S. is LEED Gold (Leadership in Energy and Environmental Design) certified.

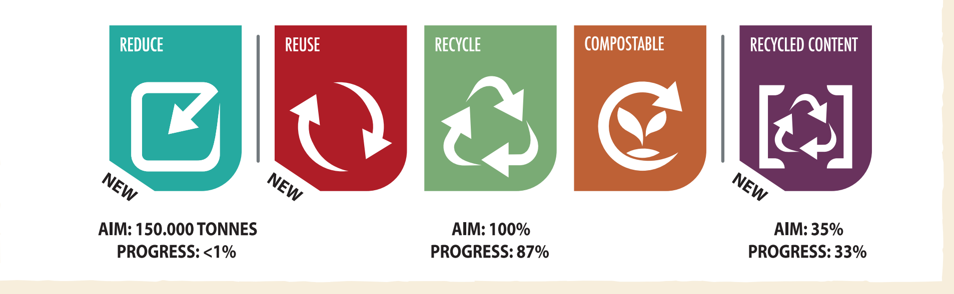
# IMPROVING OUR PACKAGING

The packaging of our coffee & tea products is critical to ensure great taste, freshness, safety and an attractive consumer experience. But we recognise that all packaging becomes waste and that its lifecycle must be managed to limit the environmental impact.

That's why we are working hard to reduce the amount of packaging material without compromising on the product quality. Where packaging is absolutely required, we aim to provide consumers with responsibly packaged products and optimised end-of-life solutions.

To focus our efforts, we have defined a new vision for our packaging sustainability: *'A Planet Free of Packaging Waste'*. We have also reviewed our commitments and set ourselves some even more ambitious targets. Thus, by 2025 JDE Peet's will:

- Save 15,000 tonnes of packaging materials used[9]
- Design 100% of our packaging to be reusable, recyclable or compostable[10]
- Use 35% recycled content in our packaging[11]




[9] Versus our 2019 baseline
[10] By weight; countries with immature recycling/composting infrastructure are excluded; for these countries, our primary focus is on material reduction
[11] By weight; where regulation allows

## REDUCTION AND RECYCLING

Our reduction target creates immediate environmental benefits and allows to make an impact in places where collection and recycling facilities do not exist. It also challenges our packaging engineers and marketeers to find the most efficient ways of delivering our products to our customers and consumers.

Reusability opens up routes to new business models in which packaging is used over and over again. In order to close the loop, we aim to use 35% of recycled content in our packaging where regulation allows.

These are challenging targets, but we are already making positive progress. In 2020, 87% of our primary and secondary packaging was either reusable, recyclable or compostable, while 33% of our packaging came from recycled materials. This is restricted by current regulations which limit the use of recycled content within packaging which is in direct food contact. In addition, we are actively working on programmes to reduce the amount of material we use to support the newly created reduction target.

## COMPOSTABLE COFFEE PADS

In 2020, we successfully rolled out an industrial compostable material across our full portfolio of single-serve coffee soft pads. This amounted to ~5 billion pads for brands such as Senseo, Jacobs and Douwe Egberts.

In Q3/Q4 2021, we plan to launch our first recycle-ready roast and ground and whole beans packaging for, amongst others, the Gevalia brand in the Nordics. In tea, we are on track to convert our Pickwick tea bags to industrial compostable material by the end of 2022.

# CONSUMER INVOLVEMENT

Additionally, we have multiple partnerships in place that allow consumers to more easily return their used coffee pods into recycling streams. In November 2019, JDE France teamed up with Nespresso and Nestlé France to launch the "Alliance pour le Recyclage des Capsules en Aluminium" (Alliance for the Recycling of Aluminium Capsule). Most recently, we partnered with Nestlé in the UK to launch Podback which is enabling consumers to easily return our Tassimo T-discs and L'OR coffee capsules through a take-back scheme.

In the U.S., Peet's has partnered with g2 revolution® to make it easier for consumers to recycle Peet's Espresso capsules. Consumers may request a recycling bag and pre-paid shipping label from Peet's, fill the bag with used capsules, and send the bag to g2 revolution® for recycling. At the recycling facility, aluminium from the capsule is recycled and coffee grounds are converted to compost. In addition, as of March 2020, all Peet's K-Cup® pods are made of recyclable polypropylene (#5 plastic), which is widely recyclable across North America.

Delivering against our packaging commitments requires significant technical development and effort across our entire organisation. But the intention of our efforts is clear: to minimise the impact of the packaging we use on our planet. We will continue to monitor and report progress, adjusting the scope to include new acquisitions.

A case study

# DELICIOUS COFFEE WITH CARE FOR THE PLANET


With Senseo®, each cup matters. The Senseo® brand now offers a more sustainable choice to the consumers with a full relaunch into:

- Compostable[12] coffee pads
- 100% certified coffee
- Lower energy consuming brewers and increased usage of recycled plastic material by our partner Philips®
- All in all, a coffee system with a low environmental impact from bean to cup[13]


## A cup of pleasure for the consumer, and a kind gesture for the planet!

- Relaunched in 2020
- Supported since Q3/2020 with a new communication on TV and online, together with strong visibility in-store
- The new Senseo® Eco-Brewer and the new pads range of Organic coffee both awarded "Product of the Year in France"
- The new Senseo Eco-Brewer® is the Plastics Recycling Awards Europe 2020 winner in the Automotive, Electrical or Electronic Product category

ELU PRODUIT DE L'ANNÉE 2021

PLASTICS RECYCLING AWARDS EUROPE 2020 WINNER

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*[12] Industrial compostable*
*[13] Based on a 2018 Life Cycle Assessment, comparing the environmental impact of six leading coffee systems commonly sold in the EU market when brewing a long black coffee*

# REDUCING ENERGY USE AND GREENHOUSE GAS EMISSIONS

We can already see the impacts of climate change in weather patterns and more frequent extreme weather events. This affects everyone, from the farmers who supply our raw materials to the consumers who enjoy our products. That's why we are committed to climate action that lessens our environmental impact in our own operations and along our value chain.

In our own operations, direct greenhouse gas (GHG) emissions (Scope 1) and indirect emissions from energy (Scope 2) arise in our manufacturing processes, our warehouses, offices and restaurants, and from the fuel use of our fleet. More than 90% of those Scope 1 and 2 emissions occur within our manufacturing facilities.

Our primary focus is therefore to operate our manufacturing facilities efficiently and reduce fossil fuel use. Wherever possible we are utilising the spent coffee grounds from our instant coffee manufacturing processes, for example as fuel for on-site energy generation. Some of our manufacturing facilities with their own wastewater treatment facilities, such as those in Banbury, UK and Joure, the Netherlands, capture the methane that is generated in the process and use it as biogas. This reduces our need for natural gas and avoids the associated GHG emissions.

# INVESTING IN EFFICIENCY

At the same time, we are investing in more efficient technologies and equipment. The Joure facility, for example, has invested in improvements to reduce steam consumption in the extraction process and to increase the quantity of spent grounds that are burned to generate steam for use in the process. The result was a 19% increase in the use of spent grounds in 2020 versus 2019.

Our manufacturing facility in Hemelingen, Germany, aims to invest in a more energy efficient evaporation process in 2021, with expected savings in specific energy consumption of more than 5%. In Johor, Malaysia, planned upgrades of the extraction technology will increase product capability and green bean yield, while maintaining energy and water consumption efficiency levels.

Overall, we made good progress in 2020 and were able to reduce our manufacturing energy intensity to 9.2 GJ per tonne of production. Even so, GHG emissions from our manufacturing processes increased slightly, mostly because of a somewhat lower use of spent coffee grounds as renewable fuel due to spent ground boiler maintenance and optimisation.

| **Manufacturing energy & GHG emissions** | **2020** | **2019** |
|---|---|---|
| SCOPE 1: Direct emissions (tCO2e) | 352,066 | 351,176 |
| SCOPE 2: Indirect emissions, purchased energy (tCO2e) | | |
| Location based | 157,102 | 152,080 |
| Market based | 142,475 | 138,264 |
| Total energy use (GJ) | 8.4 | 8.6 |
| Total direct energy use | 7.3 | 7.5 |
| Total purchased electricity use | 1.1 | 1.1 |
| Renewable energy (%) | 12% | 14% |
| GHG intensity ratio (t CO2e/t of production) | 0.5 | 0.5 |
| Energy intensity ratio (GJ/t of production) | 9.2 | 9.3 |
| Number of manufacturing facilities covered | 40 | 41[14] |

[14] *One manufacturing facility was closed in the fourth quarter of 2019; data is included up until then.*

# PARTNERING FOR PROGRESS

This includes, for example, our efforts to choose sustainable packaging materials for our products, and our Common Grounds supplier engagement programme of which climate change forms an important pillar. As part of our landscape programme in the Central Highlands of Vietnam, we have recently partnered with 4C Certification, our supplier Simexco and IDH to measure the carbon footprint of coffee production in Dak Lak province with the aim to better understand the drivers of GHG emissions and opportunities to reduce them.

To bring together such initiatives and our efforts to reduce GHG emissions in our own operations, we are currently updating our climate strategy. This will include a more detailed mapping of our GHG emissions and refined roadmaps to deliver GHG emission reductions across the entire value chain. We will release further information on those efforts later in 2021.

# ELIMINATING WASTE

We have set ourselves the goal of reaching zero waste-to-landfill status at all our manufacturing facilities globally by 2025. This is part of a determined effort to embed a zero-waste culture across our business.

In 2020, 17 of our manufacturing facilities were landfill-free. We are on track to achieve zero waste-to-landfill at 4 additional manufacturing facilities by the end of 2021. Globally, 3% of our total waste at manufacturing facilities went to landfill.

Across our global manufacturing network, our total volume of waste versus 2019 increased as we included additional manufacturing facilities in our reporting system. We still managed to prevent 89% of our total waste going to disposal in 2020. Almost 90% of waste diverted from disposal went to anaerobic digestion or composting, with the remainder going into recycling streams (including all the hazardous waste diverted from disposal).

| Manufacturing waste | 2020 | 2019 |
|---|---|---|
| Zero waste-to-landfill sites | 17 | 17[15] |
| Waste diverted from disposal (%) | 89% | 90% |
| Total waste generated (metric tonnes)<br>% Non-hazardous waste<br>% Hazardous waste | 134,541<br>99.8%<br>0.2% | 118,889<br>99.6%<br>0.4% |
| Waste intensity ratio (t/t of production) | 0.15 | 0.15 |
| Number of manufacturing facilities covered | 40 | 29 |

[15] *Includes a correction of data reported in our JDE CR Report 2019*

# MANAGING OUR WATER USE

It is essential that we use water efficiently and ensure that our wastewater is treated adequately to avoid any negative environmental impact. We have set ourselves an internal a target of reducing water withdrawals by 2% per year per tonne of production.

Our tea and the roast and ground, whole beans, and single-serve coffee categories use relatively little water in the manufacturing process. The production of instant coffee, on the other hand, is more water intensive. Accordingly, that's where a focus on the efficient use of this resource is particularly important.

*Aerial view of our Hemelingen manufacturing facility*

## A 10% REDUCTION IN WATER WITHDRAWALS

At our manufacturing facility in Hemelingen, Germany, for example, the team observed an increase in the water use ratio per tonne of production for our freeze-dried coffee in recent years and worked hard to reverse this trend. A focused effort to identify water losses and water-saving opportunities led to a variety of projects, including the optimisation of our grey water re-use to minimise freshwater withdrawals. As a result, water withdrawals per tonne of freeze-dried coffee produced in Hemelingen were more than 10% lower in 2020 versus 2019, saving more than 100,000 cubic meters per year. Similar efforts are planned or ongoing across our network of manufacturing facilities.

In 2020, our overall water withdrawals amounted to 7.1 million cubic meters. Compared to the previous year, both our total water withdrawals and our water use ratio have decreased, which reflects our efforts to use water efficiently.

| Water in manufacturing | 2020 | 2019 |
|---|---|---|
| Total withdrawal (million cubic meters) | 7.1 | 7.7 |
| % withdrawal, municipal | 78% | 76% |
| % withdrawal, groundwater | 22% | 24% |
| % withdrawal, surface water | 0.01% | 0.05% |
| Manufacturing facilities in water stressed areas | 15 | 15 |
| Total withdrawal (million cubic meters) | 2.5 | 2.6 |
| % withdrawal, municipal | 99% | 99% |
| % withdrawal, groundwater | 1% | 1% |
| % withdrawal, surface water | - | - |
| Water use ratio (cubic meter per tonne of production) | 7.7 | 8.3 |
| Number of manufacturing facilities covered | 40 | 41[16] |

[16] *One manufacturing facility was closed in the fourth quarter of 2019; data is included up until then.*

# CONNECTED PEOPLE
## ENGAGING OUR COMMUNITIES

Coffee & tea are at the heart of life, providing warmth and refreshment for moments big and small, happy and sad. This gives JDE Peet’s a wonderful role to play. Because our products have a unique ability to help bring people together and create stronger, more connected communities. We believe it is our responsibility to do this wherever possible, acting as a good neighbour and giving back to the communities in which we live and work.

## RISING TO THE CHALLENGE OF COVID-19

2020 was a difficult year for so many communities as COVID-19 disrupted lives in new and frightening ways. But wherever there is worry and uncertainty, coffee & tea will always act as a reassuring ritual amidst stressful, hectic, and demanding days. So, at JDE Peet's we decided to stick with what we do best by providing free coffee & tea to those who deserved a break and to those who were unable to access one of life’s small pleasures during the pandemic.

Over the course of 2020, we carried out more than 130 community initiatives in more than 30 countries. In doing so, we donated approximately 30 million cups of coffee & tea to support our long-standing foodbank partners. We also expressed our gratitude to the front-line healthcare workers who have worked tirelessly throughout the year to save lives. In the UK, for example, Kenco treated a million frontline healthcare workers around the country to a free cup of coffee when their workplace coffee shops or canteens were closed.

## HELPING OUT ACROSS THE WORLD

In South Africa, we became involved with a transport programme in the Western Cape that enabled nurses to avoid using public transport. Each morning we gave the nurses a hot cup of Jacobs coffee. In Bulgaria and Greece, we donated to local food banks so that low-income families and people in supply shelters could enjoy a coffee over Christmas. And in Australia, Harris saw a chance to help protect local coffee stores and launched the Café Recovery Project, offering free Harris Café Blend coffee, barista training and marketing support to coffee stores in need.

These are just a few of the community initiatives that we have been involved with across our markets in 2020. It is our responsibility and our pleasure to play a role in this way, and we will always seek ways to help our communities wherever we can.

A case study

# NEIGHBOURS' DAY IN THE NETHERLANDS

The purpose of Douwe Egberts is to connect and bring people together. That's why in 2006, we wanted to make a small contribution to bring neighbours closer together and created Burendag (Neighbours' Day). In 2008, the Oranje Fonds joined in. Since then, Burendag has become an annual event, celebrated by about 1 million participants in around 6,000 neighbourhoods across the Netherlands on the fourth Saturday of September. The idea behind it has never changed: neighbourhoods become nicer, friendlier and safer if neighbours know each other.

In 2020, the COVID-19 pandemic made it more important than ever to connect with each other and be #metelkaar (together). But we also faced a particular challenge: how do you organise Burendag during a pandemic? Ellen van der Linde, Marketing Manager at Douwe Egberts, explains: *"In this pandemic it is even more important to know your neighbours better. Together with the Oranje Fonds we looked for suitable activities. Our message was: celebrate safely, celebrate outside in front of your doorstep."*

Activities took place across more than 4,000 communities all over the country. Neighbours worked together to upgrade their neighbourhoods, sometimes did gardening together. Neighbours got to know each other better while maintaining a safe distance. In the evening, 500 neighbourhoods took part in a newly developed Burendag online pub quiz.

As a resident, Ellen has herself been involved in the Burendag for some time: *"It introduced me to neighbours with whom I still have a coffee. During lockdown I asked vulnerable neighbours what I could do for them. Without Burendag, I would never have gotten to know these neighbours so well. Burendag helps to create connection in society throughout the Netherlands, over a cup of coffee."*

# OUR PEOPLE: UNITED BY OUR VALUES

At JDE Peet's, we know that we rely on one thing above all – the talents and dedication of our people. In 2020, all their know-how and 'can do' spirit came to the fore in order to overcome the challenges thrown at them by COVID-19. In doing so they truly lived up to our company's values. We will continue to value and reward their efforts by endeavouring to create the best possible working environment, and by encouraging and enabling them to develop themselves both personally and professionally.

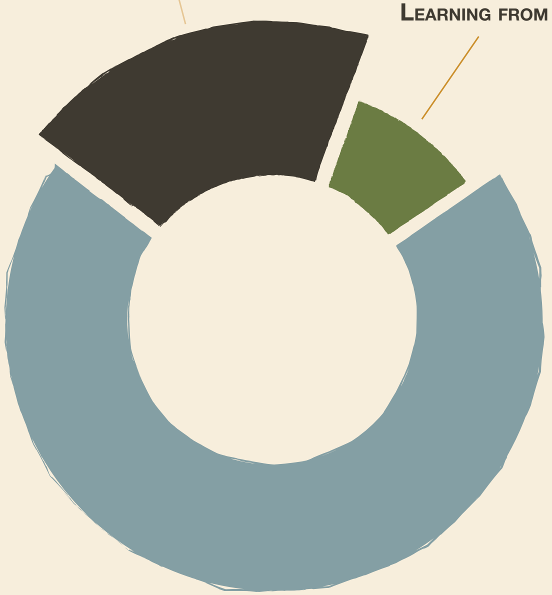
## IMPACT OF OUR VALUES ON THE YEAR 2020

Around the world, everyone at JDE Peet's is united by the values established and shared by our founders. The year 2020 offered clear evidence of the strength and power of our values. They enabled us to celebrate the production of our 10 billionth aluminium single-serve coffee capsule. They underpinned the expansion of freeze-drying capacity in St. Petersburg, Russia, using only the remote assistance of foreign specialists. They inspired our people to manage a successful IPO in the midst of a global pandemic. We are immensely proud of the way in which our values and our employees made these milestones possible. At JDE Peet's, our ambitions for our company are matched only by our ambitions for our people.

## OUR VALUES

Discipline / Simplicity / Accountability / Solidarity / Entrepreneurship

# THE 70:20:10 MODEL




# GROWING OUR TALENT

On 31 December 2020, we had 19,331 employees. Over the course of 2020, 16.8% of our people were new hires and our turnover rate was 25.2%.[17] This rate is driven in particular by high employee turnover and reduction in force at our coffee stores as a result of the COVID-19 pandemic.

At JDE Peet's, our people are empowered to build their development plan using the leadership and functional capabilities to identify their strengths and areas of improvement. We believe a strong development mix includes:

- 70% 'on the job experience' (stretch assignments; projects performed next to current position; temporary lateral move to a position in another department; short term assignments; job rotation; working in cross-functional teams)
- 20% 'learning from others' (feedback; mentoring; coaching; networking; buddy support; job shadowing; seeking advice) and
- 10% 'formal training' (workshop; training; (e-) courses; webinars; conferences; readings)

The learning and development strategy for our people is strongly connected to our career development philosophy. People and their line managers discuss and review the development plans in three checkpoints throughout the year: Final Appraisal, Objective Setting and Mid-Year Review. In addition, we encourage our people and people managers to carry out frequent development conversations throughout the year.

Our Learning Management System then offers training and support to employees across four pillars: functional capabilities, core capabilities, team leadership and coffee & tea expertise. The 9,135 JDE Peet's employees with access to our online learning platform have spent an average of 8 hours encompassing e-learnings, videos, sessions and tests (including mandatory trainings). 85% of all ratings received on our more than 700 online courses have been rated 4 or 5 out of a maximum score of 5. In addition, we offer in-person training sessions for all our people, focusing particularly on those groups without access to our learning platform.

| OUR WORKFORCE as at 31 December | 2020 | 2019 |
|---|---|---|
| No. of employees | 19,331 | 20,867 |
| % Permanent | 93.0% | 92.8% |
| % Temporary | 7.0% | 7.2% |
| % Full-time | 81.3% | 91.9% |
| % Part-time | 18.7% | 8.1% |
| No. of external contractors | 3,098 | 3,907 |

[17] *More information can be found under the section 'About this report', in this Annual Report*

# VALUING DIVERSITY

JDE Peet's is an organisation where every individual can contribute, grow, develop and be valued for their perspective. We are committed to an environment in which the unique voice of every country, culture and individual is heard. This makes us stronger by helping us to understand and meet the needs and expectations of consumers in different countries and from different backgrounds.

To underpin this commitment, we run a Diversity and Inclusion Programme. This aims to foster a more inclusive culture in the workplace, supported by global unconscious bias and inclusive culture training programmes. Progress is tracked through our annual engagement survey.

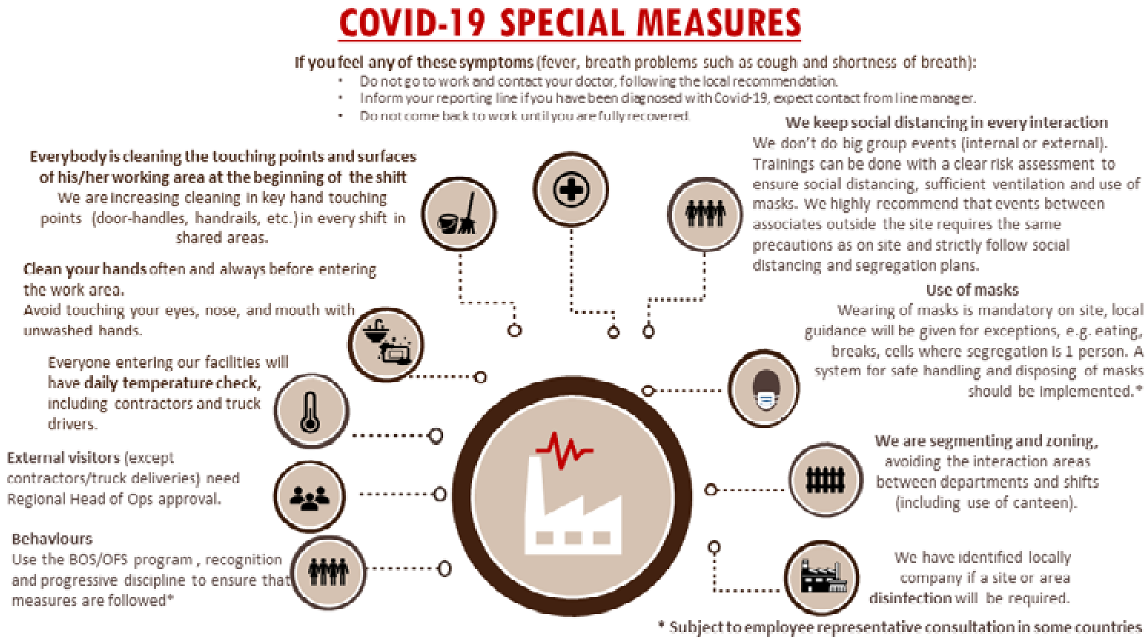
The programme also incorporates a global Diversity and Inclusion Board with business leaders from every market who are responsible for strengthening diversity and an inclusive culture in their parts of the organisation. We target gender balance across management positions by 2025 and to aim for a mix of nationalities at our head office in Amsterdam that is representative of our regional footprint. As at 31 December 2020, more than 35% of our senior management and almost 42% of our total workforce were women, with more than 89 nationalities represented. More information on how we manage diversity within our Board can be found under the section '*Diversity*' under the chapter '*Corporate governance*' in this Annual Report.

| SHARE OF WOMEN (AS AT 31 DECEMBER) | 2020 | 2019 |
|---|---|---|
| Non-executive Directors | 23.1% | N/A[18] |
| Executive Committee | 36.4% | 30.0% |
| Global Leadership Team | 35.5% | 33.8% |
| Employees | 41.7% | 38.9% |

| NATIONALITIES (AS AT 31 DECEMBER) | 2020 |
|---|---|
| Non-executive Directors | 10 |
| Executive Committee | 8 |
| Global Leadership Team | 35 |
| Employees | 89 |

[18] *The Board was established in 2020.*

# SAFEGUARDING OUR EMPLOYEES' HEALTH AND SAFETY




We are committed to providing a safe and healthy work environment for our employees, contractors and visitors. At JDE Peet's, We Work Safely or We Don't Work!

The COVID-19 pandemic introduced new challenges to us in this regard. Many of our employees worked from home for most of the year. Within our manufacturing facilities, we adjusted the way we work to maintain the health and safety of our employees. This included, for example, daily temperature checks for anyone entering the facilities; segmenting and zoning to minimise interaction; the consistent use of masks; and the use of earphones with microphones to enable social distancing in loud surroundings.

We also maintained a strong focus on occupational health and safety across our manufacturing facilities. To enable ongoing Safety, Health & Environment (SHE) audits during the COVID-19 pandemic, we successfully piloted remote SHE audits using digital cameras and microphones. Our Total Recordable Incidents Rate in 2020 was 0.61. Since 2015, we have not had any fatal accidents at any of our manufacturing facilities.

Our management system in this area is governed by the JDE Health and Safety Policy and the ISO 45001 Occupational Health and Safety Management System. We analyse work-related hazards via the Fine & Kinney risk assessment method and the HAZOP analysis for processes. Key risks identified and controlled are ammonia safety management, roaster safety management, dust explosion management and machinery safety via thorough training programmes and tool kits.

At the end of 2020, 17 of our manufacturing facilities as well as our head office in Amsterdam were certified against ISO 45001. We are working towards covering additional sites in 2021 and will continue our steadfast commitment to ensuring our employees' health and safety.

| Occupational health & safety | 2020 | 2019 |
|---|---|---|
| Total Recordable Incidents Rate (TRIR)[19] | 0.61 | 0.60 |
| Workplace fatalities | 0 | 0 |
| Number of manufacturing facilities covered | 40 | 29 |

[19] *Calculated as frequency of injuries per 200,000 working hours*

# COMPLYING WITH LABOUR LAWS AND REGULATIONS

Consistent with our focus on employee health and safety, we strongly believe that all employees shall be entitled to the full protection of the laws and regulations governing their employment with us. More information can be found under the section '*Observing the highest standards of ethics and compliance*', in this Annual Report. We adhere to all applicable local laws and regulations regarding association and collective bargaining. In many locations, we have works councils in place. Approximately 33% (2019: 33%) of our people are covered by collective bargaining agreements They include employees in, among others, the Netherlands, Belgium, Brazil, China, the Czech Republic, France, Germany, New Zealand, Norway, Poland, Spain, Sweden, the United Kingdom and Vietnam.

In Turkey, there is a movement towards unionisation. The unions have instigated a litigation in relation to the applicability of the unionisation requirements. We will respect any final judicial outcome of this dispute.

# FINANCIAL PERFORMANCE

## 2020 PERFORMANCE

Total reported sales decreased by 4.2% to EUR 6,651 million. Net acquisitions decreased sales by 0.4% while foreign exchange had a negative impact of 3.6%. Total sales decreased by 0.2% on an organic basis which reflects a volume/mix of -1.0% and 0.8% in price.

Operating profit decreased by 10.5% to EUR 933 million. Adjusted EBIT increased by 1.9% to EUR 1,278 million. Excluding the effects of foreign exchange and scope changes, adjusted EBIT increased organically by 6.2% driven by strong double-digit growth in all three CPG segments and Peet's, partially offset by a decline in the Out-of-Home segment.

Net income decreased by 37.3% to EUR 367 million. Underlying profit decreased  by 1.7% to EUR 787 million due to lower operating profit and greater net financial expenses.

Free cash flow of EUR 877 million included EUR 84 million of payments related to the IPO and EUR 193 million of future tax payments brought forward. Net leverage improved to 3.2x net debt to adjusted EBITDA from 4.2x at the end of FY 19, and we are well positioned to reduce our leverage to below 3x.

*In EUR million, unless otherwise stated:*

| | 2020 | 2019 | CHANGE |
|---|---|---|---|
| Sales | 6,651 | 6,945 | (4.2)% |
| Organic change | | | (0.2)% |
| Operating profit | 933 | 1,043 | (10.5)% |
| Financial income and expenses | (246) | (201) | 22.4% |
| Income tax expense | (320) | (256) | 25.0% |
| **Net income** | **367** | **585** | **(37.3)%** |
| | | | |
| Adjusted EBIT | 1,278 | 1,255 | 1.9% |
| Organic change | | | 6.2% |
| as a % of sales | 19.2% | 18.1% | 110 bps |
| Adjusted EBITDA | 1,575 | 1,551 | 1.5% |
| as a % of sales | 23.7% | 22.3% | 140 bps |
| | | | |
| Reported earnings per share (EUR) | 0.80 | 90.14 | |
| Underlying earnings per share (EUR) | 1.57 | 1.60 | (1.9)% |
| | | | |
| Net debt | 5,089 | 6,497 | (21.7)% |
| Operating Working capital | (1,104) | (965) | 14.4% |
| Free cash flow | 877 | 1,178 | (25.6)% |
| Net leverage ratio | 3.2x | 4.2x | (100) bps |

# DIVISIONAL REVIEW

## CPG EUROPE

Reported sales increased by 6.3% to EUR 3,475 million, including a foreign exchange impact of -0.7% mainly due to the depreciation of the Norwegian krone and the British pound. Organic growth consisted of 6.7% volume/mix growth and 0.3% price. This positive volume/mix effect was largely driven by the continued success of our Beans and Single Serve offerings, as well as increased In-Home consumption because of changing consumer behaviour during the COVID-19 lockdowns. Adjusted EBIT increased organically by 15.0% to EUR 1,096 million in FY 20, driven by higher sales and lower expenses.

*In EUR million, unless otherwise stated*

| | 2020 | 2019 | Change | Organic change |
|---|---|---|---|---|
| Sales | 3,475 | 3,269 | 6.3% | 7.0% |
| Adjusted EBIT | 1,096 | 954 | 14.9% | 15.0% |

## CPG LARMEA

Reported sales decreased by -11.3% to EUR 985 million, including a foreign exchange impact of -16.7% mainly driven by the depreciation of the Brazilian real and the Russian ruble. Organic growth was driven by volume/mix growth of 4.5% and 0.9% price. The volume/mix effect was driven by continued strong growth in the Single Serve and Premium Instants offerings. Adjusted EBIT increased organically by 21.6% to EUR 219 million in FY 20, mainly driven by higher sales and lower expenses.

*In EUR million, unless otherwise stated*

| | 2020 | 2019 | Change | Organic change |
|---|---|---|---|---|
| Sales | 985 | 1,111 | (11.3)% | 5.3% |
| Adjusted EBIT | 219 | 207 | 5.8% | 21.6% |

# CPG APAC

Reported sales decreased by -3.6% to EUR 659 million, which included a foreign exchange impact of -2.9% mainly related to depreciation of the Thai baht and the Australian dollar. Organic growth consisted of a volume/mix effect of -1.2% and a positive price effect of 0.4%. Australia, New Zealand and China experienced strong In-Home growth during the COVID-19 crisis. The Away-from-Home businesses were challenged during the COVID-19 lockdowns. Adjusted EBIT increased organically by 36.6% to EUR 155 million in FY 20 largely reflecting lower operating expenses and a soft comparable basis.

*In EUR million, unless otherwise stated*

| | 2020 | 2019 | Change | Organic change |
|---|---|---|---|---|
| Sales | 659 | 684 | (3.6)% | (0.7)% |
| Adjusted EBIT | 155 | 116 | 33.8% | 36.6% |

# PEET'S

Reported sales decreased by -4.6% to EUR 838 million, which included a foreign exchange impact of -1.7% and a scope effect of -1.4% related to the divestiture of non-core assets. Peet's CPG business delivered strong double-digit organic sales growth, driven by the shift to In-Home consumption and the popularity of Peet's premium Beans, Ground and Single Serve offerings. Sales in the coffee stores and Away-from-Home business were significantly impacted by the COVID-19 lockdowns. Organic growth consisted of a volume/mix effect of -5.6% and a price effect of 4.2%. Adjusted EBIT increased organically by 17.0% to EUR 98 million in FY 20, largely driven by the growth in CPG and the transition of the ready-to-drink coffee business to a licensing partnership with Keurig Dr Pepper.

*In EUR million, unless otherwise stated*

| | 2020 | 2019 | Change | Organic change |
|---|---|---|---|---|
| Sales | 838 | 878 | (4.6)% | (1.4)% |
| Adjusted EBIT | 98 | 78 | 25.5% | 17.0% |

# OUT-OF-HOME

Reported sales decreased by -31.8% to EUR 666 million, including a foreign exchange impact of -0.8% and -1.7% related to scope and other changes. The organic sales decline was driven by volume/mix of -29.1% and a price effect of -0.3%. The Out-of-Home segment was significantly impacted by the COVID-19 pandemic. Many customer channels were (partially) closed during a significant part of the year - including offices, education, BaReCa, travel and tourism. Limited service was maintained where possible in our coffee stores through alternative business models including, among other things, take-away and pick-up & delivery. In the second half of the year, activity levels were more resilient as customers, consumers and our teams adjusted faster to subsequent lockdown measures. Adjusted EBIT decreased from EUR 179 million in FY 19 to EUR 4 million in FY 20 due to declining sales. We implemented a range of temporary and structural measures to reduce labour and operating costs.

*In EUR million unless otherwise stated*

| | 2020 | 2019 | Change | Organic change |
|---|---|---|---|---|
| Sales | 666 | 977 | (31.8)% | (29.3)% |
| Adjusted EBIT | 4 | 179 | (97.7)% | (91.5)% |

# UNDERLYING PROFIT FOR THE PERIOD

*In EUR million unless otherwise stated*

| | 2020 | 2019 |
|---|---|---|
| Reported EBIT | 933 | 1,043 |
| *Adjusting items:* | | |
| - Transformation activities and corporate actions | (156) | (57) |
| - ERP system implementation | (28) | (40) |
| - Share-based payment expense | (33) | (27) |
| - Mark-to-market results | 1 | 34 |
| - M&A / Deal costs | (129) | (122) |
| **Adjusted EBIT** | **1,278** | **1,255** |
| Net financial income/(expenses) | (246) | (201) |
| Adjusted taxes | (240) | (251) |
| Adjustments for NCI shareholders | (5) | (2) |
| **Underlying profit for the period** | **787** | **801** |

An overview of the adjusting items can be found under section '*Consolidated Financial Statements, note 2.1*'in this Annual Report.

# NON-IFRS MEASURES

These materials contain non-IFRS financial measures (Non-IFRS Measures), which are not liquidity or performance measures under IFRS. These Non-IFRS Measures are presented in addition to the figures that are prepared in accordance with IFRS. The Group's use of Non-IFRS Measures may vary significantly from the use of other companies in its industry. The measures used should not be considered as an alternative to profit (loss), revenue or any other performance measure derived in accordance with IFRS or to net cash provided by operating activities as measure of liquidity. More information on the Non-IFRS Measure adjusted EBIT can be found under the section '*Consolidated Financial Statements, note 2.1*' in this Annual Report. Further information on the definitions of these Non-IFRS Measures can be found under the section '*Glossary*' in this Annual Report. Although the non-IFRS financial measures presented are not measures of financial performance or liquidity under IFRS, the company uses these measures to monitor the underlying performance of its business and operations. These measures have not been audited or reviewed by the company's external auditor.

*In EUR million, unless otherwise stated:*

| | Reported sales | Adjusting items | Reported sales | FX impact | Scope & other | Organic sales |
|---|---|---|---|---|---|---|
| Sales | 6,651 | - | 6,651 | 251 | 29 | 6,930 |

| | Operating profit | Adjusting items | Adjusted EBIT | FX impact | Scope & other | Organic adjusted EBIT |
|---|---|---|---|---|---|---|
| Operating profit to adj. EBIT | 933 | (346) | 1,278 | 47 | 7 | 1,332 |

| | Operating profit | Adjusting items | Adjusted EBIT | Adjusted D&A | | Adjusted EBITDA |
|---|---|---|---|---|---|---|
| Operating profit to adj. EBITDA | 933 | (346) | 1,278 | 297 | | 1,575 |

| | 2020 |
|---|---|
| Adjusted EBIT | 1,278 |
| ERP system implementation | (28) |
| Transformation activities and corporate actions | (156) |
| Share-based payment expense | (33) |
| Mark-to-market results | 1 |
| M&A/ deal costs | (129) |
| **Operating profit** | **933** |

# RESPONSIBLE BUSINESS PRACTICES

## OBSERVING THE HIGHEST STANDARDS OF ETHICS AND COMPLIANCE

Throughout JDE Peet's we strive every day to live up to and embody the values and principles-based culture at the core of our Jacobs Douwe Egberts (JDE) Code of Conduct and the Peet´s Code of Business Conduct & Ethics. Both codes underline our commitment to ethical behaviour and compliance with laws and regulations in the countries in which we operate. They also make clear the very high standards of corporate behaviour that we require from all our employees, both within JDE Peet's and when interacting or doing business with external parties. The codes and separate policies include in-depth rules and guidance to employees in key areas like Anti-Bribery, Data Privacy, Competition Law, Conflict of Interest, Sanctions & Export compliance, Insider Trading, Record Management, Accounting and further areas.

## A DIVERSE AND INCLUSIVE WORK ENVIRONMENT

We place great significance on fostering a diverse, inclusive work environment where all ideas, perspectives, and backgrounds are considered. None of us should face discrimination on the basis of our origin, nationality, ethnic background, sex, sexual orientation, marital status, religion, political affiliation, age, disability, works council membership, or any other trait protected by law.

Similarly, we do not tolerate any form of unlawful harassment or bullying. The same is true of disrespectful behaviour in general, including humiliating, insulting, intimidating, or isolating others. All of these are unacceptable. We will investigate such cases, and employees or other stakeholders will never suffer repercussions for reporting any such alleged behaviour.

## EMPLOYEE AND SUPPLIER STANDARDS

We set high standards for the behaviours of our employees. We also apply the same standards to the suppliers we do business with. The principles laid down in the JDE Supplier Code of Conduct, the Peet's Responsible Sourcing Programme and the Peet's Supply Chain Transparency statement provide the standards of corporate behaviour that we require from our suppliers. We expect all suppliers from whom we purchase products or services to ensure that their business practices and policies are in line with these principles and standards. We are committed to upholding human rights in our own business practices and those of our suppliers and we intend to disclose more on our approach in our next report.

# EMPLOYEE AWARENESS AND SPEAK UP

As per our global compliance plan and locally deployed plans, we raise awareness of our codes and policies on an ongoing basis. We encourage a culture of speaking up and raising concerns via different reporting channels such as hotlines, dedicated email addresses, a mobile app and a web form. All of these tools enable our employees as well as our suppliers to report alleged violations of our codes, our policies or any law. Reports made are treated confidentially and are promptly investigated. We do not tolerate any retaliation against anyone who makes a report.

# COURSES AND TRAINING

We regularly conduct compliance e-learning courses for employees on topics like competition law, anti-bribery and corruption, data protection and human rights. Such trainings are mandatory for all employees with an email address and access to our Learning Management System (LMS). We offer shared laptops for those employees without such access, e.g., for employees in manufacturing units.

In 2020, we revised our Code of Conduct e-learning to also include how to use social media properly, how to detect and address conflict of interest situations, on sexual harassment, modern slavery and trafficking, and on speaking up and raising concerns. This e-learning was completed by 91% of our employees with access to the LMS. An e-learning on competition law was completed by 87%, and our e-learning on preventing bribery and corruption (launched in 2019) by 86% of employees with access to the LMS.

We also regularly conduct face-to-face courses for selected target groups. These include, for example, courses on competition law for sales teams, anti-bribery and corruption for procurement teams, and data protection for marketing and human resources teams. In our US business, we have put an emphasis on employment-related matters and deployed a sexual harassment training to 80% of our employees.

# ANTI-BRIBERY, ANTI-CORRUPTION, TRADE SANCTIONS AND ANTI-MONEY LAUNDERING

We deploy policies, processes and trainings on conflict-of-interest situations, anti-bribery and corruption, gifts, entertainment and hospitality, export and sanctions compliance and anti-money laundering. We encourage speaking up and raising concerns about any such issues to our hotlines/alert lines. As per key risk parameters identified, we are executing third party due diligence measures like sanctions screening, credit checks and anti-bribery questionnaires.

No fines have been issued against JDE Peet's for anti-bribery or sanction violations.

# FAIR COMPETITION

We deploy policies, processes and trainings on competition law compliance, and encourage employees to speak up and raise concerns about any such issues via our hotlines/alert lines. As per key competition law risk areas, we have defined competition law controls for example in the area of attending trade association meetings, on customer agreements and on pricing.

No fines have been issued against JDE Peet's for anti-trust law violations.

# COMPLIANCE GOVERNANCE

Our Global Compliance Council (GCC) defines the compliance strategy, policy or controls updates needed, global trainings to be deployed, and overall recurring global compliance plan. These elements are based on the Enterprise Risk Management (ERM) findings and additional data points like Internal Audit reports, compliance control findings, any issues raised through our Speak Up reporting channels, and external and industry trends. The GCC is chaired by the Global Compliance Officer with the CFO, the Global Director Group Control, the Chief Human Resources Officer (CHRO), the General Counsel and the Internal Audit Director as standing members. The GCC issues a quarterly report to the Audit Committee of the Board on key issues of the last quarter and compliance priorities of the following.

At the local level, all business units have appointed Compliance Officers who chair Local Compliance Councils (LCC) with the General Manager, the HR Director and the Finance Director as standing members. The LCCs are responsible for ensuring the cascade of global compliance policies and controls down the organisation. The LCCs are also responsible for defining and deploying targeted local compliance plans designed to address the specific risks of their business units. They report to the GCC on plan delivery and key issues on a regular basis.

# RISK-BASED COMPLIANCE STRATEGY

Risks related to ethics and compliance form an integral part of our ERM process by outlining a defined risk appetite, risk owners and mitigation plans. As a result of the latest ERM process, three compliance risks were identified as focus areas for 2020: Anti-Bribery and Sanctions compliance, Competition Law and Data Privacy.

# ASSURANCE

We designed global and local compliance controls with the objective of demonstrating the actual deployment of codes and policies with a focus on anti-bribery controls, data privacy and competition law controls. A network of Internal Controls Specialists issue reports to the LCCs on the respective compliance controls maturity for follow up and mitigation actions.

On a quarterly basis, the local and the regional General Managers and Finance Directors issue a letter of representation where they confirm compliance of their business units with the codes, applicable policies and the laws. There is an emphasis on compliance with accounting laws and standards, anti-bribery, anti-trust and with data privacy policies and regulations.

As a further layer of assurance, the Internal Audit team designs and deploys a risk-based annual audit plan to review and test compliance controls deployment and compliance maturity.

# DELIGHTING AND PROTECTING OUR CONSUMERS WITH EVERY CUP

## MARKET-LEADING FRESHNESS

As a further example, our Peet's direct-store delivery (DSD) network maintains the freshness of our products by distributing them directly to grocery stores, rather than through distribution warehouses. We endeavour to further maintain the freshness of our Peet's branded products by rotating these products in-store, imposing a 90-day shelf life on Peet's branded products in stores. This compares to 12 to 18 months as the industry average.

## OBSERVING ALL STANDARDS

To maintain consistent high quality, our JDE Quality Management System (QMS) has been developed to apply the ISO 22000:2018 Quality System model, plus our own requirements for food safety and product quality, across our supply chain. The QMS applies the internationally recognised HACCP (Hazard Analysis and Critical Control Point) system to ensure food safety. This preventive and science-based system identifies, evaluates, and controls hazards that are significant for food safety. Our HACCP plans and systems are verified by external certification bodies against the international FSSC 22000 standard. In 2020, 21 of our manufacturing facilities (48%) were certified against FSSC 22000/IFS food management standards. Two additional sites were ISO 22000 certified. Our Peet's manufacturing facility in Alameda, CA, in the US is audited annually against Good Manufacturing Practices (GMP).

In 2020, there were no instances of significant product recalls or incidents of non-compliance. There were no events to report or significant fines or non-monetary sanctions for non-compliance with laws and regulations concerning the provision and use of our products and services in 2020.

## PRODUCT QUALITY AND FOOD SAFETY

At JDE Peet’s, product safety and product quality are our first priorities. Our mission is to delight our customers and consumers with every cup while delivering safe products of high quality. This applies to our entire portfolio, and to all our systems and services.

Our research and development teams work closely with our marketing, supply chain and procurement teams to identify trends. They then develop new products and modify existing products for all of our product lines, enabling us to quickly and efficiently respond to changing consumer needs. Our multidisciplinary development approach has led to proprietary capsule technology which, together with innovative manufacturing technology, is the basis for our delivery of high-quality, single-serve aluminium coffee capsules across many product variants.

# NUTRITION

The different parts of our business have a long heritage of delighting consumers with calorie-free, pure coffee & tea products. At a time when consumer trends increasingly favour new beverage segments with greater nutrient content, like a Latte or other milk-based coffee beverages, we are keen to protect this heritage. We have therefore established the JDE Healthy Indulgence Programme in order to keep consumer health at the heart of our product development activities. The programme includes, amongst others:

- Continuously improving our product portfolio and innovating within the JDE nutrition profile
- Increasing the number of more nutritious options in our portfolio
- Ensuring fair nutrition information

Specifically, we are working towards significantly reducing sugar and saturated fat by 2025, and towards ensuring compliance of all products to the JDE Peet's Healthy Nutrition profile by 2025.

# PRODUCT LABELLING

Our QMS requires and ensures that we meet all product labelling legal requirements in every market that we operate in. 100% of our product categories are covered and assessed for compliance with national product labelling requirements through the QMS.

There were no events or penalties that resulted in significant fines or non-monetary sanctions for non-compliance with laws and regulations in 2020 concerning product and service information and labelling. And there were no events, fines or penalties to report in relation to marketing communications in 2020.

# MAINTAINING STRONG RELATIONSHIPS WITH OUR SUPPLIERS

Our suppliers are a key stakeholder group and an integral part of our value chain. As such, we believe that strong, long-term relationships with a healthy and diverse supplier base is critical to our business success. This is reflected in the contractual agreements with all our suppliers in which quality, price, service and payment terms are among the key parameters.

Contracts are always discussed and agreed upon by both parties before signing a contract or a purchase order. At the core of all commercial agreements is a recognition of the needs and positions of both parties and mutual benefits, including reasonable payment terms, always in line with applicable laws and regulations.

In a combination with key contract parameters like price and contract duration, JDE Peet's maintains extended payment terms with various suppliers while offering those suppliers a variety of supply chain finance and trade finance offerings. This allows them to collect the receivable before the invoice date. For small businesses[20], our payment terms policy is a maximum 30 days. It is very important to us to ensure that those suppliers who meet the definition of 'small business' receive this 30-day term.

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*[20] Based on the EU definition (1/01/2005) of Small Business as up to 50 FTEs and up to EUR 10 million annual turnover*

# OUTLOOK

## OUTLOOK 2021

While uncertainty remains regarding the future implications COVID-19 may have on global markets, we believe that vaccination programmes around the world will lead to a gradual lifting of lockdown measures in the course of 2021.

Within this context, we expect organic sales growth of 3 to 5% in FY 21, assuming a moderate recovery in Away-from-Home. To fully capture the growth opportunities we see in the coming years, we will step up our investments for growth in 2021, notably in marketing and innovation support. With these investments in growth, we expect organic adjusted EBIT growth to be in the low single-digit range in FY 21.

We remain committed to reducing our leverage to below 3x net debt to adjusted EBITDA.

## MEDIUM- TO LONG-TERM TARGETS

Following the unprecedented developments related to the COVID pandemic and the long-lasting changes the company expects they will have on consumer behaviour, the company has reviewed its strategy in recent months.

While management has concluded that the company's strategy will not be subject to any material changes, we are further encouraged by the future growth opportunities the team has identified. Consistent with JDE Peet's commitment to focus on the quality and sustainability of its organic sales growth and profitability, the company has decided to link its profitability target more closely to its organic sales growth target.

As a result, the company targets for the medium- to long-term to deliver organic sales growth of 3 to 5% and mid-single-digit organic adjusted EBIT growth with quality margins. In addition, the company continues to target a Free Cash Flow conversion of approximately 70%.

We will continue to invest in future quality growth while working to cement our position as the world's largest coffee and tea pure player.

# CORPORATE GOVERNANCE

This section gives an overview of our corporate governance structure and its functioning since 2 June 2020 when the company's Board was formed and the company transitioned from a private to a public company following its IPO. It is based on the relevant provisions of Dutch law in effect as at 31 December 2020 as well as the company's Articles of Association and the Board Rules and includes the information required under the Dutch Corporate Governance Code. The full text of the company's Articles of Association (in Dutch, and an (unofficial) English translation) and the Board Rules (in English) are available on the company's website.

# GENERAL

## JDE PEET'S IS A PUBLIC COMPANY UNDER DUTCH LAW

The company was incorporated as a private limited liability company under the laws of the Netherlands on 21 November 2018 as New Oak B.V. The company was subsequently renamed JDE Peet's B.V. on 10 January 2020. Following the company's admission to listing and trading on Euronext Amsterdam on 29 May 2020, the company was converted into a public company with limited liability incorporated under the laws of the Netherlands, with its statutory seat in Amsterdam, the Netherlands; it was renamed JDE Peet's N.V. on 2 June 2020.

As at the end of financial year 2020, the provisions in Dutch law that are commonly referred to as the large company regime did not apply to the company. The company does not intend to voluntarily apply the large company regime.

## INITIAL PUBLIC OFFER (THE IPO)

The listing and trading of the company's ordinary shares on Euronext Amsterdam commenced on 29 May 2020. On its first trading date, JDE Peet's was listed through the admission to trading of 495,386,168 ordinary shares. After the exercise of the over-allotment option on 4 June 2020, the total number of issued and outstanding ordinary shares amounted to 498,719,501 shares.

In light of the IPO, and the company's transition from a private to a listed company, the company has revised and strengthened its corporate governance model in line with the Dutch Corporate Governance Code, underpinning the importance of good corporate governance.

# GOVERNANCE STRUCTURE

Subsequent to the company's conversion into a public company, it has established a so-called one-tier board structure with one executive Director and one or more non-executive Directors. The executive Director is responsible for the company's day-to-day management. This includes, among other things, formulating its strategies and policies and setting and achieving its objectives. The non-executive Directors supervise and advise the executive Director. Each Director owes a duty to the company to properly perform the duties assigned to each Director and to act in the company's corporate interest. Under Dutch law, the company's corporate interest extends to the interests of all its stakeholders, including its shareholders, creditors and employees.

The company's executive Director is supported by the senior managers who, together with executive Director, forms and functions as Executive Committee of the company.

# BOARD

Pursuant to the company's Articles of Association, the Board comprises one or more executive Directors and one or more non-executive Directors. It is the non-executive Directors that determine the total number of Directors including the number of executive Directors on the one hand and non-executive Directors on the other hand.

As at 31 December 2020, the Board comprised one executive Director and 13 non-executive Directors. Six non-executive Directors are independent in the sense that they are not representatives of JAB or Mondelēz and seven non-executive Directors are non-independent in the sense that they are representatives of JAB or Mondelēz. More information on the independence of non-executive Directors can be found under the section '*Dutch Corporate Governance Code*' in this Annual Report.

# BOARD'S ROLE, FUNCTIONING AND DUTIES

The Board was officially formed on 2 June 2020 upon the settlement of the IPO. As a one tier board, the Board is the executive and supervisory body of the company. It is therefore entrusted with the management of the company. At the same time, it supervises the general course of affairs, and is responsible for long-term value creation of the company and its continuity. The non-executive Directors supervise the executive Director. In doing so, the non-executive Directors focus on the effectiveness of the company's internal risk management and control systems (including internal audit function). This extends to the integrity and quality of the financial reporting and the company's long-term business plans including the implementation of such plans and the associated risks, the company's information technology and cybersecurity risks, corporate responsibility and compliance with laws and regulations.

The Board's responsibilities include, among other things, setting the company's management agenda, developing a view on long-term value creation by the company, enhancing the performance of the company, developing a strategy, identifying, analysing and managing the risks associated with the company's strategy and activities.

The Board is accountable for these matters to the General Meeting. It may perform all acts necessary or useful for achieving the company's corporate purposes, except those expressly attributed to the General Meeting as a matter of Dutch law or pursuant to the company's Articles of Association.

The Board meets at least four times a year. Additional meetings may be convened when deemed appropriate by the Chairman or if requested by at least three Directors.

The Board Rules describe in detail the duties, tasks, composition, procedures and decision-making of the Board, and may be found on the company's website.

# APPOINTMENT, DISMISSAL AND SUSPENSION OF DIRECTORS

The General Meeting appoints the Directors upon the proposal of the Board. A resolution of the General Meeting to appoint a Director other than pursuant to a proposal by the Board requires a simple majority of the votes cast representing at least one-third of the issued share capital.

Pursuant to the Investor Rights Agreement, Mondelez Coffee Holding B.V. (MCHBV) is entitled to nominate a specific number of non-executive Directors for appointment. More information about MCHBV rights to nominate Directors can be found below, under the section '*Investor Rights Agreement*' in this chapter of the Annual Report.

The General Meeting may suspend or remove a Director at any time. In addition, an executive Director may be suspended by the Board at any time. A suspension can be ended by the General Meeting. A suspension may be extended one or more times but may not last longer than three months. If, at the end of that period, no decision has been taken on termination of the suspension or on removal, the suspension shall end. A resolution of the General Meeting to suspend or dismiss a Director, other than on the proposal of the Board, requires a simple majority of the votes cast representing at least one-third of the issued share capital.

# COMPOSITION OF THE BOARD

This section includes information on the company’s executive and non-executive Directors. According to the company's Articles of Association and the Board Rules, the Board is a one-tier board system. As at 31 December 2020, the Board comprises of one executive Director and 13 non-executive Directors. Except for Fabien Simon replacing Casey Keller as CEO and Frank Engelen being appointed on the Board as non-executive Director, no other change in the company's board composition has occurred since 2 June 2020.

## EXECUTIVE DIRECTOR

### Fabien Simon

French (1971)

**Executive Director and CEO**

2020 first appointment

Prior to becoming CEO, Fabien Simon was a a Partner at JAB and a non-executive Director of the company. He is responsible for leading the successful IPO on the Euronext Amsterdam stock exchange in May 2020. He also currently serves as Chairman of National Veterinary Associates.

Between August 2014 and January 2019, he was the CFO of JDE, during which time he led its M&A strategy and multiple large-scale integrations. Prior to JDE, he spent 13 years at Mars, Incorporated, holding leadership roles, including Asia Pacific Corporate Staff, Vice President and CFO Petcare Europe. Fabien also spent eight years at Valeo in a variety of leadership roles.

## NON-EXECUTIVE DIRECTORS

### Olivier Goudet

French (1964)

**Non-executive Director and Chairman of the Board**

Non-independent

2020 first appointment

Olivier Goudet is the CEO and a Managing Partner at JAB, a position he has held since 2012. He started his professional career in 1990 at Mars, Incorporated. After six years, Olivier left Mars to join Valeo. In 1998, he returned to Mars, where he became CFO in 2004. In 2008, his role was broadened to become the Executive Vice President as well as Group CFO.

Previously, he served as an adviser to the board of directors of Mars and as the Chair of the board of Anheuser-Busch InBev SA/NV. He is also currently a member of the board of directors of Keurig Dr Pepper and Coty.

## Peter Harf

German (1946)

**Non-executive Director and Chairman of the Remuneration, Selection and Appointment Committee**

Non-independent

2020 first appointment

Peter Harf is the Chair and a Managing Partner at JAB. He is also the Chair of the board of directors of Coty and a member of the board of directors of Keurig Dr Pepper. He is co-founder and executive Chair of Delete Blood Cancer DKMS, a foundation dedicated to finding donors for leukaemia patients.

Previously, he served as Chair of AB InBev, Deputy Chair of Reckitt Benckiser and CEO of Coty. Prior to joining JAB, he was Senior Vice President of Corporate Planning at AEG-Telefunken, Frankfurt, Germany. Peter began his career at the Boston Consulting Group.

## Joachim Creus

Belgian (1976)

**Non-executive Director**

Non-independent

2020 first appointment

Joachim Creus has been a Partner, General Counsel, and Head of Tax at JAB since 2010. He has also held various other executive officer roles at several JAB Holding entities. He is currently a member of the board of directors of Coty.

Previously, Joachim held various legal- and tax-related positions.

## Denis Hennequin

French (1958)

**Non-executive Director and member of the Remuneration, Selection and Appointment Committee**

Independent

2020 first appointment

Denis Hennequin is the founding partner of French Food Capital and a founder of The Green Jersey consulting firm.

From 2014 to 2016, he was a partner for Cojean Limited. He began his career at McDonald's in Paris and advanced up through the organisation to be named President and Managing Director of McDonald's France. After that, he was appointed as the first non-American to serve as president of McDonald's Europe.

In 2009, Denis joined the Accor SA board of directors as an independent director and became executive director of Accor SA in December 2010, before assuming the CEO role in January 2011, which he held until 2013. He served on the boards of directors of John Lewis Partnership plc and SSP Group plc.

He currently serves as Chair of the board of KellyDeli Company Limited and of Picard Surgeles SAS, Chair of the remuneration committee of Eurostar International Limited and of Bakkavör Group plc; he is non-executive director of Pret A Manger (through Pret Holding 1 Limited).

## Genevieve Hovde

American (1985)

**Non-executive Director and member of the Audit Committee**

Independent

2020 first appointment

Genevieve Hovde currently serves as Partner at BDT & Company. She also serves on the Investment Committee of BDT Capital Partners, LLC and as a director of Keurig Dr Pepper. BDT, through its affiliates, is a stockholder of Keurig Dr Pepper and indirect stockholder of JDE Peet's.

Prior to joining BDT in 2010, Genevieve served as an Analyst in the Financial Institutions Group of JP Morgan Chase & Co.'s Investment Banking Coverage division.

## Stuart MacFarlane

British (1967)

**Non-executive Director and member of the Audit Committee**

Independent

2020 first appointment

Stuart MacFarlane joined the Whitbread Beer Company in 1992, which was later acquired by Interbrew SA/NV and, subsequently, AB InBev. At AB InBev, he held various senior roles throughout the course of his career, including in Finance, Marketing and Sales, and, from 2003, he held his first General Management role as Managing Director for the company's business in Ireland. He was appointed President of AB InBev UK and Ireland in 2008 and in 2011 became a member of the Global Executive Board of Management, serving as President of Central and Eastern Europe based in Moscow.

Stuart most recently served as AB InBev's President of Europe and Middle East from 2014 to 2019. He currently is a director of NOMAD Foods Europe Limited.

He was previously a director and member of the corporate governance committee of Anadolu EFES S.K., a Turkish drinks company, until May 2019, and also a director of ABI-EFES Russia and Ukraine, a joint venture of Anadolu EFES and AB InBev.

## Gerhard Pleuhs

German, American (1956)

**Non-executive Director and member of the Remuneration, Selection and Appointment Committee**

Non-independent

2020 first appointment

Gerhard Pleuhs is the Executive Vice President Corporate and Legal Affairs and General Counsel for Mondelēz International. In this role, he oversees Mondelēz International's communications, sustainability and public and government affairs teams as well as the legal, corporate secretarial, compliance and security functions. He joined the Law Department of Jacobs Kaffee Deutschland GmbH in 1985, prior to its acquisition in 1990 by Altria Group, Inc. (formerly Philip Morris Companies, Inc.). He held several senior positions within the company's Law Department at a country, region and corporate level, including responsibility and oversight for the legal departments in developed and emerging markets. In 2012, he became Kraft Foods Group, Inc.'s (Kraft Foods) Executive Vice President and General Counsel, a role in which he continues for Mondelēz International.

Following the 2012 spinoff of Kraft Foods in 2015, Gerhard assumed additional responsibility for the Corporate Affairs team. He also sits on the board of directors of Keurig Dr Pepper.

## Aileen Richards

British (1959)

**Non-executive Director and member of the Remuneration, Selection and Appointment Committee**

Independent

2020 first appointment

Aileen Richards was a senior Executive with Mars, Incorporated until 2015. As Executive Vice President of Mars, she was responsible for the Human Resources strategy for the company's 85,000 employees and she also led Mars Global Services (Mars IT, Mars Financial Services and Mars Associate Services). In her 30 years with Mars, she also held senior international roles in Procurement and Manufacturing. She is currently an independent non-executive director on several boards, including Mars Nederland B.V., Pret A Manger (through Pret Holding 1 Limited) and Samworth Brothers (Holdings) Limited.

## Alejandro Santo Domingo

Columbian, Spanish and American (1977)

**Non-executive Director**

Independent

2020 first appointment

Alejandro Santo Domingo is the Senior Managing Director at Quadrant Capital Advisors, Inc. in New York City. He is also the Chair of Bavaria S.A. and Valorem S.A., as well as a director of AB InBev, ContourGlobal plc, Caracol Televisión S.A., Comunican S.A. (the owner of the El Espectador newspaper), Cine Colombia S.A. and Florida Crystals Corporation.

He was a member of the board of directors of SABMiller plc (SABMiller) and Vice-Chair of SABMiller for Latin America.

In the non-profit sector, he is Chair of the Wildlife Conservation Society, a member of the board of trustees of The Metropolitan Museum of Art, the Educational Broadcasting Corporation (WNET Channel Thirteen), and a member of the board of directors of DKMS Foundation.

## Justine Tan

Singapore (1974)

**Non-executive Director**

Non-independent

2020 first appointment

Justine Tan is a Partner at JAB. She brings more than 20 years of experience in investing, banking and operations, having previously been a founding member of Temasek Holdings Private Limited's U.S. operations, and an investment banker at Goldman, Sachs & Co. She has extensive international experience, having lived in and covered key markets in North America, Europe and Asia, across a range of businesses in the consumer retail, real estate, services and industrials sectors.

## Luc Vandevelde

Belgian (1951)

**Non-executive Director and Lead Independent Director, and member of the Audit Committee and Remuneration, Selection and Appointment Committee**

Independent

2020 first appointment

Luc Vandevelde is the Founder and Chair of Change Capital Partners LLP, which manages private equity funds focused on buy-outs of middle market consumer-related companies across Europe, and the Chair of Majid Al Futtaim Ventures.

He was the Chair of Marks and Spencer Group plc and the Senior Independent Director of Vodafone Group plc and Chair of its remuneration committee. He retired from the Vodafone board of directors in September 2015, following 12 years as a non-executive director.

Luc was a director of Société Générale S.A. until May 2012. He is the former Chair of Carrefour. He started his career with Kraft Foods where he worked for 24 years in Europe and the United States in finance, business development and mergers and acquisitions. After the acquisition and integration of Jacobs Suchard AG (Jacobs Suchard), he became CEO of Kraft Jacobs Suchard's French and Italian operations.

## Nelson Urdaneta

American and Venezuelan (1972)

**Non-executive Director and Chairman of the Audit Committee**

Non-independent

2020 first appointment

Nelson Urdaneta has been the Senior Vice President, Corporate Controller and Chief Accounting Officer at Mondelēz International since September 2016. He joined Mondelēz International in 2005 and has held various leadership positions within that company, including Vice President Finance, Asia Pacific and Senior Finance Director Integrated Supply Chain.

Prior to joining Mondelēz International, Nelson was the Director Financial Planning and Analysis at Ryder System, Inc.

## Frank Engelen

Dutch (1971)

**Non-executive Director and member of the Audit Committee**

Non-independent

2020 first appointment

Frank Engelen became a Partner at JAB in September 2020. Prior to that, he was a partner of PwC for 17 years, during which time he was a member of the board of PwC Netherlands for five years, and a member of the board of PwC Europe for two years.

# BOARD COMMITTEES

The Board may appoint standing and/or ad hoc committees from among its members. These committees are charged with tasks specified by the Board. At the occasion of the public listing of the company, the Board constituted two committees of non-executive Directors to assist the Board in discharging its duties. These were an Audit Committee and a Remuneration, Selection and Appointment Committee. Pursuant to the Investor Rights Agreement, each Board Committee comprises at least three members and, to the extent allowed under applicable laws and regulations, MCHBV represented by one of its designees in all committees.

## AUDIT COMMITTEE

The roles and responsibilities of the Audit Committee are set out in the Audit Committee’s terms of reference, which are available on the company’s website. According to the Audit Committee's terms of reference, its tasks include (amongst other things): (i) the monitoring of the financial-accounting process, the efficiency of the internal management system, the internal audit and risk management system; (ii) the monitoring of the statutory audit of the annual accounts, and in particular the process of such audit; (iii) the review and monitoring of the independence of the external auditor; and (iv) the nomination for appointment of the external auditor by the General Meeting of Shareholders.

The Audit Committee meets as often as required for a proper functioning of the Audit Committee, but at least four times a year. Additional meetings may be held whenever deemed necessary by the Chair of the Committee or by two other members of the Committee.

## REMUNERATION, SELECTION AND APPOINTMENT COMMITTEE

The Remuneration, Selection and Appointment Committee is a combination of both the remuneration committee and the selection and appointment committee. It discharges all roles and responsibilities of both a typical remuneration committee and a selection and appointment committee as provided by the Dutch Corporate Governance Code. Its roles and responsibilities are furthermore detailed in the Remuneration, Selection and Appointment Committee's terms of reference, which are available on the company’s website and include: (i) the preparation of proposals of the Board on the Remuneration Policy to be adopted by the General Meeting; (ii) the proposals on the remuneration of executive Directors to be determined by the Board; (iii) the preparation of the selection criteria and appointment procedures for Directors, and the composition of the profile of the Board; and (iv) the proposal for Directors' appointments and reappointments. The Remuneration, Selection and Appointment Committee also prepares annually a remuneration report on the implementation of the company’s Remuneration Policy. The report shall be adopted by the Board and submitted to the company’s General Meeting of the Shareholders.

The Remuneration, Selection and Appointment Committee meets as often as required for its proper functioning, but at least twice a year. Additional meetings may be held whenever deemed necessary by the Chair of the committee or by two other members of the committee.

# TERM OF APPOINTMENT

Executive Directors shall be appointed for a maximum period of four years at a time. On 18 November 2020, Fabien Simon was therefore appointed for an initial period of four years, ending at the Annual General Meeting of Shareholders to be held in 2025.

Non-executive Directors shall also be appointed for a period of four years. However, as a newly listed entity, the company has phased out the initial appointment terms in order to avoid the risk of all non-executive Directors resigning at the same time, thereby ensuring that knowledge and experience is handed over gradually. Initial appoint terms of the company's non-executive Directors are summarised in the below table.

## NON-EXECUTIVE DIRECTOR RE-APPOINTMENT SCHEDULE

| Name | Initial appointment date | End of current term |
|---|---|---|
| Olivier Goudet | 2 June 2020 | 2026 |
| Peter Harf | 2 June 2020 | 2026 |
| Luc Vandevelde | 2 June 2020 | 2026 |
| Nelson Urdaneta | 2 June 2020 | 2026 |
| Joachim Creus | 2 June 2020 | 2025 |
| Genevieve Hovde | 2 June 2020 | 2025 |
| Gerhard Pleuhs | 2 June 2020 | 2025 |
| Alejandro Santo Domingo | 2 June 2020 | 2025 |
| Frank Engelen | 18 November 2020 | 2025 |
| Denis Hennequin | 2 June 2020 | 2024 |
| Stuart MacFarlane | 2 June 2020 | 2024 |
| Aileen Richards | 2 June 2020 | 2024 |
| Justine Tan | 2 June 2020 | 2024 |

# DIVERSITY

The company recognises the benefits of having a diverse Board and has adopted a Diversity Policy, which, among other things, is designed to address gender diversity at the Board level. The full text of the Diversity Policy is available on the company's website.

The non-executive Directors have also prepared a profile on the size and composition of the Board, taking into account the nature of the company and the business connected with it, addressing (i) the desired expertise and background of the executive Directors and non-executive Directors; (ii) the desired diverse composition of the Board as expressed in the company's Diversity Policy; (iii) the size of the Board; and (iv) the independence of the non-executive Directors. The full text of the company's Board profile is available on the company's website.

The Board annually assesses the size and composition of the Board to determine whether there is a good balance of sector knowledge, educational background, financial expertise, work experience, management capabilities and diversity. As part of the procedures for appointing new Directors, the Directors are invited to give their input on identifying potential candidates. Members of the Remuneration, Selection and Appointment Committee propose suitable candidates for consideration by the Board, taking into account diversity in background, gender, geographical and industry experience, skills and other distinctions between Directors.

The Board is satisfied that its current composition reflects the appropriate mix of diversity, experience, independence, knowledge and skills.

As at 31 December 2020, out of 13 non-executive Directors, 10 are men (approximately 77%) and 3 are women (approximately 23%). As per the Board's Diversity Policy, the Board's objective is, and continues to be, to improve gender diversity by achieving at least 30% women representation in the Board, in particular as the company's free float increases. This objective will be pursued when selecting new candidates for the Board in accordance with the above described procedure for appointing Directors.

# CONFLICT OF INTEREST

The company's Articles of Association and Board Rules prescribe how to deal with (potential) conflicts of interest between the company and a Director. A Director shall not participate in discussions or decision-making on a subject or transaction in relation to which the Director has a direct or indirect personal interest that conflicts with the interests of the company.

Decisions to enter into transactions in which there are conflicts of interest with Directors that are of material significance to the company and/or to the relevant Directors require a Board resolution taken with the consent of the majority of the non- executive Directors (excluding any non- executive Director with a conflict of interests). Any such decisions shall be reported in the annual report for the relevant year, including a reference to the conflict of interest and a declaration that the relevant best practice principles of the Dutch Corporate Governance Code have been complied with. As part of the company's public listing in 2020, the company requested that the Directors complete an extensive questionnaire which included the disclosure of (potential) conflict of interest. No conflicts of interest or transactions which may raise a (potential) conflict of interest with a Director were reported either in writing or orally.

# EXECUTIVE COMMITTEE

## ROLES AND DUTIES

The company is managed by the Chief Executive Officer (the CEO) who is supported by senior managers who together form the Executive Committee of JDE Peet's. In addition to the CEO, the Executive Committee consists of 10 other members: the company's CFO, the 5 segment Presidents, the Chief Marketing Officer, the Vice President Research & Development and Operations, the Chief Human Resources Officer, and the company's General Counsel and Company Secretary.

The CEO is entrusted with the (day-to-day) management of JDE Peet's. The Executive Committee assists the CEO in the discharge of his duties and is put in place to enable faster strategic alignment and operational execution by increasing the company's focus on the development of its business, innovation and people. Accordingly, the responsibilities of the Executive Committee involve supporting the CEO on various matters including the implementation of the company's general strategies and risks, its business agenda as well as its operational and financial objectives. The Rules of Procedure of Senior Management are available on the company's website and describe in detail the tasks, composition and other relevant procedures of the Executive Committee.

The CEO allocates the tasks of the Executive Committee among its members, after consultation with the Board. The Executive Committee reports to the CEO. The CEO is the first contact within the Executive Committee for the Chair of the Board and the Board, and thus any communication between the Executive Committee and non-executive Directors occurs first through the CEO. For financial topics, the company's CFO can interact directly with the non-executive Directors. Members of the Executive Committee are from time to time invited to attend meetings of the Board, at the discretion of the Board. The Executive Committee and the Board also meet and interact during informal occasions such as lunches and dinners.

# SHARES AND SHAREHOLDERS

## GENERAL MEETING OF SHAREHOLDERS

The company's shareholders exercise their rights through annual and extraordinary General Meetings of Shareholders. The annual General Meeting must be held annually in the Netherlands, no more than six months after the end of the company's financial year.

An extraordinary General Meeting may be convened by the Board, whenever the company's interests so require. In addition, one or more shareholders representing (individually or collectively) at least 10% of the company's issued and outstanding share capital, may request to convene an extraordinary General Meeting in the manner provided by Dutch law.

Shareholders holding at least 3% of the company's issued and outstanding share capital may ask, by a motivated request, that an item be added to the agenda. Such requests must be made in writing and must either be substantiated or include a proposal for a resolution. Such requests must be received by the company at least 60 days before the date of the General Meeting.

One or more shareholders holding (individually or collectively) at least 1% of the issued and outstanding share capital or a market value of at least EUR 250,000 may request the company to disseminate information prepared by them in connection with an agenda item for a General Meeting. The company may refuse to do so, if received less than seven business days prior to the day of the General Meeting, if the information gives or could give an incorrect or misleading signal or if, in light of the nature of the information, the company cannot reasonably be required to disseminate it.

Each shareholder (as well as other persons with voting rights or meeting rights) is entitled to attend the General Meeting, address the General Meeting and exercise voting rights, either in person or by proxy.

The General Meeting is chaired by the Chair of the Board; or in his absence by the Lead Independent Director or in the absence of the Chair and the Lead Independent Director, by any Director elected by the Directors present. The Directors must be present at the General Meeting, unless they are unable to attend for important reasons. The external auditors of the company are also authorised to attend the General Meeting.

At the General Meeting, all resolutions must be adopted by a simple majority of the votes validly cast without a quorum being required, except for those cases in which the law or the company's Articles of Association require a greater majority or a quorum.

Under the company's Articles of Association, resolutions of the Board on major changes in the company's identity or character are subject to the approval of the General Meeting. Such changes include:

- the transfer of all or a substantial portion of the business and/or assets of the company to a third party
- entering into or terminating a long-term cooperation between the company or its subsidiary and another legal entity, if such cooperation or termination is of fundamental importance for the company; and
- acquiring or disposing, by the company or its subsidiary, of a participation in the capital of a company if the value of such participation is at least one-third of the sum of the assets of the company according to its consolidated balance sheet and explanatory notes set out in the last adopted annual accounts of the company or its subsidiary

# VOTING RIGHTS

At the General Meeting, each ordinary share and each preference share carries one vote. As such, no restrictions apply to voting rights attached to shares in the capital of the company. The voting rights attached to the ordinary shares may only be amended by amendment to the company's Articles of Association. Under Dutch law, a statutory record date of 28 days prior to the date of the General Meeting applies in order to determine whether a shareholder may attend and exercise the rights relating to the General Meeting. Shareholders may be represented by written proxy.

# ANTI-TAKEOVER MEASURES

According to the Dutch Corporate Governance Code, the company is required to provide an overview of existing or potential anti-takeover measures and indicate in what circumstances these measures may be used.

In conformity with Dutch law and practice, the company authorised the Board to implement anti-takeover measures, within five years as from the settlement date, including the possibility to grant the right to acquire the preference shares to an outside foundation, which aims to protect the interests of the company and its business by preventing anything which may affect the independence, the continuity or the identity of the company (the Protective Foundation) or would be unnecessarily or unreasonably detrimental to the interests of the stakeholders of the company. The Protective Foundation shall pursue its objects, among other things, by acquiring and holding the preference shares in the company's share capital and by exercising its voting rights on such preference shares, as set out below.

As at 31 December 2020, and given the present company's shareholder structure, the Protective Foundation has not been incorporated.

Once incorporated, the Protective Foundation can be granted a call option by the company. To that end, the Board has been authorised (for a period of five years from the settlement date) to grant the Protective Foundation the continuous and unconditional right to, each time, subscribe for up to a maximum number of preference shares corresponding to 100% of the issued ordinary shares outstanding immediately prior to the exercise of the call option, less one. Any preference shares already held by the Protective Foundation at the time of the exercise of the call option will be deducted from this maximum. The Protective Foundation may exercise its option right repeatedly, on each occasion up to the aforementioned maximum, in order to protect the interest of the company and its business.

# RELATED PARTY TRANSACTIONS

In the course of its ordinary business activities, the company's group of companies enters into transactions with related parties. More information can be found under the section *'Consolidated Financial Statements, note 7.2*', in this Annual Report. The related party transactions are negotiated and executed in compliance with best practice principle 2.7.5. of the Dutch Corporate Governance Code and on an arm's length basis.

The company adopted a Related Party Transaction Policy which defines a related party and a related party transaction, effective as of 2 June 2020. The Related Party Transaction Policy is available on the company's website. Furthermore, the Policy requires each Director to notify the Chair of the Board and the General Counsel of the company of a (potential) related party transaction in which he or she is involved. If the Chair of the Board is a related party to a (potential) transaction, the Chair shall promptly notify the Lead Independent Director and the General Counsel.

Related party transactions are subject to review by the Board. No related party transactions set out in the Related Party Transaction Policy may be undertaken without the approval of the Board, which approval includes the affirmative vote of the majority of the Directors, who are independent within the meaning of the Dutch Corporate Governance Code and not considered to be conflicted with respect to the relevant related party transaction. Any Director who has a direct or indirect personal interest in the transaction, or who is considered to be conflicted with respect to the transaction, cannot participate in the deliberations or decision-making with respect to the related party transaction concerned. The Board may approve the related party transaction only if it determines that it is in the interests of the company and its business.

Amendments to the company's Related Party Transaction Policy require the approval of the Board, including the affirmative vote of at least one Director who is independent within the meaning of the Dutch Corporate Governance Code. For so long as MCHBV is entitled to designate at least one Director, the Related Party Transaction Policy shall not be amended or terminated without Mondelēz prior written consent.

# SHARE CAPITAL STRUCTURE

The company's authorised share capital amounts to EUR 20,000,000, consisting of 2,000,000,000 shares, and is divided into 1,000,000,000 ordinary shares with a nominal value of EUR 0.01 each and 1,000,000,000 preference shares with a nominal value of EUR 0.01 each.

As at 31 December 2020, the issued share capital of the company comprises 499,709,030 ordinary shares. Only ordinary shares are issued as at 31 December 2020.

All issued ordinary shares are fully paid up. There are no convertible securities, exchangeable securities or securities with warrants in the company.

As at 31 December 2020, no ordinary shares are held by the company. Other than in respect of outstanding options under certain company's employee share incentive schemes, the company is not party to any contract or arrangement whereby any option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any ordinary shares in the company. The company does not operate any employee share scheme where the control rights are not exercised directly by the employees as referred to in article 1 sub 1(e) of the EU Takeover Directive Decree.

Each ordinary share and each preference share carry one vote. Except by virtue of the different voting rights attached to the ordinary shares and the preference shares, none of the shareholders has any voting rights different from any other shareholders. When convening a General Meeting, the Board is entitled to determine a record date in accordance with the relevant provisions of the Dutch Civil Code.

The company's Articles of Association contain no limitation on the transfer of the company's ordinary shares. As regards the preference shares, Article 11 of the company's Articles of Association stipulates that any transfer of such preference shares requires the prior approval of the Board. More details about the way in which measures protecting the company may be set up can be found under section '*Anti-takeover measures*' in this Annual Report.

More information on the company's share capital can be found under the section *'Notes to the Consolidated Financial Statements, note 5.1*' within the Annual Report.

# MAJOR SHAREHOLDERS

As at 31 December 2020, Acorn Holdings B.V. and MCHBV are the two largest direct shareholders of the company, holding 60.50% and 22.87% respectively of the issued and outstanding share capital of the company. Free float represents 16.64% of the company's issued and outstanding share capital. More details about major shareholders can be found under the section *'Investor Relations'* within this Annual Report.

# INVESTOR RIGHTS AGREEMENT

The Investor Rights Agreement concluded on 25 May 2020 between the company, Acorn Holdings B.V. (Acorn) and MCHBV sets out, among other things, the number of Directors MCHBV is entitled to nominate for appointment and the arrangements for MCHBV's representation at the Board's committees.

MCHBV is entitled to have two non-executive Directors on the Board. If MCHBV's shareholding falls below 8% but remains above 5% of the issued and outstanding ordinary shares, MCHBV will have the right to nominate only one non-executive Director to the company's Board. If MCHBV's shareholding falls below 5% of the ordinary shares, then MCHBV will no longer have the right to nominate a non-executive Director to the company's Board.

With respect to the Board's committees, and to the extent allowed under applicable laws and regulations, MCHBV is entitled to be represented by one of its designees in all Board committees. In addition, for so long as MCHBV is entitled to have two seats on the Board, MCHBV is also entitled to designate the Chair of the company's Audit Committee.

# AMENDMENT OF THE ARTICLES OF ASSOCIATION

The General Meeting may pass a resolution to amend the company's Articles of Association, but only upon a proposal of the Board that has been stated in the notice of the General Meeting. Such resolution may be adopted by a simple majority of the votes validly cast, alternatively by a majority of no less than two-thirds of the votes validly cast if less than one-half of the company's issued and outstanding capital is represented at the General Meeting.

# ISSUANCE OF SHARES

Shares may be issued pursuant to a resolution of the General Meeting. The General Meeting may also delegate this authority to the Board for a maximum period of five years each time. A resolution of the General Meeting to issue shares, or to designate the Board to do so, can only be adopted at a proposal of the Board.

On 25 May 2020, the General Meeting designated the Board as a competent body to issue ordinary shares or grant rights to subscribe for ordinary shares for a period of 18 months following the settlement date. This authorisation is limited to a maximum of 10% of the ordinary shares issued and outstanding on the settlement date for general purposes with possibility to exclude pre-emptive rights, and a maximum of a further 40% of the ordinary shares issued and outstanding on the settlement date, provided that pre-emptive rights are fully observed.

In addition, on 31 May 2020, the General Meeting also authorised the Board, for a term of five years as from the settlement date, to specifically issue ordinary shares and to grant rights to subscribe for shares for the purpose of the Long Term Incentive Plan and the other company's share incentive plans. This authorisation is limited to 2% of the ordinary shares issued and outstanding on the settlement date. Subsequently, on 9 September 2020, the Board further subdelegated this authority to the company's CEO, within the limits of designation by the General Meeting set out above, and only in respect of the company's employee September trading window. In September 2020, the company thus issued 989,529 ordinary shares to certain employees under the Long Term Incentive Plan and other share incentive plans, which represent 0.20% of the total issued and outstanding share capital of the company on the settlement date.

The General Meeting also authorised the Board, for a period of five years as from the settlement date, to grant the preference shares to the Protective Foundation as described in more detail above, under the section '*Anti-takeover measures*', within this chapter of the Annual Report.

# PRE-EMPTIVE RIGHTS

Upon the issuance of ordinary shares, holders of the company's ordinary shares have pre-emptive rights to subscribe for ordinary shares in proportion to a total amount of the ordinary shares they hold. An exception to these pre-emptive rights is the issue of shares against a contribution in kind. Furthermore, under Dutch law, this pre-emptive right does not apply to the ordinary shares issued to the company's employees. No pre-emptive rights exist for holders of ordinary shares upon the issuance of preference shares. Similarly, holders of preference shares do not have a pre-emptive right in respect of ordinary shares.

The General Meeting may resolve to restrict or exclude the pre-emptive rights, or may designate the Board as a competent body to do so, subject to the due observance of the company's Articles of Association. Such resolution of the General Meeting can only be adopted at the proposal of the Board and requires a majority of at least two-thirds of the votes validly cast if less than 50% of the issued share capital is represented at the General Meeting.

On 25 May 2020, the General Meeting delegated to the Board the authority to restrict or exclude the pre-emptive rights of shareholders in relation to a maximum of 10% of the ordinary shares issued and outstanding on the settlement date for general purposes as described in more detail above, under the section '*Issuance of shares*', within this chapter of the Annual Report. This authority of the Board expires after a period of 18 months following the settlement date.

# PURCHASE OF OWN SHARES

Subject to the relevant provisions of Dutch law and the company's Articles of Association, the company may acquire its own fully paid-up shares, or depository receipts for shares for consideration, if: (i) the company's equity, less the payment required to make the purchase, does not fall below the sum of called-up and paid-up share capital and any statutory reserves as appearing from the last adopted annual accounts; (ii) the aggregate nominal value of the shares which the company and its subsidiaries hold does not exceed 50% of the issued share capital; and (iii) the General Meeting has authorised the Board to acquire the company's own shares.

On 25 May 2020, the General Meeting authorised the Board, for a period of 18 months following the settlement date, to acquire the company's own ordinary shares, up to a maximum of 10% of the aggregate number of ordinary shares issued following the settlement date, provided that the company will hold, no more ordinary shares in stock than 50% of its issued share capital, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the ordinary shares and not higher than the opening market price of the ordinary shares on Euronext Amsterdam on the day of the repurchase plus 10%.

The company may, without authorisation by the General Meeting, acquire its own shares for no consideration or for the purpose of transferring the shares to its employees under share incentive plans, provided such shares are quoted on the price list of a stock exchange.

As at 31 December 2020, the company has not held treasury shares and has not commenced any share buyback programme.

No voting rights may be exercised with respect to any share held by the company or its subsidiaries, or any share for which the company or its subsidiaries holds the depositary receipts. No distributions or other payments will be made on shares which the company holds in its own share capital.

# CHANGE OF CONTROL

The company is not a party to any significant agreements which will take effect, be altered or terminated upon a change of control of the company as a result of a public offer. However, most of the company's financing agreements contain clauses that, as it is customary for such financial transactions, entitle the lenders to claim early repayment of the amounts borrowed by the company or termination in the event of a change of control. Furthermore, the company and/or one or more of its subsidiaries have, in the ordinary course of business, entered into various joint venture, licensing and other agreements, which contain change of control provisions. These agreements taken individually are not in themselves considered significant agreements within the meaning of the Decree on Article 10 of the EU Takeover Directive.

# DUTCH CORPORATE GOVERNANCE CODE

## COMPLIANCE WITH THE DUTCH CORPORATE GOVERNANCE CODE

The Dutch Corporate Governance Code, as amended, entered into effect on 1 January 2017 and finds its statutory basis in Book 2 of the Dutch Civil Code (the Dutch Corporate Governance Code). The Dutch Corporate Governance Code applies to the company as of 2 June 2020 since its registered office is located in the Netherlands and its ordinary shares are listed on Euronext Amsterdam.

As stated in the Code, corporate governance needs to be tailored to the company's specific situation, and therefore non-implementation of individual best practice provisions of the Code may be justified in specific situations. The Code is based on the "comply-or-explain" principle.

The company as such endorses the Dutch Corporate Governance Code. However, given the company's shareholder structure and the presence of JAB and Mondelēz as its two major shareholders, the company does not comply with the following best practice principles of the Dutch Corporate Governance Code as at 31 December 2020:

- Best practice provision 2.1.7 (ii): the company is not compliant with best practice provision 2.1.7(ii) that requires that more than half of the non-executive Directors be independent within the meaning of the Dutch Corporate Governance Code, as 7 out of the 13 non-executive Directors are representatives of shareholders. Olivier Goudet, Peter Harf, Joachim Creus, Frank Engelen and Justine Tan are representatives of JAB, and Nelson Urdaneta and Gerhard Pleuhs are representatives of Mondelēz.

  In addition, because of their positions as non-executive director of Acorn Holdings B.V., Genevieve Hovde and Alejandro Santo Domingo may technically not satisfy all independence requirements under the Dutch Corporate Governance Code. However, because Acorn Holdings B.V. is only a holding company through which its shareholders make investments, with JAB being its controlling shareholder and the only shareholder holding more than 10% of the ordinary shares, the company does not consider Acorn Holdings B.V. relevant for the purpose of determining the independence of a non-executive Director. Therefore and given that neither Genevieve Hovde nor Alejandro Santo Domingo is a representative of JAB, the company considers them independent.

  To ensure a good corporate governance and independence of the Board, the company has appointed a Lead Independent Director. The role of the Lead Independent Director is mainly to serve as a liaison between the independent non-executive Directors and the Chair and the company's CEO. More details about the responsibilities of the Lead Independent Director can be found below, under the section '*Report of the non-executive Directors*' in this Annual Report.

- Best practice provision 2.1.7 (iii): the company is not in compliance with best practice provision 2.1.7(iii) that requires that there be no more than one non-executive Director who can be considered to be affiliated with a shareholder, or group of affiliated shareholders, holding more than 10% of the shares in a company.

  Through JAB, the company has a proven, long-term oriented shareholder with strategic vision. JAB's strategic vision is reflected at the company through its representatives on the Board which, the company believes benefits both the company and its stakeholders. Similarly, the company believes that it and its stakeholders benefit from having Mondelēz's representatives on the Board. The company considers that the experience of the Directors in the global food and beverage industry (including within the broad portfolio of JAB consumer goods companies) is a competitive advantage which outweighs any perceived disadvantage of non-independence. Furthermore, as explained above, the company has appointed a Lead Independent Director to preserve independence of the Board. More details about the responsibilities of the Lead Independent Director can be found below, under the section '*Report of the non-executive Directors*' in this Annual Report.

- Best practice provision 5.1.3: independence of the Chair of the Board: Olivier Goudet is the Chair of the Board. He is not independent within the meaning of best practice provision 2.1.8 of Dutch Corporate Governance Code. The company believes that his experience in the global food and beverage industry (including within the broad portfolio of JAB consumer goods companies) benefits the company and its stakeholders, and this benefit outweighs any perceived disadvantage of non-independence. In addition, in accordance with the company's Articles of Association and the Board Rules, as the Chair of the Board is not independent, the company has appointed a Lead Independent Director to ensure there is an independent counter-voice. More details about the responsibilities of the Lead Independent Director, can be found below, under the section '*Report of the non-executive Directors*' within the Annual Report.
- Best practice provision 2.2.2: appointment periods of non-executive Directors: the initial appointment periods of the non-executive Directors are: (i) six years for Olivier Goudet, Peter Harf, Luc Vandevelde and Nelson Urdaneta; (ii) five years for Joachim Creus, Alejandro Santo Domingo, Genevieve Hovde and Gerhard Pleuhs. The company is not in compliance with best practice provision 2.2.2 that requires that a non-executive Director be appointed for an initial period of four years with the possibility to be reappointed once for another term of four years and reasons be provided in the report of the non-executive Directors for a reappointment after an eight-year period. As a newly listed issuer, the company has opted for phased board appointments in order to avoid the risk of all non-executive Directors resigning at the same time. More details can be found above, under the section '*Term of appointment*' within this chapter of the Annual Report.
- Best practice provisions 2.2.6, 2.2.7 and 2.2.8: Board evaluation: in light of the recent public listing of the company as well as the recent change of the CEO, the Board considers it will be more meaningful to carry out the Board's evaluation on its own functioning, that of the Executive Director, its committees and non-executive Directors in the course of the next financial year. The company intends to conduct such Board evaluation every year moving forward in accordance with the applicable best practice provisions of the Dutch Corporate Governance Code.
- Best practice provision 3.3.2: the company is not compliant with best practice provision 3.3.2 that requires that non-executive Directors not be awarded remuneration in the form of shares and/or rights to shares. In accordance with the company's Directors' Remuneration Policy, the non-executive Directors have received grants in restricted share units (the RSUs) under the company's incentive plan as set out in the company's Remuneration Report. Given the company's geographical footprint, the company believes that such remuneration promotes its interest and that of its shareholders by strengthening the company's ability to attract and retain highly competent non-executive Directors from outside Europe, thereby supporting diversity.

The company is committed to making further progress on compliance with the Dutch Corporate Governance Code, in particular as the company's free float increases.

# CORPORATE GOVERNANCE STATEMENT

The company is required to make a statement concerning corporate governance as referred to in article 2a of the decree on the content of the management report (the **Decree**). The information required to be included in this Corporate Governance Statement as described in articles 3, 3a and 3b of the Decree, which are incorporated and repeated here by reference, can be found in the following sections or pages of this Annual Report:

- The information concerning compliance with the Dutch Corporate Governance Code, as required by article 3 of the Decree, can be found under the section '*Compliance with the Dutch Corporate Governance Code*' in this Annual Report.
- The information concerning the company's risk management and control frameworks relating to the financial reporting process, as required by article 3a sub a of the Decree, can be found under the section '*Risk Management*' in this Annual Report.
- The information regarding the functioning of the company's General Meeting of Shareholders and the authority and rights of the company's shareholders, as required by article 3a sub b of the Decree, can be found under the section '*General Meeting*' in this Annual Report.
- The information regarding the composition and functioning of the company's Board and its committees, as required by article 3a sub c of the Decree, can be found under the section '*Corporate Governance*' in this Annual Report as well as in the '*Report of the non-executive Directors*'..
- The information concerning the company's diversity policy, as required by article 3a sub d of the Decree, can be found under the '*Diversity*' section under '*Corporate Governance*' in this Annual Report.
- The information concerning the inclusion of the information required by the Decree Article 10 EU Takeover Directive, as required by article 3b of the Decree, can be found in the relevant sections under '*Shares and Shareholders*' as well as the '*Investor Relations*' in this Annual Report.

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& TEA TO CREATE A
BETTER FUTURE. IT'S
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# REPORT OF THE NON-EXECUTIVE DIRECTORS

This report provides further information on the way we performed our duties since the Board was formed on 2 June 2020, on the occasion of the public listing of the company.

We strive to create a culture that contributes to long-term value creation of the company. It is our responsibility to adopt common values focused on long-term value creation.

## MEETINGS AND ACTIVITIES OF THE BOARD

### ATTENDANCE

We have held six meetings since the creation of the Board. Due to the COVID-19 situation and travel restrictions, all meetings of the Board in 2020 took place virtually. The CEO attended all our meetings. Other members of the Executive Committee as well as certain global leadership team members were invited to give presentations to the Board. The non-executive Directors held several private meetings without other attendees to independently review and discuss certain matters. In addition, the Chair and the CEO have held regular one-to-one meetings to discuss progress and key topics. The Board members had contact with various levels of management to ensure that we remained well-informed about the company's operations.

The non-executive Directors attended all Board meetings in 2020, except on one occasion. An overview of the individual attendance of our non-executive Directors at the meetings of the Board and of its committees is set out in the next page. All non-executive Directors set aside adequate time to give sufficient attention to the company's matters.

| Non-executive directors | Attendance at Board meetings | Attendance at Audit Committee meetings | Attendance at Remuneration, Selection and Appointment Committee meetings |
|---|---|---|---|
| Olivier Goudet | 6/6 | | |
| Peter Harf | 6/6 | | 3/3 |
| Joachim Creus | 6/6 | | |
| Justine Tan | 6/6 | | |
| Fabien Simon[21] | 5/5 | 3/3 | |
| Frank Engelen[22] | 1/1 | 1/1 | |
| Luc Vandevelde | 6/6 | 4/4 | 3/3 |
| Nelson Urdaneta | 6/6 | 4/4 | |
| Genevieve Hovde | 6/6 | 4/4 | |
| Gerhard Pleuhs | 6/6 | | 3/3 |
| Alejandro Santo Domingo | 6/6 | | |
| Denis Hennequin | 6/6 | | 3/3 |
| Stuart MacFarlane[23] | 5/6 | 4/4 | |
| Aileen Richards | 6/6 | | 3/3 |

[21] *Fabien Simon in his capacity as a non-executive Director since 2 June 2020 until 18 November 2020.*
[22] *Frank Engelen in his capacity as non-executive Director since his appointment on 18 November 2020.*
[23] *Due to technical reasons Stuart MacFarlane did not dial-in for one Board meeting. The Chair debriefed him thereafter.*

# ONBOARDING PROGRAMME

Shortly after the IPO, the company invited Luc Vandevelde, Justine Tan, Stuart MacFarlane, Aileen Richards and Denis Hennequin to participate in an on-boarding programme. This provided them with an overview of the company's relevant topics, such as global and regional business, operations and research and development, corporate responsibility, human resources and talent development as well as other aspects unique to the company and its business activities.

# BOARD FOCUS

Regular items during our Board meetings in 2020 included updates and highlights from the Audit and the Remuneration, Selection and Appointment Committees as well as the review of business performance and financials. We were presented with and approved the company's interim financial results for 2020 as well as discussed and reviewed the company's Annual Operating Plan for 2021. We were furthermore regularly updated on the corporate responsibility agenda, the company's talent development, investor relations and treasury topics. We also looked at the performance of the Peet's segment and its growth priorities and opportunities (including the growth acceleration in e-commerce and coffee store expansion in China).

2020 was an unprecedented year due to the COVID-19 pandemic which impacted business operations in the Out-of-Home segment. We closely monitored the implications of COVID-19 for the company's financial performance, the health and safety of the company's employees, and business continuity. We also reviewed the company's key priorities for the post-COVID environment in order to reflect the expected shift of customers and consumers to a "new reality." In particular, we discussed the importance of resetting the operating model for the company's Out-of-Home segment in light of the changing external environment, as well as restructuring of the company's Out-of-Home organisation.

We reviewed the major company's capex projects. More particularly, in line with the company's strategy to expand the growth of its single serve category, we approved the investment of EUR 110 million in additional manufacturing capacity in new high-speed aluminium coffee capsule production lines. We also gave our approval for the expansion of freeze-drying capacity in St. Petersburg.

We discussed the opportunities to accelerate the company's expansion and investments in e-commerce, which generated significant growth during the global pandemic. We were also actively involved in the process of reviewing other strategic and growth projects for the company, including M&A.

# INDEPENDENCE

We believe it is important to strive for a well-balanced Board composition that incorporates the right experience, competencies and capabilities, and is equipped with a strategic vision that will ultimately benefit the company and its stakeholders. We endorse the principle that the Board composition shall ensure that members can act critically with a focus on long term value creation for the company and its stakeholders.

Without undermining the foregoing, but considering the company's shareholder structure, with JAB and MCHBV being major shareholders, 7 out of 13 of our non-executive Directors are representatives of the shareholders as at 31 December 2020. Thus they are not considered independent within the meaning of best practice provision 2.1.8 of the Dutch Corporate Governance Code. In this respect, 5 non-executive Directors, namely Olivier Goudet, Peter Harf, Joachim Creus, Frank Engelen and Justine Tan, are representatives of JAB, and 2 non-executive Directors, namely Nelson Urdaneta and Gerhard Pleuhs, are representatives of MCHBV.

We are of the view that the experience of the non-independent Directors in the global food and beverage industry and the strategic vision they bring are key to the success of the company and outweigh any perceived disadvantage of non-independence.

To further safeguard independence, the company has appointed Luc Vandevelde to act as Lead Independent Director. His main responsibilities include to (i) act as a sounding board and provide support in all aspects to the Chair, (ii) act as mediator in case of disputes among the members of the Board, (iii) preside over meetings of the Board and shareholders when the Chair is not present, (iv) serve as a liaison between the independent non-executive Directors and the Chair and the CEO, (v) provide feedback to the Board on the independent non-executive Directors' collective views on the management, leadership and effectiveness of the Board, (vi) facilitate effective communication and interaction between the Board and management, (vii) develop recommendations for the governance setup, including committee structure, Board and committee composition and rotations, (viii) ensure effective communications with shareholders and other stakeholders, attending meetings where necessary, in order to understand their issues and concerns; and (ix) be available to shareholders should they wish to share views with the Board, other than through the Chair or the CEO.

In light of the above, we are satisfied that the necessary measures have been taken to protect the independence of the Board, and we remain committed to make further progress on compliance with the Dutch Corporate Governance Code.

# BOARD COMMITTEES

## AUDIT COMMITTEE

We have held four meetings of the Audit Committee since 2 June 2020, all of which took place virtually in the light of COVID-19. The attendance rate of the Board members to the Audit Committee was 100%.

In 2020, the Chair of the Board participated in all meetings of the Audit Committee. Most of the other Board members also attended the Audit Committee's meetings. The Committee's Chair gave the highlights of each Audit Committee meeting held in 2020 at each of the Board meetings. All Board members had also access to all the meeting materials (including the minutes of the Audit Committee meetings). In addition, the company's CEO, CFO, General Counsel as well as the company's senior management responsible for the company's control and internal audit attended the Audit Committee meetings. Representatives of the company's external auditor also participated in all Committee's meetings.

As at 31 December 2020, the Audit Committee was composed of five non-executive Directors: Nelson Urdaneta (chair), Genevieve Hovde, Stuart MacFarlane, Luc Vandevelde and Frank Engelen. The majority of the Audit Committee members are independent in accordance with best practice principle 2.3.4 of the Dutch Corporate Governance Code: Genevieve Hovde, Stuart MacFarlane and Luc Vandevelde are independent within the meaning of the Dutch Corporate Governance Code, whereas Frank Engelen and Nelson Urdaneta are representatives of JAB and MCHBV respectively. The members of the Audit Committee as a whole have the relevant experience and competencies including those relating to the fast moving consumer goods industry. Nelson Urdaneta has the required competency in accounting, and is therefore Audit Committee Financial Expert within the meaning of best practice principle 2.1.4 of the Dutch Corporate Governance Code.

During Audit Committee meetings, we closely monitored the business performance of the company, in particular with regard to the impact of COVID-19 lockdown measures on the company's Away-from-Home business. The company's CFO provided the Committee with the latest updates on the financials of the company.

In light of the company's IPO in 2020, we focused on the company's preparation and transition to becoming a publicly traded company. We were debriefed on the company's IPO readiness plan and progress, including the relevant workstreams, processes and procedures set up within the company as part of its IPO readiness project.

We reviewed and discussed the company's results and mid-year and year-end outlooks, as well as financial planning and any significant changes to the company's accounting guidelines. Discussions were also held with the company's independent external auditor regarding the company's 2020 Audit Plan and the impact of the company's listing on reporting activities, IPO readiness as well as internal controls. The external auditor presented their interim audit findings 2020. Together with the external auditor, we reviewed the impact of COVID-19 on financial reporting procedures and related accounting. We also discussed (with the external auditor) the succession of the current external audit partner whose term will end after the 2020 financial year audit.

During Audit Committee meetings in 2020, we discussed the company's risk assessment including the related risk appetite and mitigation. In the first Audit Committee meeting after the IPO, we made a recommendation for the appointment of the company's Head of Internal Audit (a senior internal auditor function within the meaning of the Dutch Corporate Governance Code), which was subsequently approved by the Board.

We were furthermore provided with in-depth insights into key internal group control topics (including Peet's onboarding into the company's consolidated financial reporting cycle), different level of maturity of internal controls within the company, goodwill impairment testing, collection and bad debt risk management especially in the company's Out-of-Home segment, SAP internal control and the three ongoing Enterprise Resource Planning (ERP) implementations.

Finally, the Audit Committee was regularly updated on the company's internal audit (including progress on the company's Internal Audit 2020 Plan and conclusions from the internal audits carried out), hedging strategies related to green coffee buying, JDE Peet's equity hedging, the compliance programme, the alert line and litigation issues. At our last Audit Committee meeting for 2020, we approved the company's Internal Audit Plan for 2021.

# REMUNERATION, SELECTION AND APPOINTMENT COMMITTEE

We have held three meetings of the Remuneration, Selection and Appointment Committee since 2 June 2020, all of which took place virtually in the light of COVID-19. The company's Chief Human Resources Officer was also present at all meetings. The attendance rate of the Board members was 100%.

In 2020, the Chair of the Board participated in all the meetings of the Remuneration, Selection and Appointment Committee. The Committee's Chair gave the highlights of each Committee meeting at each Board meetings and presented the Committee's recommendations on the topics to be approved by the Board.

As at 31 December 2020, the Remuneration, Selection and Appointment Committee comprised five non-executive Directors: Peter Harf, as Chair of the committee, Denis Hennequin, Gerhard Pleuhs, Aileen Richards and Luc Vandevelde. The majority of the Committee members are independent in accordance with best practice principle 2.3.4 of the Dutch Corporate Governance Code: Denis Hennequin, Aileen Richards and Luc Vandevelde are independent within the meaning of the Dutch Corporate Governance Code, whereas Peter Harf and Gerhard Pleuhs are representatives of JAB and MCHBV respectively.

Given the importance of the matter, the discussion on the change of the CEO and the appointment of a new CEO were conducted by the full Board, in particular shortly after the IPO. The Board accepted Casey Keller's resignation as executive Director and appointed Fabien Simon as acting CEO. The Committee thereafter proposed his nomination as executive Director as well as the nomination of Frank Engelen as a new non-executive Director to fulfil the resulting Board vacancy. Both Fabien Simon and Frank Engelen were appointed as executive Director and non-executive Director respectively at the company's extraordinary General Meeting of Shareholders on 18 November 2020.

During the meetings of the Remuneration, Selection and Appointment Committee, we discussed the changes to the company's existing Executive Ownership Plan in order to cover the entirety of the company as a result of the IPO and accordingly made a proposal for a technical amendment to the company's Directors' Remuneration Policy. This amendment was approved by the company's extraordinary General Meeting of Shareholders on 18 November 2020. Furthermore, we evaluated the company's Equity Incentive Plans including the company's Long Term Incentive Plan and Share Purchase Programme at JDE.

Lastly, during meetings of the Remuneration, Selection and Appointment Committee in 2020, we looked at the company's leadership developments and in particular assessed the composition of, and succession planning for, the company's Executive Committee, taking into account the company's diversity ambition. The Committee approved the appointment of a new Chief Human Resources Officer, Chief Marketing Officer, President CPG LARMEA and President Out-of-Home, and their compensation packages.

# ACKNOWLEDGEMENT


We would like to thank all our employees as well as the Executive Committee for their resilience, dedication and hard work during these unprecedented times.

Non-executive Directors of JDE Peet's N.V.

Olivier Goudet
Joachim Creus
Genevieve Hovde
Gerhard Pleus
Alejandro Santo Domingo
Luc Vandevelde
Frank Engelen
Peter Harf
Denis Hennequin
Stuart MacFarlane
Aileen Richards
Justine Tan
Nelson Urdaneta

# RISK MANAGEMENT

## OUR APPROACH

At JDE Peet's, we are exposed to various risks at the strategic, operational, financial and compliance levels. Managing these risks is embedded in our daily business activities and governed by a structured risk management process. The basis of the company's risk management process is a strong tone at the top with engaging and proactive discussions about risk profile and risk appetite. Risk is an essential element when opportunities are assessed, entrepreneurship is embraced in the culture of JDE Peet's which implies risks are taken. Strategic and operational decisions are taken in accordance with the agreed risk appetite. Risks are monitored and periodically discussed in the Global Compliance Council, that is supported by local and regional councils.

# INTERNAL CONTROLS

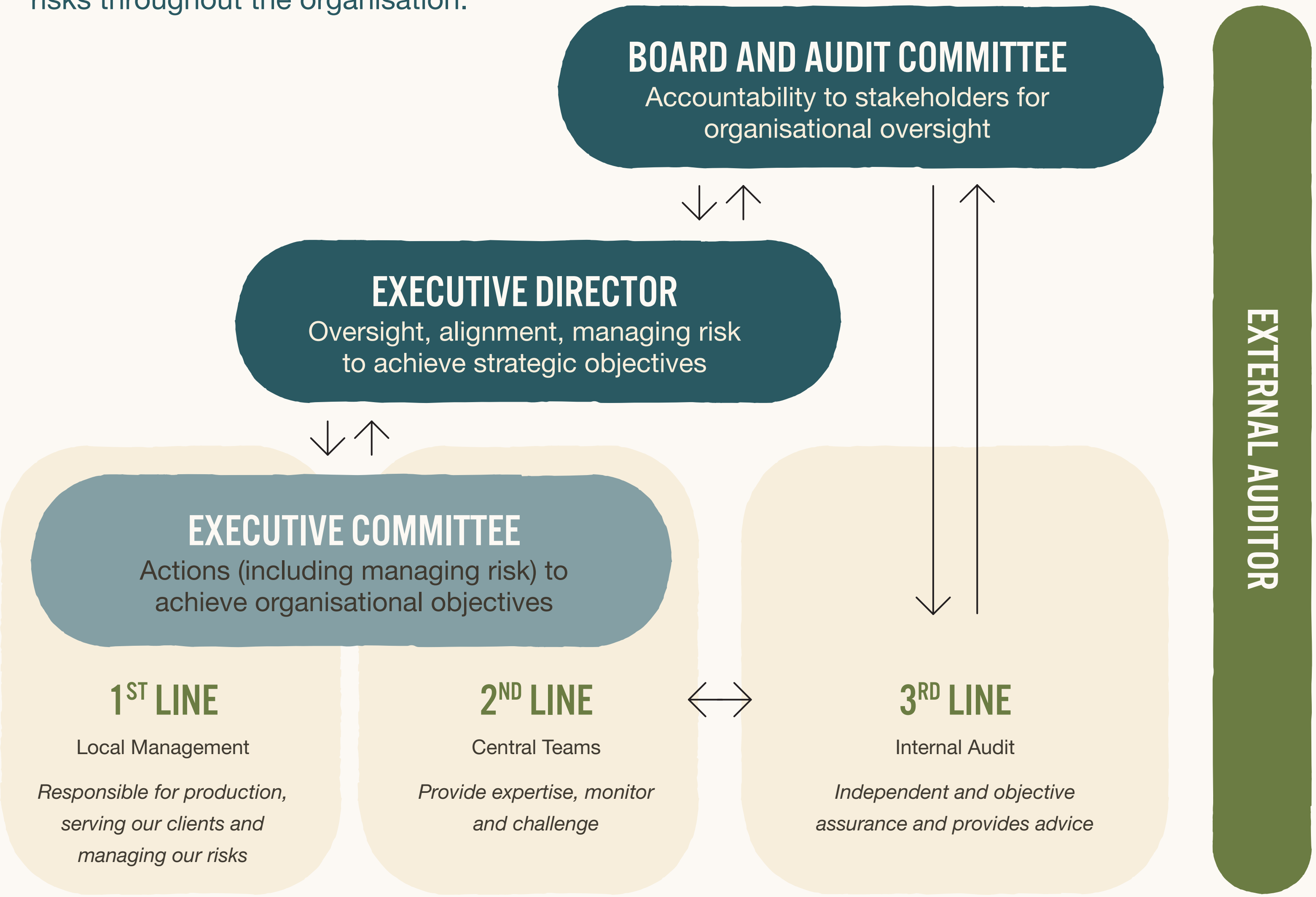
The internal control (IC) activities at JDE Peet's aim to provide reasonable assurance as to the accuracy of financial information, to comply with applicable laws and regulations and to protect the company's assets.

For JDE Peet's, 2020 was a year in which the key aspects of Risk Management and IC were further developed, formalised and enhanced. Upon the listing of JDE Peet's, policies were reviewed and aligned between the two legacy companies and overarching oversight measures were implemented. With both businesses having a different size, heritage and operational models, the company's IC framework needs further alignment.

In addition, new risk management procedures were implemented prior to the company's listing. Dedicated new teams were established for Investor Relations, IC and Global Compliance to drive focus and discipline in these areas.

# INTERNAL CONTROL STRUCTURE

The company applies the 'three lines of defense' model to manage risks throughout the organisation.




The first line plays a crucial role in achieving our strategic and operational objectives while taking into account our risk appetite. The quality of management of our business and the behaviour of our leaders across the globe is the backbone of our risk management organisation; they make day-to-day decisions about balancing risks and opportunities. In addition, they are responsible and accountable for the implementation of IC, compliance with policies and ensuring procedures are adhered to.

The second line of defense represents several central teams that are responsible for maintaining, continuously improving and monitoring the quality of the company's IC and risk management processes. These teams consist of the Global Compliance Council, the Legal team, the IC team, the Accounting and Reporting team and the Global IT team.

*Our Internal Control Structure and 'three lines of defense' model*

They support and challenge our first line teams in the regions and countries in identifying and mitigating financial reporting, legal and other compliance risks. Also, within the second line, the Group Accounting & Reporting department and the Financial Planning & Analysis department, monitor the company's financial results and reporting risks. The Global IT team monitors compliance with the company's IT policies, general IT and the effectiveness of application controls. The second line is closely connected to the first line in order to maintain and improve processes and structures linked to managing risks by providing complementary expertise and challenging local management.

The JDE Peet's Internal Audit team operates as a third line of defense. The Internal Audit team acts as an independent team providing assurance and advice on any matters related to our risk management and IC processes. It reports its conclusions directly to the Executive Committee and Audit Committee of the Board. Internal Audit aligns with the IC and Compliance teams for the design and implementation of controls to address Internal Audit observations. The Audit Committee  oversees the Internal Audit scope, objectives and approves its annual audit plan. In line with the Dutch Corporate Governance Code, the internal audit function draws up its internal audit plan on an annual basis. The CEO, the Audit Committee and the external auditor are all involved in this process, after which it is submitted for Board approval. Internal Audit reports its audit findings directly to the Executive Committee. Furthermore, the internal audit results as well as the progress of the internal audit plan are presented to the Audit Committee every quarter, in the presence of the external auditor. Internal Audit aligns with the Internal Control and Compliance teams for the remediation of audit observations and design changes of the overall IC framework.

# OUR RISK MANAGEMENT AND CONTROL MEASURES

## STANDARDISATION

JDE Peet's made the decision to standardise IC processes throughout the organisation. This enables better quality processes and better IC policy compliance. This is reflected in the way the company has set up the regions, country organisations and operating companies. JDE Peet's is organised with dedicated country Marketing and Sales organisations which are supplied by highly specialised production facilities across the globe.

The vast majority of our business is the legacy JDE business, which operates according to our Combined Business Model (CBM) blueprint. Within the CBM model, JDE Peet's applies one way of working enabled by one ERP system (SAP). Our in-house integration team is responsible for the integration and onboarding of new businesses to our standardised way of working model.

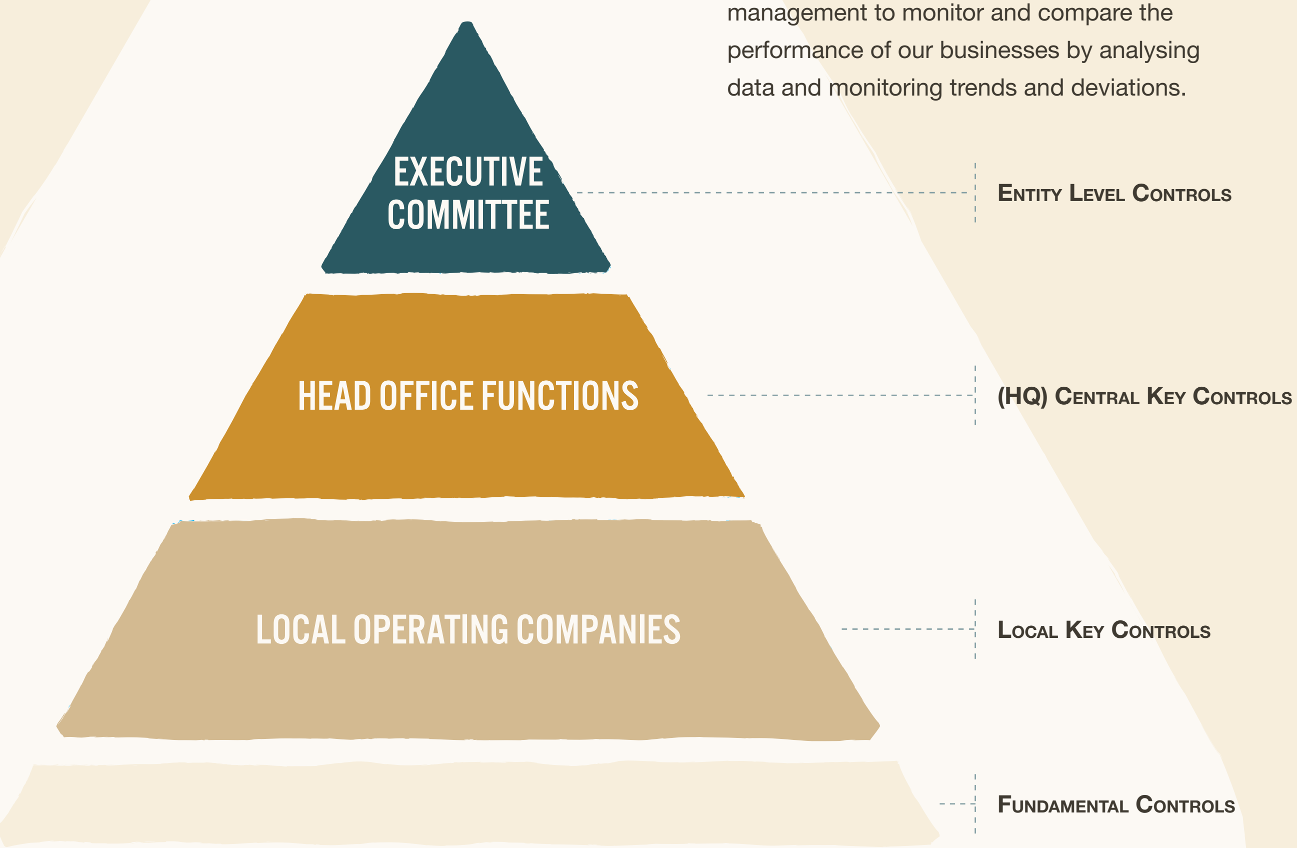
Some of our more recently acquired businesses are not yet operating according to the CBM blue print. Additional oversight measures are in place to make sure the risks of these businesses are properly managed. This oversight includes business performance reviews by the regional leadership team, focus of the compliance, internal controls and internal audit teams. The nature and faster growing dynamics at Peet's drove a more entrepreneurial business model which has been less formalised than the JDE model.

Overall, the company can be divided in 3 different maturity levels regarding the IC standardisation and formalisation;

- Entities that follow the CBM way of working, applying the standard IC framework and operating with the standard ERP system
- Entities that were relatively recently acquired and are operating based on legacy IC and legacy IT infrastructure
- Peet’s operating on its own IT platform and recently implemented IC framework

# JDE STANDARDISED INTERNAL CONTROLS FRAMEWORK

Most operating entities perform comparable business activities across the globe and make use of uniform IT systems, such as SAP, SAP-BPC and TAS. JDE Peet's has implemented processes that make use of detailed Business Process Descriptions which drive our ways of working. This standardisation enables regional management to monitor and compare the performance of our businesses by analysing data and monitoring trends and deviations.




*JDE Standardised Internal Controls Framework*

**Entity Level Controls**

- Wistleblower hotline
- Code of Conduct
- Powers of Attorney
- Letter of Representation

**Regulatory Compliance Controls**

- Restricted Party Screening (RPS)
- Anti-Bribery & Corruption (ABC)
- Competition Law (CL)
- Privacy Law (PL)

**Financial Key Controls**

- Order to Cash (OTC)
- Make to Demand (MTD)
- Purchase to Pay (PTP)
- Record to Report (RTR)
- Manage Plant, Property and Equipment (PPE)
- Tax
- Hire to Retire (HTR)
- ITC Information Technology
- Coffee & Tea sourcing
- Treasury & Cash
- Manage Machines Professional (MMP)

**Operating Model Controls**

- Functional controls at Central and Local level

**Fundamental Controls**

- Segregation of Duties
- General IT Controls

The JDE IC framework defines the controls and policies in place for the different levels within the company. The ICs are designed around our core processes and main risks.

Our IC framework is part of our first line of defense to navigate risk. The aim of our IC framework is designed to enable the country and regional leadership teams to ensure compliance with applicable laws and regulations, to facilitate accurate external financial reporting and to support decision-making based on reliable, accurate and complete management information.

Internal controls are defined at entity level, at process level, and at functional level. As part of the entity level controls management at local and regional level sign off a Letter of Representation (LOR) on a quarterly basis. This includes a confirmatory statement regarding the design and operating effectiveness of controls. In addition a whistle-blower hotline, a JDE and Peet's code of conduct and delegation of power and responsibilities are part of our entity level controls. Leadership teams report on the effectiveness of the financial controls quarterly, which is monitored and reviewed by the central IC team.

In addition, the Entity Level Controls include regular oversight over the regions and country organisations. This includes central risk assessment and periodic reviews. For newly acquired businesses and Peet's, this oversight and monitoring process is especially intense to ensure balanced risk management.

At every location, the management teams are supported by Internal Control Supervisor (ICS). The global network of ICSs plays a crucial role in safeguarding standards and making sure ICs are working effectively within the company. The global network of ICSs has a strong link to the central IC team and provides on the ground support to local management.

This year, the legacy Super Group operating entities in South-East Asia were integrated in the standard operating model and onboarded on the standard ERP platform. Based on our standard IC framework, local management together with the IC team assessed which financial controls needed to be applied or specifically designed. The same exercise was performed for the legacy OldTown operating entities, also in South-East Asia, which are planned to be integrated in 2021.

Two new ERP systems were implemented this year; at Peet’s and at the legacy Super Group entities in South-East Asia. In 2019, the Out-of-Home business completed the implementation of a new integrated CRM and ERP platform. This required ongoing management attention to safeguard financial controls and accurate financial reporting in 2020.

## ACQUIRED BUSINESSES

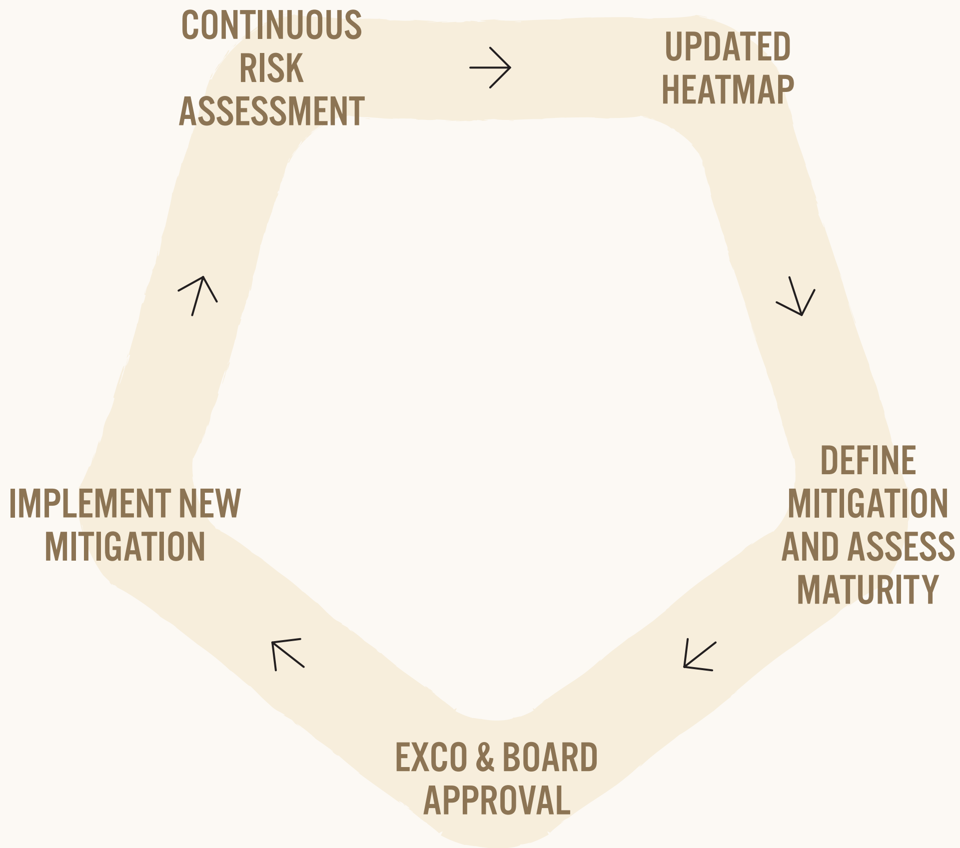
A small number of acquired businesses are not (yet) onboarded to our standard way of working and standard IC framework. For these businesses, in addition to local management monitoring activities, global and regional management perform additional oversight to ensure that risks are managed according to the JDE Peet's risk appetite. However, in most cases the IC environment at these entities is less formal and less mature than at JDE.

## PEET'S

In 2020, Peet's implemented the ERP system Dynamics 365 which further enhanced the company's automated application controls and drives a further controlled way of working. From the moment JDE and Peet's were combined, the focus has been on further formalising the ICs at Peet's. Certain ICs at Peet’s will be further developed and optimised in 2021 in accordance with the company’s risk appetite and business model.

# OUR MAIN RISKS

Our enterprise risk management process is outlined below. Risk assessment is a continuous activity throughout the year. The full cycle is completed every year with a discussion in the Executive Committee, and subsequently presented to the Audit Committee and discussed  the Board.




As an outcome of the risk management process the company has identified the main risks for the company.

Clearly the risk related to the outbreak of a pandemic has impacted the company significantly in 2020. The COVID-19 pandemic has resulted in decreased revenue in the Out of Home and coffee store channels. At the same time, revenues in the Consumer Packaged Goods (ÇPG) businesses have increased due to increased working from home which largely compensated for the decreased Out-of-Home revenues. In addition, significant pressure was placed on the company's supply chain and network of operating entities. During the pandemic, very limited disruption has occurred in the company's supply chain. Also, the IT infrastructure of the company was placed under pressure with the majority of office employees working from home using the company's systems and tools intensely.

On the following pages, we have described the main risks for the company in more detail. They are categorised in the four COSO components, with the related risk appetite and mitigation:

# MAIN STRATEGIC RISKS

Risk appetite: Higher

## INTENSE COMPETITION AND STRONG BUYING POWERS

The coffee and tea categories are intensely competitive and driven by, among others, increased consolidation in the industry, competitive strategies undertaken by existing competitors, the emergence of new distribution channels and competitors. In the coffee category, the company competes against a number of large companies operating globally as well as a range of other regional and local brands and private label producers. The tea category is more fragmented than the coffee category.

As customers increase their leverage through consolidation and the emergence of buying groups, there is downward pricing pressure on our products. At the same time, many of our CPG customers are seeking to improve their profitability through more favourable trade terms and increased emphasis on private label products. In certain markets, our revenues are concentrated among a small number of CPG customers, increasing the bargaining power of such customers. As a result, it can become more difficult for us to pass on commodity price increases and price disagreements may lead to trading being halted with customers.

## CHANGING DISTRIBUTION CHANNELS AND CONSUMER TASTES

The rapid and continuous emergence of new distribution channels, particularly in online sales, may contribute to consumer price deflation, affecting our CPG relationships and presenting additional challenges to increasing prices in response to commodity or other cost increases.

Our continued success depends, in part, on our ability to effectively anticipate, identify and respond to changing consumer tastes and our ability to translate market trends into appropriate, saleable products.

We have expanded our offering to include products that correspond to such changes with the introduction of aluminium single-serve and double-shot espresso capsules, various instant products, premium whole-bean offerings and ready-to-drink cold coffee options.

However, consumer preferences remain susceptible to change and there can be no assurance that we will accurately predict shifting consumer preferences going forward. In addition, even if we identify trends in consumer preferences, we may be slower to respond to such shifts relative to our competitors.

The focus of consumers is increasingly shifting towards sustainable products, particularly with regard to recycling, environmental and social aspects. Our key sustainability targets over the next few years include increasing the use of reusable, recyclable or compostable packaging and the percentage of responsibly sourced coffee & tea. Our failure to meet consumers expectations and our own targets relating to sustainability could impact our future sales as well as damage our reputation and brand image.

Changes in consumer behaviour, like the shift from Out-of-Home to In-Home during the COVID-19 pandemic, have an impact on the recoverability of the carrying amount of the assets in our segments. As part of our strategic risk process, we review market data, consumer behaviour trends and other information on an ongoing basis, first and foremost to validate or adjust our strategic decisions to continuously be successful in the different channels, markets and segments. Subsequently, this information is used to confirm and adjust forecasts and plans for our segments to assess capital allocations and investments in our segments.

# MITIGATION OF STRATEGIC RISKS


Since these strategic risks are highly impactful for the long-term strategy of the company, risk mitigation is achieved through close monitoring by the company's Executive Committee (ExCo) involvement in key decisions, processes and governance.

One of the most important mitigations, reducing the strategic commercial risks, is to continue development of impactful, sustainable innovations and successful launches into the market. Although innovation is a less formal activity by nature, we have defined processes to guide early innovations to successful launches, such as the Innovate for Growth (I4G) and the Adapt for Excellence (A4E) processes.

Our research and development teams, which include a dedicated consumer science team, are focused on addressing consumer tastes and preferences, in particular with relation to the premiumisation trend within the global coffee category. Our research and development teams work closely with marketing, supply chain and procurement teams to identify trends, develop new products and modify existing products for all of our product lines. The research and development teams are also important to the launch of new products, where they work with the marketing teams to ensure a smooth product launch. Finally, the research and development teams work with the legal teams to protect our innovations, including through patents and trademarks where possible, to ensure compliance with applicable regulations.

# MAIN OPERATIONAL RISKS

Risk Appetite: Moderate - Low

## DISCONTINUITY IN OUR MANUFACTURING AND DISTRIBUTION FACILITIES

Our manufacturing and distribution facilities could be disrupted for many reasons. These reasons include natural hazards, such as earthquakes, extreme weather conditions, fires, floods, supplies of materials or services, system failures, workforce actions, political instability, environmental issues, pandemics or other causes. We rely primarily on manufacturing facilities in the United States, France, Russia, the Netherlands, Germany, the United Kingdom, Brazil, China and Malaysia. Because of the specialised technology needed for the roasting and packaging of our products, the company has consolidated its production capacity into certain manufacturing sites. Furthermore, the high utilisation of the large manufacturing facilities does not permit the spare capacity necessary to serve as backup for each other in case of significant interruption.

## DISRUPTION BY PANDEMICS

Our business has been and could be further negatively impacted by effects of a disease outbreak, epidemic, pandemic, or similar widespread public health issues. The length and severity of lockdowns related to COVID-19 remain uncertain at this point of time, especially taking into account the possibility of new mutants of the virus. Lockdowns have a strong negative impact on our Away-from-Home businesses, which is not fully compensated by In-Home consumption. The uncertainty for JDE Peet's is difficult to estimate since the relative market shares between the company's Away-from-Home and In-Home businesses differs across markets, as do the severity of lockdowns and impact on expected future behaviour of consumers. Disruptions related to COVID-19 or other widespread public health issues could also result in a loss or disruption of essential supply and manufacturing elements. These elements include the supply of coffee, tea, plastic and other materials, transportation, workforce, or other manufacturing and distribution capabilities, as well as the operations of third parties on which we rely.

## INEFFECTIVE DISTRIBUTOR RELATIONSHIPS

In some markets, predominantly in our CPG LARMEA and CPG APAC segments, we engage with distributors for our products in accordance with local market practice. Because such distributors control access to the market for our products, if we are unable to maintain good relationships and trade terms with such distributors, we may be unable to effectively distribute and sell our products. Since distributors are often associate with our brands, it is important that they operate at the same standards for quality and compliance. Failure to comply with these standards can result in reputational damage to JDE Peet's brands.

## INSUFFICIENT SUPPLY OF QUALITY AND SUSTAINABLE COFFEE & TEA

We are highly dependent on the availability of an adequate supply of green coffee, including premium Arabica coffee, at the required volumes and quality levels or with the required sustainability certifications from our coffee suppliers, traders, exporters, cooperatives and growers, as well as on the availability of an adequate supply of tea. We are mostly dependent on two of the largest coffee producing countries, Brazil and Vietnam, from which we source approximately two-thirds of our coffee beans. Peet's is particularly dependent on a continued supply of Arabica green coffee, with approximately 70% of such beans sourced from Central and South America in 2020. Additionally, the Peet's segment relies on various single-origin coffees sourced principally from Central and South America, which cannot be substituted with coffee beans from other countries.

There is a growing concern that a gradual increase in global average temperatures and the impact of climate change has caused, and will continue to cause, significant changes in weather patterns around the globe, including in coffee growing countries. Changing weather patterns may affect the quality, limit availability or increase the cost of key agricultural commodities, such as green coffee & tea. This could affect our ability to procure raw materials in the quantities needed and could materially adversely affect our business. Additionally, changes in economic, political, regulatory and other conditions could contribute to raw material shortages, forcing us to use alternative green coffee or tea or discontinue certain blends, which could materially adversely affect our business .

## IT SYSTEMS AND SOFTWARE FAIL

We depend on accurate, timely information and numerical data from key software applications to enable day-to-day decision-making. We also uses computer systems to monitor financial conditions and to process payments to internal and external counterparties.

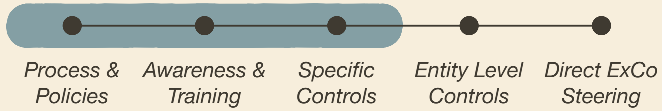
We rely primarily on our SAP platform to manage and operate our key business functions, including our supply management, product manufacturing and distribution and order processing for a large part of our business operations. Our infrastructure may be exposed to outages due to fire, floods, acts of war or terrorism, power loss, telecommunications failures, security breaches, viruses, break-ins, industrial actions and similar events. Although we have back-up systems and disaster recovery plans, such back-up systems and plans may not prove effective. Due to the integrated nature of our platform, if any of the foregoing events occurs, one or more of our businesses may experience a system shutdown. Moreover, our IT operations are largely managed through third-party suppliers. Disruptions caused by failures of key software applications, underlying equipment or communication networks, or as a result of any failures in the operations of such third-party suppliers, for whatever reason, could delay day-to-day decision-making, payment processes, manufacturing processes and product deliveries, and could lead to severe damage, including significant financial loss, need for additional investment as well as contractual or reputational performance degradation. Moreover, restoring or recreating information that has been lost could be costly, difficult or even impossible. Any such failure of our IT systems could result in the loss of revenues and customers, causing its business or results of operations to suffer.

## SECURITY BREACHES AND ATTACKS

Many of our IT systems contain personal, financial or other information pertaining to consumers and employees. They also contain proprietary and other confidential information related to the company's business, such as business plans, product development initiatives and designs, sensitive contractual information, and other confidential information. Similar to many of our competitors, we are consistently subject to attempts to compromise our IT systems. To the extent we or a third party were to experience a material breach of our or such third party's IT systems that result in the unauthorised access, theft, use, destruction or other compromises of customers' or employees' data or confidential information of the company stored in such systems or in fraudulent payments or transfers, including through cyberattacks or other external or internal methods, it could result in a material loss of revenues from the potential adverse impact to our reputation and brand, our ability to retain or attract new customers and the potential disruption to our business and plans.

Such security breaches could also result in a violation of applicable privacy and other laws, and subject the company to private consumer, business partner, or securities litigation and governmental investigations and proceedings.

## MITIGATION OF OPERATIONAL RISKS:




For mitigation of operational risks, there is focus on processes, policies, specific controls as well as awareness and training. There is also central monitoring on the related KPIs, management and mitigation of these risks is the key accountability of management in the markets.

We continue to make significant investments in technology, monitoring of third-party service levels and personnel to continuously develop and implement systems and processes that are designed to anticipate the risk of cyberattacks and to prevent or minimise breaches of our IT systems or data loss.

The company has business contingency plans in place and is in the process of further improving and testing these.

To mitigate the risk of climate change and the impact for the availability of quality coffee, we are taking steps to reduce emissions, both at manufacturing units and throughout the supply chain. We are strengthening our diversity of supply by sourcing from, and supporting farmers in, a diverse set of origins and supporting farmers to adapt to climate change. We continue to invest in extraction technology which gets the most out of every bean, limiting our waste. We also continue our support towards World Coffee Research.

We continue to leverage our flexible blending approach so as to ensure that we can maintain quality and consistency, despite climate change.

# MAIN FINANCIAL RISKS

Risk Appetite: Moderate - Low

## VOLATILE GREEN COFFEE PRICING

Our primary raw material is green coffee, an agricultural commodity that is subject to volatile pricing. The supply and price of coffee we buy, can be affected by multiple factors. These factors include speculation in the commodities markets, weather conditions such as drought and frost, seasonal fluctuations, real or perceived shortages, pest or other crop damage, land usage, the political climate in producing nations, competitive pressures, labour actions, currency fluctuations, armed conflict and government actions, including treaties and trade controls by or between coffee producing nations.

We continue to face risks relating to the unhedged portion of our coffee & tea requirements and are exposed to counterparty risk as a result of such hedging arrangements. Moreover, the time period of the forward purchase contracts does not necessarily match the time period of the agreements we enter into with customers to sell our products, so our hedging strategies may not effectively reduce our exposure to commodity price increases. Additionally, entering into such future commitments exposes us to the risk that coffee market prices decline in the future. Because we are not always able to pass price changes through to our customers due to competitive pressures and we are not always able to adequately hedge against changes in commodity prices, unpredictable commodity price changes can have an immediate effect on operating results that cannot be corrected in the short run. Additionally, there may be a delay or time lag between the time commodity costs increase and the time we are able to increase our prices, which may negatively impact our profit margins. However, if commodity prices then fall before we have been able to increase our prices, we may be unable to recover losses caused by such temporary increases in commodity costs.

On occasion, when the price of green coffee has increased significantly and we have been unable to increase our prices quickly enough to compensate for such increased costs, we have had to take further measures in relation to such markets, including ceasing advertising campaigns and halting trading temporarily in such markets.

## FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS

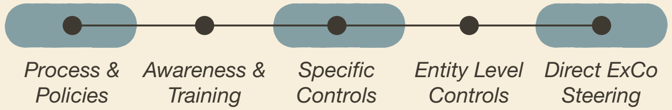
We source green coffee, tea and other commodities in currencies other than the euro, with green coffee purchases made entirely in U.S. dollars. Additionally, because we purchase coffee on future and forward contracts for delivery in the future, and such contracts are generally not adjusted for fluctuations in currency prior to the delivery date, the impact of currency fluctuations may be substantial. To the extent that we do not use financial instruments to hedge our exposure resulting from this foreign currency allocation, our profits will be affected by market changes in the exchange rate of the euro against the U.S. dollar and various other currencies.

Although we use financial instruments to hedge a substantial portion of our exposure, there are complexities inherent in determining whether and when our foreign currency exposure will materialise, particularly given the possibility of unpredictable revenue variations arising from order cancellations, postponements or delivery delays. We may also have difficulty in fully implementing our hedging strategy if hedging counterparties are unwilling to increase derivatives risk limits. Thus we are exposed to the risk of non-performance or default by these hedging counterparties. The exchange rates at which we are able to hedge our foreign currency exposure may also deteriorate, as other currencies could appreciate against the euro for some time and as higher capital requirements for banks result in higher credit charges for uncollateralised derivatives. Accordingly, our foreign currency hedging strategy may not protect us from significant changes in the exchange rate of the euro to other currencies. Additionally, our reporting currency is the euro. However, given our global operations and our U.S. dollar denominated coffee purchases, among others, a significant portion of our assets, liabilities, expenses and revenues are denominated in currencies other than the euro. Such assets, liabilities, expenses and revenues are translated into euro at the applicable exchange rates to prepare the company's consolidated financial statements.

## LIQUIDITY

Our ability to repay or refinance our indebtedness on time depends upon our future cash flows from operations, as well as prevailing market conditions and the effects of an actual or potential credit rating downgrade. Similarly, our ability to refinance our debt will depend in part on our financial condition at such time. Any refinancing of our debt could be at higher interest rates than that of our current debt and may require us to comply with more onerous covenants, which could restrict our operations. In particular, should we experience a credit rating downgrade, our cost of borrowing could increase and we may experience obstacles in refinancing our existing indebtedness.

## MITIGATION OF FINANCIAL RISKS




For mitigation of financial risks there is more focus on specific controls, while processes and policies are supporting informed decision making. Specific controls are implemented to manage risks directly, such as authorisation controls and segregation of duties. There is direct involvement of the Executive Committee on setting boundaries for mandates and risk management reviews related to our green coffee and foreign currencies positions.

Approximately one third of our tea purchases is indexed to tea prices in the Mombasa Tea Auction, as part of an effort to hedge some of our tea price risk.

## EMERGING MARKETS

We carry out significant activity in emerging markets, including Brazil, Russia, Malaysia, Thailand, Ukraine and other Eastern European countries. Our operations and investments in these markets are subject to the risks of operating in emerging markets, which include political and economic instability, external interference, financial risks, changes in government policy, political and economic changes, changes in the relations between countries, actions of governmental authorities affecting trade and foreign investment, regulations on repatriation of funds, interpretation and application of local laws and regulations, enforceability of intellectual property (IP) and contract rights, local labour conditions and regulations, lack of upkeep of public infrastructure, application of exchange controls, nationalisation or expropriation, empowerment legislation and policy, corrupt business environments, crime and lack of law enforcement. The financial risks of operating in emerging markets also include risks of illiquidity, inflation, devaluation, price volatility, currency convertibility, restrictions on the movement, access and transfer of funds and country default.

Certain emerging markets, such as Brazil and Asia more broadly, are particularly significant to our business. Brazil is a key source of green coffee for the company, while Asia is a focus area for planned expansion. More information can be found under the section ‘*Our strategy*’, within the Annual Report. In recent years, many of these economies, including Brazil, have undergone significant economic transitions and their respective governments have pursued economic reforms.

# MAIN COMPLIANCE RISKS

Risk Appetite: Low

## LEGAL AND REGULATORY REQUIREMENTS

We are required to comply with numerous, complex, constantly evolving legal and regulatory requirements in multiple jurisdictions, and could suffer financial, operational or reputational loss due to noncompliance.

As a manufacturer of products intended for human consumption, we are subject to extensive legislation and regulation in each of the countries in which we do business with respect to: product composition, manufacturing, storage, handling, packaging, labelling, advertising and the safety of our products. In addition, we are subject to legislation and regulation regarding the health, safety and working conditions of our employees, labour relations, minimum wage, pensions and competitive and marketplace conduct.

Existing legislation and modifications to existing legislation or regulations and the introduction of new legislative and regulatory initiatives, including with respect to the imposition of additional warning and labelling requirements or designation of independent contractors as employees, may affect our operations and the conduct of our businesses. The cost of compliance and the effects of such legislation or regulation may have an adverse effect on our product sales, financial condition or results of operations.

Additionally, our selling practices are subject to competition laws and are regulated by competition authorities in the jurisdictions in which we operate.

We are required to comply with the laws and regulations of the various jurisdictions in which we conduct our business. This may expose us to risks in relation to compliance with anti-corruption, economic sanctions and other laws and regulations, such as the Dutch Criminal Code, the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act 2010, as well as economic sanctions programmes, including those administered by the United Nations, the European Union and the Office of Foreign Asset Control in the United States.

We may be exposed to the risk of fraud and other dishonest activities, which could have a material adverse effect on our business, financial condition or results of operations. While we believe that we have implemented adequate checks and controls to detect and prevent fraudulent and other dishonest activities, the risk of such activities occurring and affecting us cannot be excluded. Further, as we grow or expand in international markets, our internal controls may need to be adapted in order to effectively prevent and detect fraud and other dishonest activities.

We are subject to applicable environmental regimes in the various countries where we operate, including with respect to the use of natural resources such as water, emissions, management of waste water, noise levels, energy efficiency, the presence, use, storage, handling, generation, treatment, emission, release, discharge and disposal of hazardous materials, substances and wastes and the remediation of contamination to the environment. In the ordinary course of business, our operations are subject to internal environmental policies and management procedures and standards, environmental inspections and monitoring by governmental enforcement authorities.

## FAILURE TO COMPLY WITH ESG STANDARDS

Our business faces increasing scrutiny related to environmental, social and governance issues, including sustainable development, renewable resources, environmental stewardship, supply chain management, climate change, diversity and inclusion, workplace conduct, human rights, child and forced labour, philanthropy and support for local communities. If the company fails to change or adjust operations to become more environmentally friendly by, for instance, decreasing waste and carbon emissions, it could increase costs as we may not be able to participate in incentives from regulators for sustainable environmental business practices. Regulatory changes, tightening standards and increasing environmental taxes (such as carbon prices) could increase costs if we are unable to change or adjust operations in time.

Consumer perception of our brands may be harmed by illegal or unsatisfactory actions taken by its suppliers, service providers or partners. Consumers have increasing expectations regarding transparency into a company's supply chain, and this could result in a negative impact on future sales if we do not meet these expectations. These negative impacts could be created by instances of raw material suppliers failing to ensure product quality or to comply with food safety or other laws and regulations. Equally, compliance issues with child labour and slavery laws and our supplier code of conduct, among others, that are not identified by our quality control systems could interrupt our operations, resulting in a negative perception of JDE Peet's and our brands and leading to claims against us.

## FOOD SAFETY AND PACKAGING COMPLIANCE

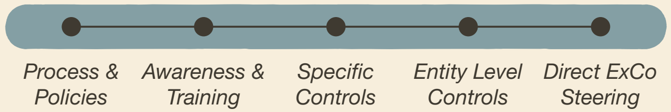
Should our products become contaminated or mislabelled, we may need to recall such items and may experience product liability claims if consumers are injured. A widespread product recall could result in adverse publicity, an inability to maintain sufficient stocks of our products, damage to our reputation and a loss of consumer confidence in our products, which could have a material adverse effect on our business results and the value of our brands.

## INDEMNIFICATION OBLIGATIONS

In connection with the separation of D.E Master Blenders 1753 N.V. (D.E Master Blenders) from Sara Lee Corporation (Sara Lee) in 2012, members of the company entered into a master separation agreement with Sara Lee that provides for, among other things, indemnification obligations designed to make members of the company financially responsible for substantially all liabilities relating to certain business activities of the company, whether incurred prior to or after the separation, as well as those obligations of Sara Lee assumed by members of the company pursuant to the master separation agreement, including certain liabilities related to divestitures made by Sara Lee prior to the separation. In connection with the separation, members of the company also entered into other agreements with Sara Lee that impose indemnification and other obligations on members of the company.

In addition, on 2 July 2015, in connection with the combination of D.E Master Blenders' coffee & tea business with Mondelēz International's coffee business to create JDE (JDE Formation), JDE, Acorn Holdings B.V. and affiliates of Mondelēz International have entered into several agreements pursuant to which the company has assumed certain indemnification obligations with respect to certain claims as well as certain tax matters attributable to the operation of Mondelēz International's coffee business prior to the closing date of the JDE Formation. The company's indemnification obligations could adversely affect the company's business, financial condition or results of operations. More information can be found under the section '*Consolidated Financial Statements, note 9.5*' in this Annual Report.

## MITIGATION OF COMPLIANCE RISKS




Since we have the lowest risk appetite for compliance risks, all available categories are applied: processes, policies, training and awareness, while also specific compliance controls have been implemented as well as controls for all our entities. The Executive Committee has an important mitigating effect by setting the right tone at the top as well as by taking appropriate remedial and or disciplinary actions in case of serious breaches of policies.

Several entity level controls are very important for mitigation in the compliance category. Examples are Code of Conduct confirmation and training, A Speak Up process, including an external alert line and central and local compliance committees and oversight.

Related to the risk of fraud and other dishonest activities, although we believe that we have implemented adequate checks and controls to detect and prevent fraudulent and other dishonest activities, the risk of such activities occurring and affecting the company cannot be excluded. Further, as we grow or expand in international markets, our internal controls may need to be adapted in order to effectively prevent and detect fraud and other dishonest activities.

# STATEMENT OF THE BOARD

JDE Peet's Board of Directors is responsible for the design and review of the internal Risk & Control framework. In accordance with the best practice provision 1.4.3 of the 2016 Dutch Corporate Governance Code we have assessed the design and operational effectiveness of our Risk & Control framework. The outcome of these reviews were regularly shared with the Audit Committee and was discussed with our external auditor.

JDE Peet's internal Risk & Control framework is designed to mitigate the risks associated to JDE Peet's strategy and activities and aims to provide reasonable assurance that our financial reporting does not contain any material inaccuracies.

On the basis of the assessments performed and the current state of affairs, the Board of JDE Peet's considers that:

- this report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- the internal risk management and control systems in place provide reasonable assurance that the financial reporting does not contain any material inaccuracies, after taking into consideration the matters identified in the risk management paragraph;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis, please refer to section '*Consolidated Financial Statements, note 1.1*.' in this Annual Report; and
- the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for a period of twelve months after the preparation of this report. This is justified under the section '*Risk Management*' in this Annual Report.

However, the Internal Risk and Control framework cannot provide full assurance that all control gaps, material misstatements, cases of fraud, or violations of laws and regulations will be prevented. Nor can it provide absolute assurance as to the realisation of operational and strategic business objectives.

In accordance with the Dutch Financial Supervision Act, section 5.25c, the Board confirms that, to the best of its knowledge and belief:

- the financial statements for 2020 provide a true and fair view of the consolidated assets, liabilities and financial position as at 31 December 2020, and of the 2020 consolidated profit or loss of JDE Peet's;
- the annual report provides a true and fair view of the situation as at 31 December 2020, and the development and performance of the business during the financial year 2020, together with a description of the principal risks and uncertainties faced by JDE Peet's.

# REMUNERATION REPORT

The Remuneration Report explains how the JDE Peet's Directors' Remuneration Policy (the Remuneration Policy) was applied since the Board was formally formed on 2 June 2020 on the occasion of the company's public listing. The Remuneration Policy was first adopted by the General Meeting of Shareholders on 25 May 2020. Since then, a technical amendment to the Remuneration Policy was adopted at the Extraordinary General Meeting on 18 November 2020, The Remuneration Report is prepared in accordance with article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code. This Remuneration Report is subject to an advisory vote by the shareholders at the 2021 General Meeting.

## APPLICATION OF THE REMUNERATION POLICY FOR THE EXECUTIVE DIRECTOR IN 2020

The remuneration of the executive Director is determined by the Board, following a recommendation from the Remuneration, Selection and Appointment Committee with due observance of the Remuneration Policy. It comprises of the following elements:

- Annual base fee
- Short-term incentives
- Long-term incentives
- Retirement and other benefits

The implementation of the Remuneration Policy provides a structure that aligns the compensation of the executive Director with the successful delivery of JDE Peet's' long-term strategy and shareholder value growth. When designing the Remuneration Policy, the Board considered multiple perspectives including business requirements, shareholder views, JDE Peet's' identity, mission and values, the overall pay philosophy across the company, the pay ratio between the executive Director pay and average employee pay (in 2020: 46.8[24]), views of the executive Director on the structure and quantum of his remuneration and societal context.

When implementing the Remuneration Policy, and in particular in assessing the outcomes of variable remuneration components, scenario analyses have been taken into consideration by the non-executive Directors.

In 2020, Fabien Simon (current executive Director) and Casey Keller (former executive Director) were the only executive Directors of JDE Peet's.

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[24] *For the pay-ratio, executive Director pay reflects the actual total 2020 remuneration for the current executive Director based on annualised IFRS costs, excluding the IFRS costs relating to the EOP matching and excluding any one-off elements. The average employee pay is calculated as the total 2020 remuneration of all JDE Peet's' employees on an IFRS basis divided by the average number of JDE Peet's employees on an FTE basis. More information on the average number of FTE can be found in section 'Consolidated Financial Statements, note 2.3' in this Annual Report.*

# ANNUAL BASE FEE

The annual base fee, including holiday allowance and other local statutory requirements, provides the main fixed element of the executive Director's remuneration package. The annual base fee is set at a level to attract and retain the profile calibre of the executive Director required to devise and execute JDE Peet's' strategy.

The annual base fee of the executive Director is EUR 1 million.

# SHORT-TERM INCENTIVE

Both the current and the former executive Directors participated in the short-term incentive scheme. The target short-term incentive equals 100% of annual base fee, whereby the maximum payout opportunity is capped at 250% of the annual base fee. The short-term incentive scheme is paid out in cash.

On an annual basis, the non-executive Directors have selected indicators that are derived from, or linked to, the business plan, reflecting the company's long-term strategy. In 2020, the short-term incentive payout for the executive Director was dependent on the performance against the following pre-determined performance measures:

- Net Sales, net of commodity inflation/deflation (NOS NOC).
- Adjusted Earnings Before Interest & Tax (EBIT).
- Average Operating Working Capital (OWC) improvement.

The Remuneration, Selection and Appointment Committee has reviewed the actual performance of the executive Director against the set of performance targets to determine the extent to which the targets have been achieved. The short-term incentive pay-out is based on a multiplicative formula, whereby for each individual measure a performance multiplier is calculated by the extent to which performance is achieved. Actual performance on each performance measure is combined and results in the total performance multiplier, which can range from zero at threshold performance to 2.5 in case of exceptional performance.

Actual performance has been disclosed based on the total multiplier, as the underlying individual multipliers could not be disclosed because of commercially sensitive information:

| Performance measure | Link with business strategy | Actual performance |
|---|---|---|
| Total Multiplier | Top line financial growth, income from operations of our core business and improvement in liquidity | 0.64 |

The realised performance results in a pay-out for EUR 203,636 for the current executive Director. As the former executive Director resigned during the performance period, no performance assessment was made for his entitlement and pay-outs have been settled.

# LONG-TERM INCENTIVE

The executive Director participates in JDE Peet's' long-term incentive plan in accordance to the Remuneration Policy. The annual grant is set as a percentage of the annual base fee of the executive Director. For 2020, the non-executive Directors decided to grant to the executive Director a Restricted Share Units (RSU) grant with a value equal to 300% of his annual base fee, which is the minimum award value. The RSUs grant is aimed to encourage ownership and further align the long-term interests of the executive Director with the long-term interests of shareholders and JDE Peet's's strategy. The overview below provides insights in the number and conditions of the RSUs granted to the executive Director in 2020.

The RSUs granted to the executive Director in 2020 vest on 23 September 2025 and are subject to continuous employment. Outstanding RSUs will automatically lapse upon termination of employment before the end of the vesting period.

To foster an entrepreneurial culture and long-term commitment, Fabien Simon acquired an equity interest in JDE Peet's through the Executive Ownership Plan (EOP) by acquiring shares of a special class of shares in a subsidiary of JDE Peet's. The investment amounts to EUR 23 million per 31 December 2020. These special shares will have double profit rights, which effectively means a 1:1 conditional match of his investment upon vesting on 23 September 2025. In the event of vesting, the matching will be disclosed in the remuneration report. The value of the special shares corresponds directly to the share price of JDE Peet's.

# ONE-OFF ITEMS

The current executive Director received a one-off award of EUR 10 million, net. The non-executive Directors decided to grant this award as compensation for the forfeited remuneration from his previous employer, as explicitly allowed under the Remuneration Policy. This amount was invested by the executive Director in the JDE Peet's' EOP in December 2020.

*The table below provides an overview of the LT incentive grants:*

| Executive Director | % of annual base fee[25] | Share price at grant date | Units granted in 2020[26] | Outstanding at 31 December 2020 | Vesting date | Market value at 31 December 2020[27] |
|---|---|---|---|---|---|---|
| Fabien Simon | 300% | EUR 35.70 | 84,034 | 84,034 | 23 September 2025 | EUR 3,105,056 |

[25] *For Fabien Simon, the RSU grant is expressed as a % of his full-year annual base fee.*
[26] *More information on the equity-based compensation can be found under section 'Consolidated Financial Statements, Note 7.1 - Share-based payments' in this Annual Report.*
[27] *The market value at 31 December 2020 is calculated by multiplying the units granted in 2020 by JDE Peet's closing share price at 31 December 2020 (EUR 36.95).*

# RETIREMENT AND OTHER BENEFITS

In line with the Remuneration Policy, the executive Director is eligible for retirement and other benefits.

As per the date of appointment, the executive Director participates in JDE Peet's' Dutch Defined Contribution plan. Annual contributions are made up to the maximum pensionable fee, for 2020 EUR 110.111 gross, and will be paid gross into the Defined Contribution plan. The executive Director received an allowance to compensate for the above maximum pensionable cap.

In addition to retirement benefits, the executive Director is entitled to a monthly mobility allowance and other benefits in kind such as a Health, Disability and Life insurance and reimbursement for reasonable costs and expenses.

JDE Peet's (through its subsidiary) provided a loan of EUR 2.4 million to the executive Director in 2020. The annual interest rate is set, in accordance with applicable market rates, at 3%. The loan shall be only used to finance the executive Director's obligations under the EOP and is set in accordance with JDE Peet's Remuneration Policy. In 2020, no repayments of the loan were made. JDE Peet's did not provide any other loans or guarantees to the executive Director.

# MALUS AND CLAWBACK

In 2020, no application of the use to reclaim variable remuneration by means of either a claw-back or malus within the meaning of article 2:135 (8) of the Dutch Civil Code was applied on any kind of variable payments for any executive Director.

# TOTAL REMUNERATION

Total gross remuneration of the (former) executive Director in 2020 is presented in the table below (all in EUR):

| Name of executive Directors | Reported year | Fixed remuneration | Variable remuneration | | | Benefits and once-off amounts | | Total remuneration | Proportion fixed - variable remuneration[28] |
|---|---|---|---|---|---|---|---|---|---|
| | | Annual base fee | Short-Term Incentive | Long-Term Incentive | Retirement benefits | Other benefits | One-off payments | | |
| Fabien Simon[29] | 2020 | 318,182 | 203,636 | 150,001[30] | 15,328 | 114,218 | 15,302,219[31] | 16,103,584 | 47%-53% |
| Casey Keller[32] | 2020 | 583,338 | N.A | N.A | 51,269 | 72,539 | 1,750,000[33] | 2,457,147 | 100%-0% |

[28] *Proportion fixed – variable remuneration reflects the comparison between fixed and variable remuneration and excludes benefits and one-off amounts.*
[29] *Fees paid to Fabien Simon relates to his duties as acting executive Director of JDE Peet's, since 7 September 2020 (appointed as executive Director effectively 18 November 2020).*
[30] *The Long-Term incentive value reflects the accounting costs in accordance with IFRS for the LT incentive*
[31] *This one-off payment to Fabien Simon reflect the compensation of forfeited remuneration at his previous employer as set out in One-Off items above.*
[32] *Fees paid to Casey Keller relates to his duties as executive Director of JDE Peet's as of 2 June 2020 up and until date of resignation. After his resignation, Casey Keller has remained available and is entitled to his annual base fee.*
[33] *One-off payments to Casey Keller reflect the compensation in terms of settlement of the 2020 Short-Term Incentive and compensation for not receiving the 2020 Long-Term Incentive grant. This payment determined in accordance with JDE Peet's Remuneration Policy. Casey Keller is entitled to a severance payment of EUR 666,666, but as this severance payment will be paid in 2021, this is not included payments nor any other category.*

# REMUNERATION AND COMPANY PERFORMANCE DEVELOPMENT

The overview below provides insight into the development of the executive Director's remuneration, company performance and employee pay.

| **Element** | **2020**[34] |
|---|---|
| **Executive Director Remuneration** | |
| Executive Director - Fabien Simon | EUR 801,365[35] |
| Annual Change | N.A. |
| **Company performance** | |
| EBIT | EUR 1,278 million |
| **Average annual remuneration on an FTE basis of employees** | |
| Average annual remuneration on an FTE basis of employees | EUR 53,832 |
| Annual change | N.A. |

*[34] The information in the table is presented for the financial year 2020, as this was the first financial year as a publicly listed company.*
*[35] The 2020 executive Director's remuneration equals the actual total 2020 remuneration costs based on IFRS, excluding any one-off elements, as per date of appointment of the executive Director.*

# APPLICATION OF THE REMUNERATION POLICY FOR THE NON-EXECUTIVE DIRECTORS IN 2020

The remuneration of the non-executive Directors is determined by the Board, following recommendation of the Remuneration, Selection and Appointment Committee of the Board, with due observance of the Remuneration Policy. It comprises of the following elements:

- Annual retainer for Board Membership
- Committee fees
- Long-term incentive
- Reimbursement of all reasonably incurred expenses

The implementation of the Remuneration Policy provides a structure that aligns compensation of the non-executive Directors with the successful delivery of the company's long-term strategy and shareholder value growth. When developing this policy, the Board considered multiple perspectives including business requirements, shareholder views, the overall pay philosophy across the company, internal pay relativities and the societal context.

In 2020, the non-executive Directors remuneration for participating in the Board and Committees was as follows:

| | Chair | Lead Independent Director | Member |
|---|---|---|---|
| Annual retainer for Board Membership | 250,000 | 150,000 | 100,000 |
| Audit Committee fee | 50,000 | N/A | N/A |
| Remuneration, Selection and Appointment committee fee | 50,000 | N/A | N/A |

All annual fees were granted fully in cash. In addition, all non-executive Directors received a long-term incentive grant under JDE Peet's plan in 2020, equal to 100-150% of the individual's annual retainer for Board Membership. The RSUs granted to the non-executive Directors in 2020 vest on 23 September 2025 and are subject to continuous employment. The grant was made in the form of RSUs and was pro-rated as per date of IPO and reflects compensation as per 1 June 2020.

| Non-executive Director | Share price at grant date | Units granted in 2020[36] | Grant value (EUR) | Outstanding at 31 December 2020 | Vesting date | Market value at 31 December 2020 (EUR)[37] |
|---|---|---|---|---|---|---|
| Olivier Goudet | EUR 35.70 | 4,085 | 145,833 | 4,085 | 23 September 2025 | 150,941 |
| Joachim Creus | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Peter Harf | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Denis Hennequin | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Genevieve Hovde | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Stuart MacFarlane | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Gerhard Pleuhs | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Aileen Richards | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Alejandro Santo Domingo | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Luc Vandevelde | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Nelson Urdaneta | | 2,451 | 87,500 | 2,451 | | 90,564 |
| Justine Tan | | 2,451 | 87,500 | 2,451 | | 90,564 |

[36] *More information on the equity-based compensation can be found under section 'Consolidated financial statements, note 7.1 - Share-based payments' in this Annual Report.*
[37] *The market value at 31 December 2020 is calculated by multiplying the units granted in 2020 by JDE Peet's closing share price at 31 December 2020 (EUR 36.95).*

Non-executive Director remuneration is pro-rated and reflects compensation as per 1 June 2020.

No loans or guarantees were granted to the non-executive Directors in 2020.

*The total remuneration is only paid out in fixed remuneration and was as follows (in EUR):*

| Non-executive director | Director's fees from JDE Peet's | Director's fees from subsidiaries | RSUs[38] | Total |
|---|---|---|---|---|
| Olivier Goudet | 145,833 | 26,707 | 237,802 | 410,343 |
| Joachim Creus | 58,333 | 0 | 9,570 | 67,904 |
| Peter Harf | 87,500 | 16,097 | 86,820 | 190,418 |
| Denis Hennequin | 58,333 | 0 | 9,570 | 67,904 |
| Genevieve Hovde | 58,333 | 0 | 9,570 | 67,904 |
| Stuart MacFarlane | 58,333 | 0 | 9,570 | 67,904 |
| Gerhard Pleuhs | 58,333 | 0 | 9,570 | 67,904 |
| Aileen Richards | 58,333 | 0 | 9,570 | 67,904 |
| Alejandro Santo Domingo | 58,333 | 0 | 9,570 | 67,904 |
| Luc Vandevelde | 87,500 | 0 | 9,570 | 97,070 |
| Nelson Urdaneta | 87,500 | 0 | 9,570 | 97,070 |
| Justine Tan | 58,333 | 0 | 9,570 | 67,904 |
| Fabien Simon[39] | 26,515 | 0 | N/A | 26,515 |
| Frank Engelen[40] | 11,905 | 0 | N/A | 11,905 |

*[38] The RSUs value reflects the accounting costs in accordance with IFRS.*
*[39] Director fees paid to Fabien Simon relates to his duties as non-executive Director as of 2 June 2020 up and until date of his nomination as acting executive Director effective 7 September 2020. No RSUs grant was made to him in relation to his duties as non-executive Director.*
*[40] Director fees paid to Frank Engelen relates to his duties as non-executive Director as of date of appointment (18 November 2020) up and until 31 December 2020. No RSUs grant was made to him.*

# DEVIATION FROM REMUNERATION POLICY AND REFLECTION OF LAST YEAR'S ADVISORY VOTE

For both the executive and non-executive Directors, other than what was mentioned above, JDE Peet's did not deviate from the Remuneration Policy.

As the 2020 Remuneration Report is the first remuneration report that is subject to an advisory vote since the public listing of the company, there is no previous advisory vote of the General Meeting of Shareholders to take into account this year.

# CONSOLIDATED FINANCIAL STATEMENTS


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# CONSOLIDATED INCOME STATEMENT

## For the years ended 31 DECEMBER 2020 and 31 DECEMBER 2019

*In EUR million, unless stated otherwise*

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| Revenue | 2.2 | 6,651 | 6,945 |
| Cost of sales | 2.3 | (3,818) | (3,935) |
| Selling, general and administrative expenses | 2.3 | (1,900) | (1,967) |
| **Operating profit** | | **933** | **1,043** |
| Finance income | 5.4 | 44 | 101 |
| Finance expense | 5.4 | (290) | (302) |
| Share of net loss of associates | | — | (1) |
| **Profit before income taxes** | | **687** | **841** |
| Income tax expense | 8 | (320) | (256) |
| **Profit for the period** | | **367** | **585** |

| ATTRIBUTABLE TO: | NOTE | 2020 | 2019 |
|---|---|---|---|
| Owners of the parent | | 308 | 424 |
| Non-controlling interest | | 59 | 161 |
| **Profit for the period** | | **367** | **585** |
| | | | |
| Earnings per share: | | | |
| Basic earnings per share (in EUR) | 2.4 | 0.80 | 90.14 |
| Diluted earnings per share (in EUR) | 2.4 | 0.79 | 89.63 |

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## For the years ended 31 DECEMBER 2020 and 31 DECEMBER 2019

*in EUR million*

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| Profit for the period | | 367 | 585 |
| Other comprehensive income /(loss), net of tax: | | | |
| Items that will not be reclassified to profit or loss | | | |
| Retirement benefit obligation related items, net of tax | 9.1 | (12) | (115) |
| Items that may be subsequently reclassified to profit or loss | | | |
| Foreign currency translation | | (437) | 135 |
| Effective portion of cash flow hedge - foreign exchange contracts | 6 | (8) | (6) |
| Effective portion of cash flow hedge - interest rate contracts | 6 | 29 | — |
| **Other comprehensive income/(loss)** | | **(428)** | **14** |
| **Total comprehensive income/(loss) for the period** | | **(61)** | **599** |
| Attributable to: | | | |
| Owners of the parent | | (69) | 433 |
| Non-controlling interest | 5.1 | 8 | 166 |
| **Total comprehensive income/(loss) for the period** | | **(61)** | **599** |

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## As at 31 DECEMBER 2020 and 31 DECEMBER 2019

*in EUR million*

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets: | | | |
| Goodwill and other intangible assets | 3.2 | 16,825 | 17,286 |
| Property, plant and equipment | 3.4 | 1,600 | 1,737 |
| Deferred income tax assets | 8 | 77 | 61 |
| Derivative financial instruments | 6.7 | 4 | 5 |
| Retirement benefit asset | 9.1 | 287 | 306 |
| Other non-current assets | 9.3 | 124 | 106 |
| | | **18,917** | **19,501** |
| Current assets: | | | |
| Inventories | 4.1 | 732 | 710 |
| Trade and other receivables | 4.2 | 646 | 761 |
| Derivative financial instruments | 6.7 | 18 | 23 |
| Income tax receivable | | 9 | 18 |
| Cash and cash equivalents | 5.3 | 414 | 811 |
| | | **1,819** | **2,323** |
| **Total assets** | | **20,736** | **21,824** |

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Equity: | | | |
| Share capital | 5.1 | 5 | 1 |
| Share premium | | 9,907 | 6,139 |
| Treasury stock | | — | (50) |
| Other reserves | | (694) | (216) |
| Retained earnings | | 984 | 569 |
| Equity attributable to the owners of the Company | | **10,202** | **6,443** |
| Non-controlling interest | | 129 | 2,978 |
| | | **10,331** | **9,421** |
| Non-current liabilities: | | | |
| Borrowings | 5.2 | 5,405 | 7,199 |
| Retirement benefit liabilities | 9.1 | 269 | 258 |
| Deferred income tax liabilities | 8 | 1,086 | 949 |
| Income tax liabilities | | — | 189 |
| Derivative financial instruments | 6.7 | 134 | 109 |
| Provisions | 9.2 | 20 | 21 |
| Other non-current liabilities | 9.4 | 159 | 59 |
| | | **7,073** | **8,784** |
| Current liabilities: | | | |
| Borrowings | 5.2 | 75 | 93 |
| Trade and other payables | 4.3 | 2,955 | 2,971 |
| Income tax liability | 8 | 168 | 189 |
| Provisions | 9.2 | 70 | 45 |
| Other current liabilities | 9.4 | 64 | 321 |
| | | **3,332** | **3,619** |
| **Total equity and liabilities** | | **20,736** | **21,824** |

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the years ended 31 DECEMBER 2020 and 31 DECEMBER 2019

*In EUR million:*

| | Share capital | Share premium | Treasury stock | Retirement Benefit Obligation Related Items | Currency Translation Reserve | Cash flow hedge reserve | Total Other Comprehensive Income | Share-based payments reserve | Retained earnings | Total equity attributable to the shareholders of the Company | Non-controlling interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance — As of 1 January 2019 | 1 | 7,447 | — | 158 | (359) | (65) | (266) | 13 | 688 | 7,883 | 2,843 | 10,726 |
| Profit for the period | — | — | — | — | — | — | — | — | 424 | 424 | 161 | 585 |
| Retirement benefit obligation | — | — | — | (84) | — | — | (84) | — | — | (84) | (31) | (115) |
| Foreign currency translation | — | — | — | — | 97 | — | 97 | — | — | 97 | 38 | 135 |
| Foreign currency contracts | — | — | — | — | — | (4) | (4) | — | — | (4) | (2) | (6) |
| **Total Comprehensive Income/ (Loss)** | **—** | **—** | **—** | **(84)** | **97** | **(4)** | **9** | **—** | **424** | **433** | **166** | **599** |
| Share-based payment transactions | — | — | — | — | — | — | — | (2) | (5) | (7) | (3) | (10) |
| Dividends | — | — | — | — | — | — | — | — | (552) | (552) | (66) | (618) |
| Purchase of shares from non-controlling shareholders | — | 9 | 3 | — | — | — | — | (5) | 14 | 21 | (1) | 20 |
| Purchase of shares | — | (4) | — | — | — | — | — | — | — | (4) | — | (4) |
| Capital transactions with related parties | — | (1,439)[41] | — | — | — | — | — | — | — | (1,439) | — | (1,439) |
| Reallocation Peet's equity plans | — | 126 | (53) | — | — | — | — | 35 | — | 108 | 39 | 147 |
| **Balance — As of 31 December 2019** | **1** | **6,139** | **(50)** | **74** | **(262)** | **(69)** | **(257)** | **41** | **569** | **6,443** | **2,978** | **9,421** |

[41] *This capital transaction is the result of the contribution of Peet's as per 30 December 2019, further reference is made to the basis of preparation and relates parties note for more details.*

*In EUR million:*

| | Share capital | Share premium | Treasury stock | Retirement Benefit Obligation Related Items | Currency Translation Reserve | Cash flow hedge reserve | Total Other Compre-hensive Income | Share-based payments reserve | Retained earnings | Total equity attributable to the share-holders of the Company | Non-controlling interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance — As of 31 December 2019 | 1 | 6,139 | (50) | 74 | (262) | (69) | (257) | 41 | 569 | 6,443 | 2,978 | 9,421 |
| Reclassifications | — | (104) | 50 | 4 | — | 10 | 14 | 12 | 28 | — | — | — |
| **Balance — As of 31 December 2019, after reclassifications** | **1** | **6,035** | **—** | **78** | **(262)** | **(59)** | **(243)** | **53** | **597** | **6,443** | **2,978** | **9,421** |
| Profit for the period | — | — | — | — | — | — | — | — | 308 | 308 | 59 | 367 |
| Retirement benefit obligation | — | — | — | (42) | — | — | (42) | — | — | (42) | 30 | (12) |
| Foreign currency translation | — | — | — | 3 | (355) | — | (352) | — | — | (352) | (85) | (437) |
| Foreign currency contracts | — | — | — | — | — | (9) | (9) | — | — | (9) | 1 | (8) |
| Interest rate swaps | — | — | — | — | — | 26 | 26 | — | — | 26 | 3 | 29 |
| **Total Comprehensive Income/ (Loss)** | **—** | **—** | **—** | **(39)** | **(355)** | **17** | **(377)** | **—** | **308** | **(69)** | **8** | **(61)** |
| Share-based payment transactions | — | 36 | — | — | — | — | — | (12) | 27 | 51 | 3 | 54 |
| Modification Peet's management stock | — | — | — | — | — | — | — | — | (81) | (81) | — | (81) |
| Modification Peet's equity plans | — | — | — | — | — | — | — | (15) | — | (15) | — | (15) |
| Dividends | — | (10) | — | — | — | — | — | — | (1) | (11) | (78) | (89) |
| Capital contribution by shareholder | — | 300 | — | — | — | — | — | — | — | 300 | — | 300 |
| Issuance of shares upon listing of the Company | 4 | 786 | — | — | — | — | — | — | — | 790 | — | 790 |
| Effect of exchange with Mondelez Coffee HoldCo B.V. | — | 2,760 | — | 58 | (151) | (17) | (110) | 10 | 100 | 2,760 | (2,760) | — |
| Other transactions with shareholders | — | — | — | — | — | — | — | — | 34 | 34 | (22) | 12 |
| **Balance — As of 31 December 2020** | **5** | **9,907** | **—** | **97** | **(768)** | **(59)** | **(730)** | **36** | **984** | **10,202** | **129** | **10,331** |

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## For the years ended 31 DECEMBER 2020 and 31 DECEMBER 2019

*in EUR million*

| | Note | 2020 | 2019 |
|---|---|---|---|
| Profit for the period | | 367 | 585 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairments | 3.4, 3.2 | 450 | 419 |
| Defined benefit pension expense | 9.1 | 17 | 12 |
| Share-based payments | 7.1 | 46 | 25 |
| (Gain) / loss on sale of property, plant and equipment | | 24 | 14 |
| Loss on disposal of subsidiary | | 12 | — |
| Income tax expense | 8 | 320 | 257 |
| Interest income on bank accounts and other | 5.4 | (43) | (98) |
| Interest expense | 5.4 | 180 | 235 |
| Fair value changes financial liabilities | | — | 21 |
| Provision charges | 9.2 | 44 | 21 |
| Derivative financial instruments | | 210 | (53) |
| Foreign exchange (gains)/ losses | | (114) | 85 |
| Other | | (7) | (15) |
| Changes in operating assets and liabilities: | | | |
| Inventories | 4.1 | (62) | (11) |
| Trade and other receivables | 4.2 | 85 | 27 |
| Trade and other payables | 4.3 | 41 | 145 |
| Other | | (3) | (11) |
| Pension payments | 9.1 | (13) | (12) |
| Payments of provisions | 9.2 | (20) | (48) |
| Realised foreign exchange (gains)/losses | | 66 | (67) |
| Receipts / (payments) of derivative financial instruments | | (107) | 70 |
| Income tax payments | | (364) | (142) |
| **Net cash provided by operating activities** | | **1,129** | **1,459** |

| | Note | 2020 | 2019 |
|---|---|---|---|
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | 3.4 | (229) | (241) |
| Purchases of intangibles | 3.2 | (23) | (40) |
| Proceeds from sale of property, plant and equipment | 3.4 | 1 | 8 |
| Acquisition of businesses, net of cash acquired | 3.1 | (5) | (23) |
| Loans provided | 7.2 | (8) | (247) |
| Interest received | | 32 | 96 |
| Other investing activities | | 2 | 2 |
| **Net cash used in investing activities** | | **(230)** | **(445)** |
| Cash flows from financing activities: | | | |
| Additions to borrowings | 5.2 | 677 | 89 |
| Repayments from borrowings | 5.2 | (2,456) | (789) |
| Proceeds from/(repayments to) issuing ordinary shares | 5.1 | 785 | (2) |
| Receipts from/(payments to) derivative financial instruments | 6.7 | (4) | 17 |
| Dividend paid to shareholders | 5.1 | (89) | (68) |
| Interest paid | | (159) | (217) |
| Investments/(divestments) by non-controlling shareholders | 5.1 | 39 | (24) |
| Other financing | | (15) | — |
| **Net cash used in financing activities** | | **(1,222)** | **(994)** |
| Effect of exchange rate changes on cash | | (74) | 29 |
| Net increase/(decrease) in cash and cash equivalents | | (397) | 49 |
| Cash and cash equivalents – at the start of period | 5.3 | 811 | 762 |
| **Cash and cash equivalents — as of 31 December** | | **414** | **811** |

The accompanying notes are an integral part of these financial statements.

# 1. DESCRIPTION OF BUSINESS

Taking into account the characteristics of JDE Peet's business and business model, the notes to the financial statements have been grouped into eight thematic sections rather than in a consecutive order based on line-items in the Consolidated primary statements. Each note in a section starts with the accounting policies as well as the critical accounting estimates and judgements made.

This section contains the disclosures relevant for understanding the basis of preparation of the Consolidated financial statements:

- Reporting entity
- Use of key accounting estimates and judgements
- Changes in accounting policies for 2020
- Basis of consolidation
- Accounting policies, not attributable to a specific section
- COVID-19 disclosures

## 1.1 REPORTING ENTITY

JDE Peet’s N.V. (the “Company” or together with its subsidiaries “JDE Peet's”) is a public limited liability company under the laws of the Netherlands. The Company was incorporated on 21 November 2018 as a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid, B.V.) and converted into a public company (naamloze vennootschap, N.V.) on 2 June 2020 following the Company's listing on Euronext Amsterdam on 29 May 2020, as described below. The Company is the holding company of JACOBS DOUWE EGBERTS B.V. (“JDE” or “JDE Group”) and Peet’s Coffee & Tea, Inc. (“Peet’s” or "Peet's Group") through a number of indirect holding companies. The Company's main direct shareholders are Acorn Holdings B.V. ("Acorn") (60.50%), Mondelez Coffee Holdco B.V. ("MCHBV") (22.87%) and free float (16.63% ). Acorn is fully owned by a Joh. A. Benckiser led investor group (“JAB”). As at 31 December 2019, the Company was fully owned by Acorn.

The Company is headquartered in the Netherlands, the registered office of the Company is Oosterdoksstraat 80, 1011 DK in Amsterdam, the Netherlands (Company registration number: 73160377).

The consolidated financial statements for the year ended 31 December 2020 include the financial information of the Company and its subsidiaries (together "JDE Peet's").

These consolidated financial statements were authorised for issuance on 23 March 2021 by the Board of Directors of the Company.

**Activities of JDE Peet's**

JDE Peet's is the world's largest pure-play coffee & tea group, serving cups of coffee & tea in 2020 in more than 100 countries in the developed and emerging markets. Through its more than 50 leading global, regional and local coffee & tea brands, it offers an extensive range of high-quality and innovative coffee & tea products to serve consumer needs across markets, consumer preferences and price levels.

JDE Peet's has a long, rich tradition in the coffee & tea industry, developing its portfolio of over 50 trusted coffee & tea brands with a deeply rooted heritage. Its established brand portfolio is the largest in the coffee & tea industry, comprising Global Brands (L'OR and Peet's), Regional Brands (including Jacobs, Douwe Egberts, Tassimo, Senseo, Moccona, Super and OldTown), Local Jewel Brands (including Marcilla, Gevalia, Friele, Bravo and Pilão) and Local Brands (including Paloma, Café Pelé, Owl and Cafax).

It sells its full range of products through a multi-channel distribution model across the CPG, Out-of-Home, retail and online channels to meet customer and consumer needs, as follows:

- CPG–JDE Peet’s principal products are multi-serve coffee, roast and ground single-serve and double-shot coffee capsules, whole beans, pads and pods, instant pure and instant mixes, a variety of tea products and ready-to-drink coffee beverages. JDE Peet's sells these products primarily to supermarkets and, in certain markets, through retail buying groups comprised of supermarket retailers or shared-services supply chain centres.
- Out-Of-Home–It offers a full range of professional solutions: coffee, tea and complementary coffee systems, including proprietary liquid coffee concentrate technology; multi-serve coffee; roast and ground single-serve coffee capsules and pads; whole beans; instant coffee; and ready-to-drink coffee. Its customers include businesses, such as hotels, hospitals, restaurants, cruise liners and retirement homes, as well as distributors for distribution to the customer.
- Retail–JDE Peet's operates coffee stores through which it sells whole bean coffee, tea and other beverages and related items, such as pastries. As at 31 December 2020, JDE Peet's operated Peet’s coffee stores primarily located across the United States but also in China, OldTown coffee stores located in Malaysia, Singapore, Indonesia and Hong Kong, Coffeecompany stores located in the Netherlands and 12Oz coffee stores located in Italy. Through its coffee stores, JDE Peet's seeks to facilitate the sale of fresh whole bean coffee and to encourage customer trial of its coffee through coffee beverages.
- Online–JDE Peet's sells its coffee & tea online through its own e-commerce marketplaces, such as the L’OR and Peet’s marketplaces, and third-party e-commerce marketplaces.

JDE Peet’s business was historically conducted through separate legal entities within the investment structure of JAB. JDE Peet's historically did not exist as a reporting group and no separate (statutory) consolidated financial statements were prepared previously. As of 30 December 2019, JDE Peet's existed as a reporting group and as such, the obligation arises from 2020 to prepare (statutory) consolidated financial statements.

**Formation of JDE Peet's**

JDE Peet's was formed through a series of restructurings within the investment structure of JAB. These restructurings were completed in December 2019 after which it comprises the following components:

- JDE Peet’s N.V. as parent entity of JDE Peet's, incorporated on 21 November 2018.
- The JDE group, consisting of Oak 1753 B.V. and its subsidiaries, transferred from Acorn to the Company on 28 November 2018.
- The Peet’s group consisting of Peet‘s Coffee & Tea LLC and its subsidiaries, transferred from Acorn to the Company on 30 December 2019.
- JDE Holdings Minority B.V., as a separate holding company in the JAB investment structure, holding a 17% non-controlling interest in the JDE group. JDE Holdings Minority B.V. was contributed to the JDE group by Acorn on 28 November 2018.

For the reporting period beginning 1 January 2020, the Company as the ultimate parent of JDE Peet's prepares consolidated financial statements on the applicable Dutch and European Union law, including relevant comparative financial information. The comparative financial information presented differs from the Company Financial Statements as were previously prepared. The differences relate to a) financial periods presented and b) the fact that the Company applied the consolidation exemption of article 2:403 of the Dutch Civil Code. As per the requirements of IAS 1, the Company has elected to present the comparative financial information in its Company Financial Statements equal to those presented in the Consolidated Financial Statements, covering the period 1 January through 31 December 2019.

**Basis of Preparation**

The Company prepared these consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and in conformity with the Dutch Civil Code. Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis. In paragraph 1.6 an assessment is made in relation to the impact of COVID-19 and related uncertainties. This does not have an impact on the going concern basis.

*Transfer of Peet's*

On 30 December 2019, Peet’s was transferred from Acorn to the Company. The acquisition of Peet’s was a business combination under common control and was included as per the acquisition date by applying the principles of the pooling of interest method. In this way, the financial information of Peet’s was included starting 1 January 2019. In relation to this transfer, a loan payable of EUR 1,704 million to Acorn was entered into to finance this acquisition. As pooling of interest was applied per 1 January 2019, no consideration was paid for the acquisition of Peet’s until 30 December 2019. Therefore, this consideration resulted in a direct charge to equity for the amount equal to the amount recognised for the loan to Acorn (EUR 1,704 million). As part of this transaction, an Acorn loan receivable from Peet’s was contributed to the Company for the notional amount of EUR 265 million and as such eliminated at 30 December 2019. For further details, refer to Note 7.2 Related-party transactions.

On 17 January 2020, Acorn made a capital contribution to the Company for an amount of EUR 300 million as share premium which offset the outstanding other current liability at 31 December 2019.

**Listing of the Company**

On 29 May 2020, the Company listed 71,428,571 Ordinary Shares on Euronext Amsterdam on an as-if-and-when-issued basis for an offer price of EUR 31.50 ("Offer") and transitioned to regular trading on 1 June 2020. The Offer consisted of a primary and a secondary component. The primary component related to the issuance of 22,222,222 ordinary shares, raising EUR 700 million of gross proceeds to the Company. The secondary component related to a total of 39,544,514 existing ordinary shares placed under the Offer by Acorn and 9,661,835 existing ordinary shares by MCHBV. The secondary component amounted to EUR 1.55 billion. The shares placed in the Offer represented approximately 14.42% of the issued share capital of the Company immediately after settlement.

On 1 June 2020, 2,667,764 ordinary shares were allotted to MCHBV and MCHBV exchanged its shares in JDE for shares in the capital of the Company, such that, immediately following MCHBV’s exchange of shares for the Company, MCHBV held the same percentage ownership of the Company as its percentage ownership of JDE immediately prior to such exchange. The number of shares was determined before the share split in the ratio 1:47, i.e. equivalent to 125,384,908 current shares. As a result of this exchange from JDE to the Company, MCHBV became an owner of the Company and its shareholding no longer qualified as a non-controlling interest.

Furthermore, the over-allotment option was exercised in full against the offer price, increasing the total number of shares in the Offer with 10,714,285 to a maximum of 82,142,856, approximately 16.47% of the total issued share capital of the Company. The over-allotment option consisted of a primary component of an additional 3,333,333 ordinary shares issued by the Company with gross proceeds of EUR 105 million and a secondary component whereby 5,931,677 additional ordinary shares were sold by Acorn and 1,449,275 by MCHBV for in total EUR 233 million.

The net proceeds of the primary components of the Offer and over-allotment option were mainly used to make repayments to Acorn on the loan.

**Segmentation**

For purposes of these consolidated financial statements, segmentation is based on how the chief operating decision maker ("CODM") reviews the performance of the business and allocates resources, as further disclosed in the segmentation disclosure note. JDE Peet’s is in the process of further formalising reporting and evaluating routines in the new segment structure.

## 1.2 USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that effect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical Accounting Estimates, Judgements and Assumptions***—The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the reported amounts of revenues and expenses during the reporting period.

| Note | Particular area involving significant estimates and judgements |
|---|---|
| 3.3 Impairment of non-current assets | Assumptions used in impairment testing |
| 2.2 Revenue | Estimating sales incentives, sales returns and marketing accruals. |
| 3.1 Business combinations | Estimating the purchase price allocation including fair values of assets and (contingent) liabilities. |
| 8 Income taxes | Estimating the likelihood of income tax liabilities and assessment of the recoverability of tax losses carried forward |
| 9.2 Restructuring, Legal and other provisions | Estimating the likelihood and timing of potential cash flows relating to claims, litigation and restructuring |
| 9.4 Other non-current and current liabilities | Assumptions used with respect to the share-based payment liability regarding forfeitures and measurement of the fair value share prices |
| 9.1 Post-employment benefits | Assumptions used in determination of pension assets, pension liabilities, commitments and pension costs. |
| 7.1 Share-based payments | Assumptions regarding forfeitures and measurement of the fair value share price |
| 3.2/3.4 Goodwill and other intangible assets/ Property, plant and equipment | Judgements related to the expected useful lives of long-lived assets and estimating the recoverable amounts. In 2020 with specific focus on the Out-of-Home segment with significant estimates such as recovery of business and longer-term adverse effects of COVID-19, cashflow projections of management's initiatives and the discount rate. |
| 6.7 Fair value of derivatives and other financial instruments | Assumptions in relation to market input of fair value of derivatives |

## 1.3 CHANGES IN ACCOUNTING STANDARDS

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Rent related concessions - amendments to IFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. For the impact of the amendment in IFRS 16 'Leases' in relation to rent related concessions, refer to Note 3.4.

**New Standards, Amendments and Interpretations issued, but not effective for the year ended 31 December 2020 and not Early Adopted**

Certain new accounting standards (IFRS 17 Insurance Contracts, IFRS 3 Business combinations - reference to the conceptual framework) have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted. The Company is currently investigating the impact of these accounting standards.

## 1.4 BASIS OF CONSOLIDATION

The financial statements include the accounts of all subsidiaries in which the Company, directly or indirectly, has a controlling interest.

***Subsidiaries*** — Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intergroup transactions, balances and unrealised gains and losses on transactions between companies within JDE Peet's are eliminated upon consolidation unless they provide evidence of impairment.

***Investments in associates*** — Associates are entities over which the Company has the ability to exercise significant influence but does not control. Generally, significant influence is presumed to exist when JDE Peet's holds 20% to 50% of the voting rights in an entity. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

# 1.5 ACCOUNTING POLICIES, NOT ATTRIBUTABLE TO A SPECIFIC SECTION

**Accounting convention**

The financial statements are prepared on a historical cost basis except for financial instruments, financial liabilities in relation to share-based payments and pension plan assets, which are recognised at fair value.

**Leases**

*As lessor*

Finance leases—JDE Peet's recognises assets it expects to lease to customers under finance leases as inventory on its statements of financial position. These finance leases relate mainly to coffee machines. JDE Peet's derecognises the inventory when a finance lease is entered into and recognises a receivable at an amount equal to the net investment in the lease. Subsequently, finance income is recognised based on a pattern reflecting a constant periodic rate of return on that net investment.

Operating leases—Lease income from assets on operating lease mainly relating to coffee machines to customers is recognised in the income statement on a straight-line basis over the lease term. Initial direct costs and installation costs incurred in negotiating the leases are added to the carrying amount of the leased asset, which is included in property, plant and equipment, and recognised as depreciation expense over the lease term on the same basis as the lease income. The depreciation policy for depreciable leased assets is consistent with the JDE Peet's normal depreciation policy for similar assets.

*As lessee*

JDE Peet's leases various offices, warehouses, coffee stores, equipment and vehicles. Contracts may contain both lease and non-lease components. JDE Peet's has elected not to separate lease and non-lease components and instead accounts for these as a single lease component (gross approach). Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, operating leases are also recognised and presented as right-of-use assets (within property, plant and equipment) with corresponding liabilities at the date at which the leased asset is available for use by JDE Peet's.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases within JDE Peet's, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, JDE Peet's, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

JDE Peet's is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis. If JDE Peet's is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's estimated useful life. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across JDE Peet's. These are used to maximise operational flexibility in terms of managing the assets used in its operations. The majority of extension and termination options held are exercisable only by JDE Peet's and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

**Borrowing Costs**—Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or are sold. All other borrowing costs are recognised as expense in the period in which they are incurred.

**Comparative figures**—Where applicable the presentation of the comparative financial information was adjusted to conform to the presentation of the statement of financial position and income statement of the current year. The reclassifications had no impact on net result or equity.

**Offsetting financial assets and financial liabilities**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between JDE Peet's and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within the agreed period after notice of such failure is given to the party; or bankruptcy.

**Foreign currency translation**

*Functional currency*—The individual financial statements of the entities included in the consolidated financial statements are measured in the currency of the primary economic environment in which the entity operates (its functional currency).

*Presentation currency*—For the purpose of these financial statements, the results and financial position of JDE Peet's are measured in Euro, its presentation currency.

*Foreign currency transactions and balances*—Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated to the functional currency using period-end exchange rates.

Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within finance expense, except for the foreign currency gains and losses on green coffee beans, which are included in cost of sales, to the extent hedge accounting applies.

*Foreign operations*—The results and financial position of all entities included in the financial statements that have a functional currency different from the presentation currency (Euro) are translated into the presentation currency as follows:

- Income and expenses are translated at average monthly exchange rates; and
- Balance sheet items are translated at the period-end exchange rate at the balance sheet date.

The resulting exchange differences are recognised as foreign currency translation in Other Comprehensive Income (“OCI”). When an operation with a functional currency other than the Euro is sold, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the period-end exchange rate.

*Subsidiary*—If the ownership interest in a subsidiary is reduced but control is retained, only a proportionate share of the amounts previously recognised in OCI is reclassified to the income statement where appropriate.

***Exchange rates used in financial statements***

The following exchange rates are the most relevant in the financial statements:

| Currency | 2020 | 2019 |
|---|---|---|
| **US Dollar** | | |
| Opening rate | 0.892 | 0.872 |
| Average | 0.878 | 0.893 |
| Ending rate | 0.819 | 0.892 |
| **Brazilian real** | | |
| Opening rate | 0.222 | 0.225 |
| Average | 0.172 | 0.227 |
| Ending rate | 0.158 | 0.222 |
| **Russian ruble** | | |
| Opening rate | 0.014 | 0.013 |
| Average | 0.012 | 0.014 |
| Ending rate | 0.011 | 0.014 |
| **Pound sterling** | | |
| Opening rate | 1.183 | 1.112 |
| Average | 1.126 | 1.140 |
| Ending rate | 1.120 | 1.183 |
| **Australian dollar** | | |
| Opening rate | 0.626 | 0.615 |
| Average | 0.605 | 0.621 |
| Ending rate | 0.630 | 0.626 |
| **Singapore dollar** | | |
| Opening rate | 0.664 | 0.640 |
| Average | 0.636 | 0.655 |
| Ending rate | 0.620 | 0.664 |

## 1.6 COVID-19 DISCLOSURE

The outbreak of the COVID-19 virus impacted JDE Peet's in 2020. The outbreak has resulted in unprecedented and uncertain times. The outbreak has translated in the following significant impacts and measures:

- JDE Peet's is closely monitoring the outbreak and related containment measures, whereby multiple project teams at different levels are assessing the impact the outbreak  and related containment measures have on its associates and contractors in a careful balance with business continuity.
- The outbreak thus far had limited impact on JDE Peet's supply to customers, except for the Out-of-Home and Peet’s segments, where 88 coffee stores were closed globally. As per 31 December 2020, JDE Peet's operates 520 coffee stores. Uncertainty on future government measures and currency exchange rates might impact the supply to JDE Peet's and its customers as well as manufacturing of goods.
- On the demand, JDE Peet's experienced an upswing in the majority of its CPG segments but did experience unfavourable currency exchange rates in the majority of its markets. Despite these currency devaluations Adjusted EBIT improved in these segments. The future uncertainty for JDE Peet's is difficult to estimate since the relative market shares differs across markets, as do the severity of lockdowns and impact on expected future behaviour of consumers.

- The Out-of-Home segment (including coffee stores) experienced a decline compared to 2019. This significantly impacted the segment as many customer channels were closed - including offices, education, bars, restaurants, cafés, travel and tourism. A specific project team is in place to address the challenges this segment is facing which is also assessing whether the Group qualifies for government support in certain countries. JDE Peet's received a total of EUR 7 million of government support, all outside the Netherlands, mainly related to furloughed employees. More recent government measures continue to have a significant impact on this segment and is expected to continue in 2021. The decline resulted in a detailed assessment of the recoverability of this segment's assets, such as goodwill, property, plant & equipment, inventory and accounts receivable, but also led to a further review of the Out-of-Home organisation. For the analysis as performed on goodwill, reference is made to Note 3.2. The review of the Out-of-Home organisation led to a reorganisation as disclosed in Note 2.1. As included in Note 4.2, COVID-19 did not have a material impact on the receivables past due or amounts provided for in 2020.

  The length and severity of lockdowns related to COVID-19 remain uncertain at this point of time, especially taking into account the possibility of new mutants of the virus. Lockdowns have a strong negative impact on our Out-of-Home segment. Furthermore, there is uncertainty in relation to the recovery of this segment , taking into account the estimated temporary or more structural effects of changes in behaviour around working-from-home, travelling and visiting hotels, restaurants, bars and cafés, etc. Each customer channel indicates a different curve in terms of timing as well as recovery ratio. Certain channels are expected to recover fast and in full, where other channels are expected to recover slower and/or not fully.
- For the Peet's segment, the impact thus far is twofold. The coffee stores and Out-of-Home sales channels are experiencing a decline thus far, due to closures of coffee stores and channels impacted by the outbreak of COVID-19, such as offices and hotels. In relation to this decline, management performed an assessment of the profitability of underlying assets, whereby COVID-19 was one of the factors in the strategic initiative to review the profitability of these underlying assets. Ultimately a decision is made to permanently close a number of coffee stores. For the financial impact of this, reference is made to Note 3.4. This is offset by an improved performance of the CPG activities of this segment. In this segment, uncertainty is difficult to estimate given the different activities as included within the segment and whether the CPG activities are able to compensate in full for possible decline in coffee stores and Out-of-Home sales.
- JDE Peet's assessed the impact of COVID-19 on its financial estimates and judgements. The impact of COVID-19 on financial estimates and judgements is mainly reflected in impairment of financial and non-financial assets, and other financial instrument disclosures (including credit management). All significant estimates and judgements are disclosed in the notes to the consolidated financial statements (if applicable). Notes containing the most significant estimates and judgements are referred to in Note 1.2.
- The Revolving Credit Facility of JDE was fully available for an amount of EUR 500 million. The first maturity date of the borrowings is November 2023. As per 31 December 2020, JDE is in compliance with its covenants. Peet's Senior Credit Facility is available until 1 December 2022 and has currently an undrawn amount of $214 million and Peet's is in compliance with their covenants. Both JDE and Peet's expect to be compliant with their covenants going forward.

Management concludes that there are no material uncertainties related to events or conditions as described above that may cast significant doubt upon the entity's ability to continue as a going concern as included in Note 1.1.

# 2. GROUP OPERATING PERFORMANCE

## 2.1 SEGMENT INFORMATION

The operating segments are CPG Europe, CPG LARMEA, CPG APAC, Out-of-Home and Peet’s. The segments are organised based on the reporting structure (by the geographies and/or the nature of the products and services) of JDE Peet's. The segments share a similar production process, but each segment sells different products to vastly different types of customers in different regions of the world. Therefore, none of the operating segments are aggregated. As per the listing of the Company on 29 May 2020, JDE Peet's is operating as one group.

**CPG Europe, LARMEA and APAC**: Within these 3 CPG segments, JDE Peet’s principal products are roast and ground multi-serve coffee, roast and ground single-serve coffee pads and capsules, instant coffee & tea. JDE Peet's sells its products predominantly through traditional and modern retail trade, like supermarkets, hypermarkets and e-commerce channels. CPG Europe includes the business activities in Europe, excluding Eastern Europe. CPG LARMEA includes the business activities in Latin America, Russia, Middle East, Eastern Europe and Africa and CPG APAC includes the business activities in the Asia-Pacific region.

**Out-of-Home**: The Out-of-Home operating segment offers a full range of hot beverage products including liquid roast products and related coffee machines and services. The products are sold either directly to businesses, hotels, hospitals and restaurants or to foodservice distributors for distribution to the customer. The Out-of-Home segment excludes the Out-of-Home portion related to Peet’s.

**Peet’s**: The Peet’s operating segment offers sales of whole bean coffee, beverages, tea and related products through grocery stores, wholesale, e-commerce, retail, out-of-home and company operated and licensed stores primarily to customers in the United States and China.

Unallocated is not a separate segment as it does not engage in business activities. JDE Peet's presents “Unallocated” as a reconciling item to reconcile to the total business results. Unallocated comprises head-office costs for both JDE and Peet’s (such as central finance, HR, legal, IT and marketing) and limited revenues from excess production capacity which is made available to third parties. Segment results are presented before intercompany eliminations, which are eliminated within Unallocated.

**Basis of Segmental Reporting**

Segment results, that are reported include items directly allocated to a segment as well as those that can be allocated on a reasonable basis and taking into account differences between forecasted and actual foreign exchange rates.

Discrete financial information including revenue to Adjusted EBIT for each of the operating segments is provided to the CODM in order to review operating results, assess performance and make resource allocation decisions.

**Adjusted EBIT**

The CODM reviews segment profitability based on Adjusted EBIT. Adjusted EBIT is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of the segments. JDE Peet's defined Adjusted EBIT as profit for the period, adding back finance income, finance expense, share of net profit of associates and income tax expense, adjusted for the following factors:

1. ERP system implementation expenses, which represent costs to implement and upgrade to a new ERP system, including order, billing, payroll and financial systems. Overhead costs incurred in the normal course of business are not allocated to ERP implementation projects; rather, only incremental costs incurred in direct connection with the implementation of the ERP project are added back in calculating Adjusted EBIT.
2. Transformation activities and corporate actions include costs from restructuring and organisational redesign projects, results from corporate actions and costs from strategic initiatives:
   i. Restructuring and organisational redesign costs arise from strategic projects that are related to business optimisation or cost-saving initiatives. These strategic projects include the closure of factories or significant changes to the manufacturing footprint or restructuring of retail overhead. Due to the fact that most restructuring projects or organisational redesign activities span multiple years, management does not consider or describe these costs as "non-recurring" in nature. However, the specific projects or overarching initiatives themselves are important events to understand the operating performance. JDE Peet's therefore adds back these costs in calculating Adjusted EBIT.
   ii. Results from corporate actions arise from activities that are not considered by JDE Peet's to be part of daily business operations. Such results include items such as fees incurred in relation to refinancing activities, listing at the stock exchange, executive's severance, pension curtailments and amendments. Such actions generally result from market forces that are difficult to predict and are not entirely within the control of JDE Peet's. Therefore, costs are added back or gains removed in calculating Adjusted EBIT.
   iii. Strategic initiatives are broken down and defined as the costs related to evaluating strategic alternatives, entering into new markets, or launching new strategic initiatives, or other business development costs, to the extent not considered by JDE Peet's as part of the normal operating costs of its business. Such costs relate to Peet's refrigerated ready-to-drink coffee beverages, which was discontinued and replaced with several shelf-stable ready-to-drink coffee beverages. Therefore, costs are added back in calculating Adjusted EBIT.
4. Share-based payment expense, which is an operating expense JDE Peet's incurs and is considered a form of compensation, varies in amount from period to period, and is affected by market forces, including volatility and other factors, such as forfeitures of awards, that are difficult to predict. Therefore, costs are added back in calculating Adjusted EBIT.
5. Mark-to-market results consist of economic hedges of certain future risks related to the cost of goods sold. Mark-to-market adjustments include adjustments for unrealised and realised gains/losses on commodity futures. Unrealised mark-to-market adjustments relate to results on green coffee futures for which JDE Peet's has not yet sold the underlying commodity. These results are excluded when calculating Adjusted EBIT. Upon the subsequent sale of the underlying commodity to customers, the realised mark-to-market adjustments are recognised in Adjusted EBIT. JDE Peet's believes that such results create volatility in the current period trends, because mark-to-market amounts vary from period to period and are affected by market forces that are difficult to predict and not within the control of management.
6. Merger & Acquisitions/business combination results include: a) acquisition-related costs including legal, due diligence, professional consulting, and other costs incurred as a result of its acquisitions process; b) amortisation related to intangible assets recognised or re-measured as part of purchase price allocations; c) costs associated with the integration of acquired businesses, such as directly attributable integration-related labour costs, legal fees and consulting fees; d) derecognition of the step-up in fair value of inventories resulting from purchase price allocations; e) fair value changes in contingent consideration obligations; and f) sale results and other costs incurred as a result of divestments. JDE Peet's does not consider these costs as part of the normal operating costs of its business. Therefore, costs are added back in calculating Adjusted EBIT.

Adjusted EBIT is reconciled to operating profit and profit before income taxes on a consolidated basis in the tables presented below.

Segmental information for the consolidated income statement

*Revenue (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| CPG Europe | 3,475 | 3,269 |
| CPG LARMEA | 985 | 1,111 |
| CPG APAC | 659 | 684 |
| Peet's | 838 | 878 |
| Out-of-Home | 666 | 977 |
| Unallocated | 28 | 26 |
| **Total** | **6,651** | **6,945** |

*Reconciliation of Adjusted EBIT to most directly comparable GAAP measure (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| CPG Europe | 1,096 | 954 |
| CPG LARMEA | 219 | 207 |
| CPG APAC | 155 | 116 |
| Peet's | 98 | 78 |
| Out-of-Home | 4 | 179 |
| Unallocated | (294) | (279) |
| **Adjusted EBIT** | **1,278** | **1,255** |
| ERP system implementation | (28) | (40) |
| Transformation activities and corporate actions[42] | (156) | (57) |
| Share-based payment expense | (33) | (27) |
| Mark-to-market results | 1 | 34 |
| M&A/ deal costs[43] | (129) | (122) |
| **Operating profit** | **933** | **1,043** |
| Finance income | 44 | 101 |
| Finance expense | (290) | (302) |
| Share of net loss of associates | — | (1) |
| **Profit before income taxes** | **687** | **841** |

*Entity-wide disclosures:*

*The total revenue from external customers, broken down by the location of the selling entity is shown in the following table (in percentages of total Revenue):*

| | 2020 | 2019 |
|---|---|---|
| United States | 13% | 13% |
| Germany | 12% | 12% |
| France | 12% | 12% |
| Netherlands | 10% | 10% |
| Rest of World | 53% | 53% |
| **Total Revenue** | **100%** | **100%** |

There are no individual customers that amount to 10% or more of revenue.

*[42] Transformation activities and corporate actions includes an amount of EUR 59 million of costs related to the listing of the Company and an amount of EUR 35 million of costs related to coffee stores permanently closed (which includes impairments of Property, plant and equipment of EUR 33 million as disclosed in Note 3.4 ) in 2020 (2019: EUR 5 million). Furthermore, in 2020 an amount of EUR 30 million restructuring expense is included related to the Out-of-Home segment.*
*[43] This consistently includes amortisation related to intangible assets recognised or re-measured as part of purchase price allocations. Furthermore, the result of disposal (EUR 17 million) of the Revive business is included, for further disclosure refer to Note 7.2*

## 2.2 REVENUE

**Revenue Recognition**—JDE Peet's recognises revenue in accordance with the five-step model introduced by IFRS 15. Revenue is measured based on the consideration to which it expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. JDE Peet's recognises sales when the control is transferred and the performance obligation is satisfied and when specific criteria have been met for each of the its activities as described below. Revenue is recognised when the goods and services are delivered at a point in time or overtime, depending on the nature of transaction. Sales of goods are typically recognised at a point in time, where the revenues related to the Out-of-Home customer can be recognised at a point in time or overtime. Revenue taxes collected from customers are excluded from revenues and the obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities. JDE Peet's bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*Contracts with Out-of-Home customers*—Contracts with Out-of-Home customers may include multiple element arrangements where performance obligations include both the delivery of products and the lease or sale of coffee equipment. In some instances, the coffee equipment is provided for free, but the customer agrees to purchase and use JDE Peet's products. Such contracts may be inclusive of free maintenance of the coffee equipment for a specific period. In such situations, JDE Peet's separates the sales transaction into the identifiable performance obligations in order to reflect the substance of the transaction based on the stand-alone selling prices of these obligations. JDE Peet's assesses the stand-alone selling prices available for the individual components and allocates the revenue of the total transaction in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue derived from a financial lease or sale of coffee equipment is recognised at a point in time. Revenue derived from an operational lease and maintenance contracts are recognised overtime, the duration of these contracts is between 1 to 5 years.

*Customer loyalty programmes*—JDE Peet's has a customer loyalty programme in the Netherlands whereby consumers collect points ("award credits") towards merchandise. The customer loyalty programme has separate performance obligations whereby the consumer is purchasing the products as well as the award credit. The revenue associated with the award credit is derived from the product stand-alone selling price and is deferred and recognised separately as a liability at the time of the initial sale. The estimation of this stand-alone selling price of the award credits includes consideration of the proportion of the awards expected to be redeemed. The deferred revenue, which is included in other non-current liabilities (to the extent that redemption after 12 months is expected) and trade and other payables (current portion) in the statement of financial position, is recognised at a point in time when fulfilled.

JDE Peet's revenue consists of the following:

- *Product sales to third parties (coffee, tea, other food and beverage)*—The conditions above are generally met when the control of the products of categories coffee, tea and other food and beverage transfer to distributors, resellers or end customers. In particular, title usually transfers upon receipt of the product at the customers' locations, or upon shipment, as determined by the specific sales terms of the transactions. Revenue from owned coffee stores are presented net of discounts and recognised at the point of sale for food and beverage products sold.
- *Services (lease revenue and maintenance fees)*—JDE Peet's leases coffee machines as a service to certain of its Out-of-Home customers. Income from these leases is recognised in the income statement based on the policy for leases. In addition, maintenance fees are received related to its Out-of-Home machines, which are recognised on an accrual basis in accordance with the substance of the relevant agreements. Revenue from fixed-price contracts is generally recognised in the period that the maintenance services are rendered, using a straight-line basis over the term of the contract.

Revenues described above are recognised for individual components and allocate the revenue of the total transaction price to the individual components by reference to their stand-alone selling price. Trade allowances and product returns are estimated based on historical results taking into consideration the customer, transaction and specifics of each arrangement while also taken into account forward looking information. JDE Peet's provides a variety of sales incentives to resellers and consumers of its products, and the policies regarding the recognition and presentation of these incentives within the income statement are as follows.

Included in Revenue:

- *Discounts, coupons and rebates*—The reduction of the transaction price of these non-volume-based incentives is recognised at a point in time at the later of the date at which the related sale is recognised or the date at which the incentive is offered. The cost of these incentives is estimated using a number of factors, including historical utilisation and redemption rates. These incentives are settled in cash and are included in the determination of sales.
- *Listing fees*—Certain retailers require the payment of listing fees in order to provide space for JDE Peet's products on the retailer's store shelves. These amounts are included in the transaction price.
- *Volume-based incentives*—These incentives typically involve rebates or refunds of a specified amount of cash if the reseller reaches a specified level of sales, taking into account applicable competition laws. Under incentive programmes of this nature, the incentive is estimated and a portion of the incentive is allocated to reduce each underlying sales transaction with the customer overtime.
- *Cooperative advertising*—Under these arrangements, JDE Peet's agrees to reimburse the reseller for a portion of the costs incurred by the reseller to advertise and promote certain of its products. The cost of cooperative advertising programmes are recognised as a reduction to the transaction price.
- *Fixtures and racks*—Store fixtures and racks are provided to retailers to display certain products of JDE Peet's. The costs of these fixtures and racks are recognised as a reduction of the transaction price.

***Key accounting estimate and judgement***—Revenue is recognised for individual components and the total transaction price is allocated to the individual components by reference to their stand-alone selling price. JDE Peet's estimates trade allowances and product returns based on credit risk characteristics of the customer, the days past due, the transaction and specifics of each arrangement. As described above, JDE Peet's has a variety of sales incentives, sales returns and marketing accruals. Measuring the fair value of these incentives requires, in many cases, estimating future customer utilisation, redemption rates and relative fair value. These incentives include coupons that have prescribed value, but require customer utilisation and redemption rates. Historical data for similar transactions is used in estimating the fair value of incentive programs. These estimates are reviewed each period and adjusted based upon actual experience and other available information. Additionally, JDE Peet's has a significant number of trade incentive programs and other factors outside of its control that impact the ultimate cost of these incentives. Any significant change in these estimates could potentially have a material impact on revenue and profits.

*The total revenue from external customers, broken down by Product is shown in the following table (in percentages of total Revenue):*

| | 2020 | 2019 |
|---|---|---|
| Coffee | 85% | 81% |
| Tea | 3% | 3% |
| Other food and beverage | 10% | 13% |
| Services | 2% | 3% |
| **Total** | **100%** | **100%** |

## 2.3 EXPENSES BY NATURE

***Expenses*** — Expenses are recognised based on the accrual basis of accounting. This means that expenses are recognised when the product is received or the service is provided regardless of when cash outflow takes place. In relation to the expenses recognised in relation to depreciation, amortisation and impairments, reference is made to the specific accounting policy as is included in Notes 3.2 and 3.4. In relation to the costs as expensed in relation to inventory, reference is made to the specific accounting policy as is included in Note 4.1.

***Employee benefit expense*** — Employee benefit expenses are recognised when the related service is provided. For more details on accounting policies related to post-retirements obligation and share-based payments refer to Note 9.1 and 7.1, respectively.

***Advertising Expense*** — Advertising costs, which include the development and production of advertising materials and the communication of this material through various forms of media, are expensed in the period in which title to the advertising campaign is received. Advertising expense is recognised in selling, general and administrative expenses in the income statement.

*The aggregate of cost of sales and selling, general and administrative expenses is specified by nature as follows (in EUR million):*

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| Cost of product[44] | | 3,111 | 3,145 |
| Employee benefits expense[45] | | 1,138 | 1,228 |
| Advertising and promotion | | 323 | 446 |
| Depreciation, amortisation and impairment | 3.2, 3.4 | 450 | 419 |
| Distribution expense | | 182 | 178 |
| Repairs, maintenance and utilities | | 165 | 181 |
| Selling expenses | | 53 | 59 |
| Rental and lease costs | | 21 | 24 |
| Restructuring and restructuring related expenses | | 40 | 22 |
| Other[46] | | 235 | 200 |
| **Total** | | **5,718** | **5,902** |

*Employee benefit expense (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Wages and salaries | 921 | 1,004 |
| Social security charges | 131 | 142 |
| Pension costs | 54 | 56 |
| Share-based payments | 32 | 26 |
| **Total** | **1,138** | **1,228** |

*Employees by geographical area (average number of FTEs during the year):*

| | 2020 | 2019 |
|---|---|---|
| The Netherlands | 2,409 | 2,394 |
| Outside the Netherlands | 17,906 | 18,861 |
| **Total** | **20,315** | **21,255** |

*[44] Cost of product consists of raw materials (74%, 2019: 74%), conversion costs (20%, 2019: 20%) and inbound freight costs (6%, 2019: 6%).*
*[45] Employee benefit expense consists of wages, salaries, pension costs, share-based payments and related social security charges.*
*[46] Other expenses in the table above include costs for integration, costs related to the Initial Public Offering of the Company and various other operating expenses.*

*Specification audit fees (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Audit of the financial statements | 5.1 | 5.4 |
| Audit related engagements | — | 1.1 |
| Other non-audit related services | 0.3 | — |
| **Total** | **5.4** | **6.5** |
| | | |
| Which relate to: | | |
| Deloitte Accountants B.V. | 1.9 | 3.0 |
| Network of Deloitte Accountants B.V. | 3.5 | 2.6 |
| Other external accountants | — | 0.9 |

## 2.4 EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the profit for the year attributable to the shareholders of the Company by the time-weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to the shareholders of the Company by the time-weighted average number of common shares outstanding during the year adjusted for the time-weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares. At both the level of the Company, and subsidiary level, there are share-based payment plans that should be considered in the earnings per share calculation. The share-based payments plans at the subsidiary level are taken into consideration in the determination of the net profit attributable to owners of the Company.

The calculation of the basic and diluted earnings per share is based on the following data:

| | 2020 | 2019 Restated[47] |
|---|---|---|
| **Earnings (in EUR million):** | | |
| Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company | 308 | 424 |
| Effect of dilutive potential ordinary shares on the earnings | | |
| Effect of Share-based payment plans held at the subsidiary level | (1) | (2) |
| **Earnings for the purposes of diluted earnings per share** | **307** | **422** |
| | | |
| **Number of shares** | | |
| Time-weighted average number of ordinary shares for the purposes of basic earnings per share | 384,615,728 | 4,700,000 |
| Adjustments for calculations of diluted earnings per share | | |
| Share-based payment plans | 2,594,843 | — |
| **Time-weighted average number of ordinary shares for the purposes of diluted earnings per share** | **387,210,571** | **4,700,000** |
| | | |
| Basic EPS (in EUR) | 0.80 | 90.14 |
| Diluted EPS (in EUR) | 0.79 | 89.63 |

With the Company's listing at Euronext Amsterdam, the share-based payment plans with JDE Peet's were amended related to the settlement at vesting. Prior to amendment, rights over JDE and Peet's shares were granted to eligible participants, which were also settled in shares of JDE and Peet's, respectively, diluting the earnings attributable to the Company. Following the amendment, the participants will receive listed shares in the Company upon vesting and the Company has the obligation to settle/deliver the shares, diluting the shares of the Company. The conversion rate used in the earnings per share calculation are similar to the conversion rates used in the share-based payment calculations. For further details on the conversion rate and valuation techniques refer to Note 7.1 – Share-based payments.

The incremental fair value granted as a result of these amendments is zero and not impacted by the modification under IFRS 2 Share-based payments as described in Note 7.1 – Share-based payments. Subsequently, these entitlement were included in the calculation of diluted EPS.

[47] *2019 number of shares had been restated due to the two share splits that occurred during the year. Refer to Note 5.1 - Shareholders equity for further details on these events.*

# 3. STRATEGIC INVESTMENTS AND DIVESTMENTS

## 3.1 BUSINESS COMBINATIONS

JDE Peet's applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued and includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisitions where a sequence of transactions begin with JDE Peet's gaining control followed by acquiring additional ownership interests shortly thereafter, typical in public offers where offers are made to a group of shareholders, are accounted for as a single transaction. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and (contingent) liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

- Deferred tax assets and liabilities are recognised and measured at acquisition date in accordance with IAS 12.
- Assets and liabilities related to employee benefit arrangements are recognised and measured at acquisition date in accordance with IAS 19.
- Share-based payments arrangements that are measured at acquisition date in accordance with IFRS 2.

On an acquisition-by-acquisition basis, JDE Peet's recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred over the fair value of JDE Peet's share of the identifiable net assets acquired is recognised as goodwill. To the extent applicable, any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree are added to consideration transferred for purposes of calculating goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

***Business Combinations under Common Control***—A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and the control is not transitory. JDE Peet's adopted accounting principles similar to the pooling-of-interest method. Under this method, the assets and liabilities of the acquired entity are recognised at the book values recorded in the ultimate parent entity's consolidated financial statements (adjusted for the alignment of accounting policies and applicable GAAP applied by the companies involved) as if JDE Peet's had been in existence throughout the periods presented in the consolidated financial statements.

***Key accounting estimate and judgement***—
The purchase price allocation includes fair values of assets and (contingent) liabilities that are based on information available at the time of determining those values. The valuation method of determining the fair value depends on the facts and circumstances relating to the specific asset and liability.

**Acquisitions during 2020**

On 30 November 2020, JDE Peet's acquired a distributor in Switzerland, ReFru Holding GmbH which owned all issued shares of Fruchthof AG and Repa AG, for a cash consideration of EUR 5 million (net of cash). The assets acquired were equal to the liabilities acquired. The excess value was allocated to intangible assets for an amount of EUR 6 million offset by a deferred tax liability of EUR 1 million. The intangible assets were fully allocated to customer relationships (distribution list). The purchase price allocation is provisional and will be completed within the timeframe of twelve months after the acquisition as allowed by IFRS 3. The realised revenue and net profit since acquisition were immaterial to JDE Peet's.

**Acquisitions during 2019**

Peet's was transferred from Acorn to the Company on 30 December 2019. The acquisition of Peet's is a business combination under common control and was included as per the acquisition date on 30 December 2019 by applying the principles of the pooling of interest method.

During 2019, JDE Peet's acquired two businesses in France, d'Accueil and Alter Ego. These businesses were acquired to expand its presence in France. Alter Ego was acquired per 2 April 2019 and is specialised in vending business and operates in North East France. d'Accueil was acquired per 6 May 2019 and is specialised in vending machines and water dispensers and operates in North West France. The purchase consideration amounted to a total of EUR 23 million (net of cash), the net assets identified were EUR 1 million and the resulting intangibles identified were EUR 24 million, offset by deferred tax liabilities (EUR 2 million). The intangibles were allocated to customer relationships (EUR 5 million), tradenames (EUR 1 million) and goodwill (EUR 18 million). The purchase price allocations were finalised during 2020 confirming the values initially assessed on a provisional basis.

**Acquisition related costs**

Acquisition related costs include advisory, legal, accounting, valuation, general and administrative, and other professional or consulting fees incurred as a result of business combinations. In 2020 acquisition related costs were 3.9% of the total purchase consideration (2019: 0.8%).

**Revenue and profit or loss of the combined entity**

JDE Peet's has not disclosed the revenue and profit or loss of the combined entity as if each acquired business were included in JDE Peets results for an entire year (in the year of acquisition) as these are immaterial. As management typically integrates acquired businesses into the general ledger of existing businesses soon after the acquisition, revenue and profit/(loss) results are not always separately distinguishable in the accounting records for the post-acquisition period.

## 3.2 GOODWILL AND OTHER INTANGIBLE ASSETS

*Goodwill*—Goodwill represents the excess of the cost of an acquisition over the fair value of the JDE Peet's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in goodwill and other intangible assets on the statement of financial position.

Goodwill is not amortised but is tested annually for impairment, or more frequently when events are identified which require an impairment test, and is carried at cost less accumulated impairment losses. Goodwill is tested on the last day of the third quarter of the fiscal year, and whenever a significant event occurs or circumstances change that might reduce the recoverable amount of the goodwill. If the recoverable amount of a cash-generating unit ("CGU") or a group of CGUs is less than its carrying amount, the impairment loss is first allocated to goodwill. Any remaining impairment loss is allocated to all remaining assets in the CGU or group of CGUs. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to groups of CGUs for the purpose of impairment testing. The allocation is made to those groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified consistent with the operating segment before any aggregation.

*Trademarks and other identifiable intangible assets*—The primary identifiable intangible assets of JDE Peet's are trademarks, brands and other identifiable intangible assets, being mainly customer relationships and technologies, that were acquired in business combinations. Trademarks, brands, customer relationships and technologies are recognised at fair value at acquisition date. The useful life of an intangible asset is assessed as being either finite or indefinite. An intangible asset is regarded as having an indefinite useful life when, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The term 'indefinite' does not mean 'infinite'. There is no expectation that the cash inflows generated by the asset will go on forever; instead there is no foreseeable point at which the cash inflows will cease. Trademarks with a finite useful life are based on, amongst others, the years that this trademark is in place and cash inflows generated thus far. Trademarks, brands, customer relationships and technologies that have a definite useful life are tested when events are identified which require an impairment test. These intangibles are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks, brands, customer relationships and acquired technologies over their estimated useful lives.

*Software*—Software is a separately acquired intangible asset, which is initially measured at cost. After initial recognition, software should be carried at its cost less any accumulated amortisation and any accumulated impairment losses. Software is amortised on a straight-line basis over their estimated useful lives.

*The estimated useful lives, which are reviewed annually and adjusted if appropriate and are presented as follows:*

| | |
|---|---|
| **Trademarks & brands** | 10 to 30 years, or indefinite |
| **Customer relationships** | 4 to 10 years |
| **Acquired technologies** | 7 to 20 years |
| **Software** | 1 to 8 years |
| **Other** | 5 to 12 years |

*The movements of the goodwill and other intangibles assets are as follows (in EUR million):*

| | Goodwill | Trademarks and brands | Computer software | Technologies | Other | Total |
|---|---|---|---|---|---|---|
| Opening balance as of 1 January 2019 | 12,182 | 4,629 | 59 | 174 | 242 | 17,286 |
| Acquisitions in business combinations | 18 | 1 | — | — | 5 | 24 |
| Capital expenditures | — | — | 40 | — | — | 40 |
| Foreign currency translation | 82 | 6 | 1 | — | 2 | 91 |
| Amortisation expense | — | (53) | (26) | (22) | (42) | (143) |
| Finalisation purchase price allocation | 1 | (33) | — | — | 26 | (6) |
| Other | 2 | 1 | (6) | — | (3) | (6) |
| **Balance as of 31 December 2019** | **12,285** | **4,551** | **68** | **152** | **230** | **17,286** |
| | | | | | | |
| Cost | 12,285 | 4,900 | 164 | 275 | 477 | 18,101 |
| Accumulated amortisation | — | (349) | (96) | (123) | (247) | (815) |
| **Balance as of 31 December 2019** | **12,285** | **4,551** | **68** | **152** | **230** | **17,286** |
| Acquisitions in business combinations | — | — | — | — | 6 | 6 |
| Capital expenditures | — | — | 23 | — | — | 23 |
| Foreign currency translation | (264) | (58) | (3) | — | (7) | (332) |
| Amortisation expense | — | (54) | (26) | (22) | (37) | (139) |
| Disposal[48] | (17) | (1) | — | — | (1) | (19) |
| Other | — | (1) | 1 | — | — | — |
| **Balance as of 31 December 2020** | **12,004** | **4,437** | **63** | **130** | **191** | **16,825** |
| | | | | | | |
| Cost | 12,004 | 4,819 | 204 | 275 | 476 | 17,778 |
| Accumulated amortisation | — | (382) | (141) | (145) | (285) | (953) |
| **Balance as of 31 December 2020** | **12,004** | **4,437** | **63** | **130** | **191** | **16,825** |

*[48] Disposal of intangibles is related to the disposal of the Revive business, for further disclosure refer to Note 7.2 Related Parties.*

Trademarks, brands, customer relations and proprietary technology were assessed at their fair value in accordance with IFRS 3 Business Combinations following the acquisitions made by JDE Peet's. The majority of the trademarks, brands, customer relationships and proprietary technology were recognised following the acquisition of D.E MASTER BLENDERS 1753 in 2013 and the coffee businesses of MCHBVin July 2015. Software relates to externally acquired software and includes costs to implement.

*Amortisation expense is included in the income statement as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Cost of sales | (1) | (1) |
| Selling, general and administrative expenses | (138) | (142) |
| **Total** | **(139)** | **(143)** |

*At 31 December, the principal acquired brands, all of which are regarded as having indefinite useful economic lives, are as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Jacobs | 1,233 | 1,233 |
| Douwe Egberts | 668 | 668 |
| Kenco | 412 | 412 |
| Moccona | 214 | 214 |
| Peet's | 174 | 190 |
| Pickwick | 175 | 175 |
| Gevalia | 134 | 134 |
| Maxwell House | 118 | 118 |
| Pilão | 12 | 16 |
| Friele | 45 | 48 |
| Other brands | 42 | 47 |
| **Total** | **3,227** | **3,255** |

## 3.3 IMPAIRMENT OF NON-CURRENT ASSETS

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life, such as trademarks and brands, are not subject to amortisation and are tested at least annually for impairment. This test was performed on the last day of the third quarter of the fiscal year and whenever a significant event occurs or circumstances change that might reduce the recoverable amount of the goodwill. Indefinite lived trademarks and brands are tested for impairment as part of the associated CGU. When the recoverable amount of a CGU is lower than its net book value ("NBV"), an impairment charge needs to be recognised, provided that the NBV of the CGU after impairment is not lower than zero. This impairment charge is allocated over the CGU’s assets - taking into account any deferred tax consequences - whereby the indefinite lived brand is one of the assets subject to the allocation. In the allocation of the impairment charge over the CGU’s assets, an asset cannot be impaired to a value lower than its FVLCD. The FVLCD of an asset is assessed at the total JDE Peet's level and not limited to a CGU. The Royalty Relief method is used to determine the FVLCD, whereby a royalty rate is applied to the brand’s forecasted revenues and discounted using the CGU-specific Weighted Average Cost of Capital (“WACC”).

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s FVLCD or value-in-use ("VIU"). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets, other than goodwill that were impaired, are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior fiscal years.

*Key accounting estimate and judgement*—JDE Peet's performs impairment reviews by comparing the carrying value of the cash-generating unit concerned to that cash generating unit's recoverable amount, being the higher of the VIU and FVLCD. VIU is a valuation derived from the discounted future cash flows of the cash-generating units. The most important estimates in determining the present value are the expected future cash flows, terminal growth and discount rates.

Growth rates are based on past performance, external market growth assumptions, and forecast trading conditions by JDE Peet's management using a combination of business plans and growth assumptions into perpetuity reflecting expected long-term growth in the market. Discount rates are determined for its respective analyses of recoverability that are appropriate for the type, size and specific countries related to each operating segment.

JDE Peet's reviews these estimates at least annually as of the date of each impairment test and believes them to be appropriate. However, changes in these estimates could change the outcomes of the impairment reviews and therefore affect future financial results, the effects of which would be recognised in the income statement, through operating profit.

*The carrying amount of goodwill as of 31 December 2020 is EUR 12,004 million (2019: EUR 12,285 million) and of indefinite lived intangible assets is 2020 EUR 3,227 million (2019: EUR 3,255 million). The movement over the year is explained by the disposal of the Revive business and foreign currency translations related to goodwill and indefinite lived intangible assets.*

JDE Peet's determined that an indefinite useful life is appropriate based on an analysis of all of the relevant factors, including the long history of the brands, and because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for JDE Peet's.

Definite trademarks and brands of JDE Peet's have remaining lives of generally 30 years from the date of acquisition. As part of the overall impairment test performed with the measurement date 30 September 2020, also the recoverability of the cash-generating units carrying these trademarks was assessed, concluding no impairments to be recognised.

Goodwill was determined as the difference between the purchase considerations and the fair values of the assets acquired and the (contingent) liabilities assumed. Goodwill is monitored by management at the operating segment level.

As of the impairment testing date at 30 September 2020, the recoverable amount was determined based on the VIU. The calculations used pre-tax cash flow projections based on financial budgets approved by management covering the years through 31 December 2025.

*The share of carrying value of the indefinite lived brands over the segments is as follows:*

| | 2020 | 2019 |
|---|---|---|
| CPG Europe | 69% | 69% |
| CPG Larmea | 10% | 10% |
| CPG APAC | 7% | 7% |
| Out-of-Home | 7% | 7% |
| Peet's | 7% | 7% |
| **Total** | **100%** | **100%** |

*The following is a summary of goodwill allocation for each operating segment as per 31 December (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| CPG Europe | 7,543 | 7,555 |
| CPG Larmea | 607 | 765 |
| CPG APAC | 1,030 | 1,068 |
| Out-of-Home | 2,163 | 2,160 |
| Peet's | 661 | 737 |
| **Total** | **12,004** | **12,285** |

### Terminal growth rates

The long-term annual inflation rate of the country is taken into account when calculating the terminal growth rate and the inflation rate is adjusted to take into account circumstances specific to the asset or cash-generating unit. For some intangible assets, management expects to achieve growth, driven by sales, marketing and distribution expertise, which is significantly in excess of the terminal growth rates for the applicable countries or regions. In these circumstances, the recoverable amount is calculated based on the following inputs: the annual growth rate of the country's gross domestic product, aggregated with its inflation rate and adjusted according to the specific asset or cash-generating unit.

In order to calculate terminal value, a terminal growth rate is used. This rate is equal to the long-term annual inflation rate of the country. For brands, the assumptions are based on a weighted average taking into account the country or countries where sales are made. The key assumptions (pre-tax discount rates, terminal growth rates and EBITDA margin growth) used to calculate the VIU for impairment testing are included in the following table (in percentage):

The EBITDA margin growth for the Out-of-Home segment reflects the expected recovery of the business from the COVID-19 pandemic experienced during 2020.

The discount rate is the pre-tax rate of the weighted average cost of capital. Inputs used to calculate, include cost of equity (calculated using the risk-free rate, systematic market risk and risk premium) and cost of debt (yield to maturity on debt). The terminal growth rate was determined to be 1.8% for JDE and for 2.5% for Peet's (2019: 1.9% for JDE and 2.3% for Peet's).

| | | | 2020 | | | 2019 |
|---|---|---|---|---|---|---|
| | PRE-TAX DISCOUNT RATE | TERMINAL GROWTH RATE | EBITDA MARGIN GROWTH | PRE-TAX DISCOUNT RATE | TERMINAL GROWTH RATE | EBITDA MARGIN GROWTH |
| CPG Europe | 8.0%-14.4% | 1.5% | 0% | 8.0%-13.1% | 1.5% | 0.2% |
| CPG Larmea | 9.4%-18.1% | 2.8% | 0.3% | 9.5%-17.8% | 3.1% | — |
| CPG APAC | 9.8%-10.3% | 1.7% | 0.2% | 9.9%-11.5% | 1.8% | 0.2% |
| Out-of-Home | 8.0%-10.2% | 1.5% | 3.2% | 8.2%-9.8% | 1.4% | 0.7% |
| Peet's | 11.2% | 2.5% | 5.6% | 9.4% | 2.3% | 8.3% |

### Impairment analysis

As described in 1.6 'COVID-19 disclosure' the CPG segments were not adversely impacted by the COVID-19 pandemic, whereas the Out-of-Home segment was impacted by the measures as many customer channels were closed - including offices, education, bars, restaurants, cafés, travel and tourism. As a result, our estimated recoverable amount for the Out-of-Home segment decreased strongly compared to the pre-COVID estimates. Also, due to the uncertainty of the depth and duration of COVID-19 (including longer-term adverse effects on e.g. working-from-home, hotels, bars, cafés and travel), estimating future cash flows involves a higher degree of judgement in 2020 compared to prior years.

***CPG***

For the CPG segments, management performed sensitivity analyses around the key assumptions. Management believes that no reasonable possible changes in key assumptions would cause, in isolation, the recoverable amount of the significant CGUs to be less than the carrying value.

***Out-of-Home***

For the Out-of-Home segment, the base case projecting cash flows for the next 5 years reflects the risks caused by the pandemic with recovery assumptions of the different customer channels within the segment to pre-COVID levels. These assumptions were made using as much as possible third party observable data. After the 5-year period a terminal growth rate was used equal to the expected inflation rate.

*Business recovery from COVID-19*

Management assumed that the recovery of the business will start in the second half of 2021 when easing of lockdown measures are expected following the roll-out of the vaccination programs. The recovery was assessed by customer channel, taking into account the estimated temporary or more structural effects of changes in behaviour around working-from-home, travelling and visiting hotels, restaurants, bars and cafés, etc. Each customer channel indicates a different curve in terms of timing as well as recovery ratio. Certain channels are expected to recover fast and in full, where other channels are expected to recover slower and/or not fully. Overall, management is expecting the recovery of the business comparable to the pre-COVID year 2019 (i.e. excluding commercial initiatives) in terms of revenue for 2021 at -22%, 2022 at -12%, 2023 at -8% as of 2024 at -6%. The business observed a solid recovery in the summer of 2020 following the temporary easing of the lockdown measures, based on which management expects impact of delays in easing the lockdown measures to be limited to the short term. Possible effects of prolonged severe lockdowns and long term effects of the pandemic beyond 2021 would have an adverse effect on recoverable amounts.

*Commercial and cost initiatives*

Next to the recoverability, management estimated the value creation from commercial and cost saving initiatives approved as per the measurement date. Given the uncertainty surrounding the cash flow projections, management ensured risk-adjustments were made.

Most of the commercial initiatives were ongoing, which were reassessed by management in terms of amount and timing of the expected cash flows as the benefits are expected to be delayed following the recovery of the business.

In reaction to the impact of COVID-19, management decided to streamline the organisation. There it implemented and committed to restructuring programs for which EUR 30 million of costs were recognised (see Note 2.1). During 2021 the initial benefits are expected to be realised with capturing the full benefit of EUR 27 million as of 2022. Other cost initiatives relate to capturing benefits from the implemented global ERP system (and supporting software solutions) and introducing more efficient processes.

*Discount rate*

The WACC used to discount the expected future cash flows was updated, where the risk-free rate decreased which was more than offset by an increase in the market risk premium following the higher volatility, the great uncertainty in stock markets and the impact of COVID-19. The WACC includes an additional risk premium in relation to the realisation of the cash flow projections.

*Sensitivity analysis*

In addition to the base case scenario, management prepared a downside scenario where further risk-adjustments were made to cover for any potential (execution) risks to recover the business and/or the implementation of the commercial and cost initiatives. Management is of the opinion that such potential risks were appropriately included in the cash flow projections and therefore no further risk adjustment to the WACC was deemed necessary.

*Conclusion*

Both the base and the downside case did not result in an indication of impairment. However, realisation of goodwill is critically dependent on the (pace of) recovery of the relevant markets,uncertainty of the longer-term adverse effects on e.g. working-from-home, hotels, bars, cafés and travel and on the effectiveness of management's initiatives.

**Transfer of business**

As of 1 January 2021, the Out-of-Home activities within Australia and New Zealand will be combined with the CPG activities. Subsequently, these CGUs will transfer from the segment Out-of-Home to CPG APAC. After this transfer still comfortable headroom is observed.

## 3.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at historical cost, less accumulated depreciation and any impairment losses. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs including, for qualifying assets, capitalised borrowing costs and asset retirement obligations. Leasehold improvements and other property additions and improvements are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to JDE Peet's and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised at the time it is disposed and charged to expense. All repair and maintenance costs are charged to expense as incurred.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, except land and asset under construction which are not depreciated. JDE Peet's believes that the wear and tear on each category of assets is spread evenly over the useful life. The estimated useful lives, which are reviewed annually and adjusted if appropriate and are presented are as follows:

| | |
|---|---|
| **Buildings and improvements** | up to 40 years |
| **Leasehold improvements** | 10 to 20 years |
| **Machinery and equipment** | up to 25 years |

*The composition of property, plant and equipment is as follows (in EUR million):*

| | Notes | 2020 | 2019 |
|---|---|---|---|
| Property, plant and equipment - owned assets | 3.4.1 | 1,391 | 1,496 |
| Right of use assets | 3.4.2 | 209 | 241 |
| **Total** | | **1,600** | **1,737** |

The assets' residual values are reviewed annually and adjusted, if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognised in the income statement within selling, general and administrative expenses. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or are sold. All other borrowing costs are recognised as expense in the period in which they are incurred.

***Key accounting estimate and judgement*** — With respect to impairment of long lived assets, judgements are made related to the expected useful lives of long-lived assets and its ability to realise undiscounted cash flows in excess of the carrying amounts of such assets which are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions and changes in operating performance.

### 3.4.1 Property, plant and equipment - owned assets

*The movements of the property, plant and equipment are as follows (in EUR million):*

| | Land and buildings | Machinery and Equipment | Asset under construction | Other | Total |
|---|---|---|---|---|---|
| Opening balance as of 1 January 2019 | 479 | 780 | 164 | 23 | 1,446 |
| Acquisitions in business combinations | — | 2 | — | — | 2 |
| Capital expenditures | 24 | 104 | 111 | 2 | 241 |
| Disposals/other | (5) | (10) | (8) | (1) | (24) |
| Foreign currency translation | 8 | 18 | 3 | 13 | 42 |
| Depreciation expense | (39) | (156) | — | (5) | (200) |
| Transfers | 24 | 88 | (113) | (10) | (11) |
| **Balance as of 31 December 2019** | **491** | **826** | **157** | **22** | **1,496** |
| | | | | | |
| Cost | 724 | 1,899 | 157 | 63 | 2,843 |
| Accumulated depreciation | (233) | (1,073) | — | (41) | (1,347) |
| **Balance as of 31 December 2019** | **491** | **826** | **157** | **22** | **1,496** |
| Capital expenditures | 10 | 81 | 136 | 2 | 229 |
| Disposals/other | (2) | (20) | — | — | (22) |
| Impairment | (20) | (6) | (1) | — | (27) |
| Foreign currency translation | (32) | (35) | (21) | (2) | (90) |
| Depreciation expense | (34) | (158) | (1) | (5) | (198) |
| Transfers | 31 | 102 | (131) | 1 | 3 |
| **Balance as of 31 December 2020** | **444** | **790** | **139** | **18** | **1,391** |
| | | | | | |
| Cost | 693 | 1,905 | 139 | 64 | 2,801 |
| Accumulated depreciation | (249) | (1,115) | — | (46) | (1,410) |
| **Balance as of 31 December 2020** | **444** | **790** | **139** | **18** | **1,391** |

In 2020, a decision was made to permanently close 88 coffee stores globally. Subsequently, an assessment was made in relation to the recoverability of the store-based assets of coffee stores still open. This led to the majority of the impairment charge which is part of selling, general and administrative expenses in the consolidated income statement. The impairment charge falls for the majority under the Peet's segment.

Assets under Construction primarily relate to production lines and buildings. Capital expenditures might differ from the cash flow statement due to the timing of payments.

### 3.4.2 Right of use assets

*The movements of the right of use assets are as follows (in EUR million):*

| | Right-of-use Real Estate | Right-of-use Vehicles | Right-of-use Other | Total |
|---|---|---|---|---|
| Opening balance as of 1 January 2019 | — | — | — | — |
| Recognition right-of-use asset | 254 | 46 | 8 | 308 |
| Remeasurement/other | — | (4) | — | (4) |
| Foreign currency translation | 1 | — | 1 | 2 |
| Depreciation expense | (53) | (20) | (3) | (76) |
| Transfers | (1) | 12 | — | 11 |
| **Balance as of 31 December 2019** | **201** | **34** | **6** | **241** |
| | | | | |
| Cost | 254 | 56 | 9 | 319 |
| Accumulated depreciation | (53) | (22) | (3) | (78) |
| **Balance as of 31 December 2019** | **201** | **34** | **6** | **241** |
| Recognition right of use asset | 43 | 25 | 4 | 72 |
| Impairments[49] | (17) | — | — | (17) |
| Remeasurement/other | (4) | (2) | — | (6) |
| Foreign currency translation | (10) | (1) | (1) | (12) |
| Depreciation expense | (48) | (19) | (2) | (69) |
| **Balance as of 31 December 2020** | **165** | **37** | **7** | **209** |
| | | | | |
| Cost | 247 | 71 | 12 | 330 |
| Accumulated depreciation | (82) | (34) | (5) | (121) |
| **Balance as of 31 December 2020** | **165** | **37** | **7** | **209** |

*Depreciation expense included in the income statement for the period is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Cost of sales | (198) | (179) |
| Selling, general and administrative expenses | (69) | (97) |
| **Total** | **(267)** | **(276)** |

JDE Peet's leases various offices, warehouses, coffee stores, equipment and vehicles. Expenses for short term leases, low value leases and variable lease payments amounted to EUR 21 million (2019: EUR 24 million) and was charged to the income statement. There are no significant lease commitments for leases not commenced at year-end. The practical expedient for COVID-19-related rent concessions were applied to all rent concessions meeting the criteria in 2020. The amount recognised in to reflect changes in lease payments that arise from rent concessions amount to EUR 1 million.

JDE Peet's incurred interest expenses on the lease liability of EUR 11 million (2019: EUR 12 million). For lease liabilities, refer to Note 5.2. Borrowings and for the contractual maturity analysis of lease liabilities refer to Note 6.4 Liquidity risk.

The total cash outflow for leases amounted to EUR 93 million (2019: EUR 100 million).

[49] *Impairment as included is partly related to the store closures as disclosed in Note 2.1*

# 4. WORKING CAPITAL

## 4.1 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out method and includes the impact of rebates, discounts and other cash consideration received from a vendor related to inventory purchases and the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, and other direct costs, including transportation costs incurred in bringing inventories to their location immediately prior to external sale, and condition and related production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses (i.e. less all estimated costs of completion and costs necessary to make the sale). In addition, as discussed in the leasing policy, inventories include coffee machines that have not yet been leased.

*The composition of inventories is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Raw materials (including packaging) | 348 | 338 |
| Work in progress | 75 | 69 |
| Finished goods (including Out-of-Home machines) | 332 | 322 |
| | **755** | **729** |
| Provision for write downs | (23) | (19) |
| **Total** | **732** | **710** |

The amount added to the provision is EUR 10 million (2019: EUR 5 million).

## 4.2 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in 12 months or less, they are classified as current. If not, then they are presented as non-current assets. Trade receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

The charge to and release of the provision for impaired receivables are included in selling, general and administrative expenses in the income statement, whereby receivables are all assessed on an individual basis. During 2020 an amount of EUR 18 million was charged to the income statement, whereby an amount of EUR 7 million was released (2019: net charge to income statement EUR 7 million). Amounts charged to the provision are generally written-off when there is no expectation of recovering.

As of 31 December 2020 an amount of EUR 74 million (2019: EUR 106 million) was past due, of which EUR 35 million was due more than 30 days (2019: EUR 23 million). Trade receivables not past due at 31 December 2020, were fully performing. Information about the impairment of trade receivables and exposure to credit risk, market risk and liquidity risk can be found in Note 6 Financial risk management.

The carrying amount of the trade and other receivables is considered a close approximation of their fair value due to their short maturity.

*The composition of trade and other receivables is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Trade receivables | 462 | 585 |
| Provision for impairment of trade receivables | (27) | (15) |
| **Trade receivables—net** | **435** | **570** |
| Prepaid non-income taxes | 95 | 65 |
| Advance to related parties | 2 | 1 |
| Prepaid assets | 52 | 54 |
| Lease receivable | 15 | 13 |
| Deposits | 5 | 6 |
| Other | 42 | 52 |
| **Total** | **646** | **761** |

## 4.3 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that were acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

In evaluating whether liabilities to suppliers who participate in a supply chain finance initiative qualify as trade payables (as opposed to borrowings), judgement is required as such arrangements could contain characteristics of both. JDE Peet's considers elements such as changes in the contractual relationship between the supplier and us, whether any seniority or collateral is granted on the amounts payable to the supply chain finance party, and the extent to which extended payment terms are customary.

***Key accounting estimate and judgement***—Estimates are made in the determination of trade promotion accruals. When trade promotions are provided to customers, these reduce the transaction price and consequently the revenue. The conditional discounts in revenue (refer to Note 2.2) are estimated based on accumulated experience supported by historical and current sales information. Expected sales volumes are determined taking into account (historical) sales patterns and other relevant information. A trade promotion accrual is recognised for expected volume and year-end trade promotions payable to customers in relation to sales made until the end of the reporting period.

*The composition of trade and other payables is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Trade payables | 2,271 | 2,245 |
| Accrued payroll and benefits | 172 | 179 |
| Accrued trade promotion | 248 | 306 |
| Non-income taxes payable | 52 | 43 |
| Deferred revenue: contract liability | 29 | 23 |
| Payable to affiliated companies | 56 | 39 |
| Other accrued expenses | 127 | 136 |
| **Total** | **2,955** | **2,971** |

The carrying amount of the trade and other payables is considered a close approximation of their fair value due to their short-term maturity.

Some suppliers with extended payment terms participate in a variety of supply chain finance and trade finance offerings.

Certain suppliers are offered the opportunity to use supply chain financing arrangements (“SCF”), which allows them to collect the receivable before the invoice date. Supply contracts are evaluated against a number of indicators to assess whether the payables hold the characteristics of a trade payable or should be classified as borrowings. As at 31 December 2020 and 2019 none of the payables subject to SCF met the criteria to be classified as borrowings. The amount outstanding under SCF as at 31 December 2020 amounted to EUR 471 million (2019: EUR 441 million).

Separately, JDE Peet's has contracts with intermediaries, with an outstanding amount as at 31 December 2020 of EUR 87 million (2019: EUR 191 million), which includes financing elements. These contracts qualify as trade payables. The related transactions under SCF and the supply contract are reflected under cash flows from operating activities.

# 5. CAPITAL STRUCTURE

The key objective of the Company's capital management is to ensure that it maintains a stable capital structure with the focus on total equity to uphold investor, creditor and customer confidence and to ensure future development of its business. The Company focuses on keeping a strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowing, if required, without impacting the risk profile of the Company. In 2020, the Company listed on the Euronext Amsterdam stock exchange, the Netherlands and changed its capital structure. This listing provides the Company with access to capital markets, which it may use to support further growth and finance strategic M&A transactions, as they become available. Other than this, there were no major changes made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The capital structure is reviewed on a regular basis. The capital structure consists of net debt, which includes the interest-bearing loans and borrowings disclosed in Note 5.2, net of cash and cash equivalents and equity attributable to the shareholders of the Company, comprising issued share capital, reserves and retained earnings.

The capital structure is managed and adjusted in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The Company is not subject to any externally imposed capital requirements other than the legal reserves.

## 5.1 SHAREHOLDERS' EQUITY

*Translation reserve*—The translation reserve comprises foreign currency differences arising from the translation of the assets and liabilities of foreign operations (excluding amounts attributable to non-controlling interests) as well as value changes of the hedging instruments in the net investment hedges.

Hedging reserve—This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

*Other reserves*—These reserves relate to the movements in share-based payments and retirement benefit obligations, accounting policy is described within the respective section above.

**Share capital and premium**

The authorised share capital amounts to EUR 20,000,000, consisting of 2,000,000,000 shares, and is divided into 1,000,000,000 ordinary shares with a nominal value of EUR 0.01 each and 1,000,000,000 preference shares with a nominal value of EUR 0.01 each.

No preference shares were outstanding as at 31 December 2020 and 31 December 2019.

Holders of common shares are entitled to dividend distributions as declared from time to time. The Company may only make distributions to its shareholders if its equity exceeds the amount of the paid-in and called-up part of the issued capital plus the reserves as required to be maintained by the Articles of Association (if any) or Dutch law.

*The number of outstanding shares and nominal value for the years ended 31 December 2020 and 2019 can be summarised as follows (nominal value is stated in EUR million):*

| | Number of issued shares as of 31 December 2020 | Number of issued shares as of 31 December 2019 | 2020 | 2019 |
|---|---|---|---|---|
| Ordinary shares | 499,709,030 | 1,000 | 9,912 | 6,036 |
| **Total share capital and share premium** | **499,709,030** | **1,000** | **9,912** | **6,036** |

*Movements in ordinary shares (Nominal value, share premium and total in EUR million):*

| | Notes | Number of issued shares | Nominal value | Share premium | Total |
|---|---|---|---|---|---|
| Opening balance 1 January 2019 | | 1,000 | 1 | 7,447 | 7,448 |
| Purchase of shares from non-controlling shareholders | | — | — | 9 | 9 |
| Purchase of shares | | — | — | (4) | (4) |
| Capital transactions with related parties | 7.2 | — | — | (1,439) | (1,439) |
| Reallocation Peet's equity plans | 7.1 | — | — | 126 | 126 |
| Reclassification | | — | — | (104) | (104) |
| **Balance as of 31 December 2019** | | **1,000** | **1** | **6,035** | **6,036** |
| Dividends | | — | — | (10) | (10) |
| Capital contribution by shareholder | 7.2 | — | — | 300 | 300 |
| Proceeds IPO | (iii) | 25,555,555 | 4 | 786 | 790 |
| Transaction among shareholders | (ii) | 468,463,946 | — | 2,760 | 2,760 |
| Share splits | (i) | 4,699,000 | — | — | — |
| Issuance of shares | (iv) | 989,529 | — | 36 | 36 |
| **Balance as of 31 December 2020** | | **499,709,030** | **5** | **9,907** | **9,912** |

i. In February 2020, the then outstanding 1,000 ordinary shares with a nominal value of EUR 1.00 each were divided into 100,000 ordinary shares with a nominal value of EUR 0.01 each. On 2 June 2020, the issued ordinary shares split in a ratio 1:47 ordinary shares. The difference in the share capital of JDE Peet's prior to, and following the stock split was charged to share premium. For the determination of the earnings per share, the stock split was adjusted for retrospectively to the beginning of the earliest period presented.

ii. On 24 February 2020, 7,299,554 ordinary shares (the number was determined before the share split in the ratio 1:47, i.e. equivalent to 343,079,038 current shares) were issued to Acorn and charged to the share premium reserve. On 1 June 2020, 2,667,764 ordinary shares (the number was determined before the share split in the ratio 1:47, i.e. equivalent to 125,384,908 current shares) were allotted to MCHBV when they exchanged their shares in JDE for shares in the capital of JDE Peet's, such that, immediately following MCHBV's exchange of shares for JDE Peet's, MCHBV held the same percentage ownership of JDE Peet's as its percentage ownership of JDE immediately prior to such exchange.

iii. As part of the Offer (see Note 1.1), JDE Peet's issued 22,222,222 and 3,333,333 shares, respectively.

iv. In September 2020, 989,529 shares were issued to settle the vested share-based payment plans. More information on the share-based payment plans can be found under Note 7.1 - Share-based payments.

### Non-controlling interest

JDE Peet's consolidates JDE,with a 0.27% (2019: 26.87%) non-controlling interest and Peet's with a 3.58% (2019: 9.0%) non-controlling interest, The decrease of the non-controlling interest in JDE is a consequence of the exchange of shares with MCHBV (see Note 1.1 and (ii) above).

All other subsidiaries are fully owned or the non-controlling interests are not material.

The non-controlling interest is no longer material as at 31 December 2020 and subsequently the summarised financial information for JDE solely relates to the year ended 31 December 2019.

*The financial information, after fair value adjustments on acquisition, and the amounts attributable to non-controlling interests are as follows (in EUR million):*

| | 2019 |
|---|---|
| **Income statement** | |
| Revenue | 6,072 |
| Profit for the year | 672 |
| Other comprehensive (loss)/income | (115) |
| Total comprehensive (loss)/income | 693 |
| Attributable to non-controlling interests | 186 |
| | |
| **Balance sheet** | |
| Non-current assets | 18,145 |
| Current assets | 2,061 |
| Non-current liabilities | (6,578) |
| Current liabilities | (2,952) |
| Net assets | 10,676 |
| Attributable to non-controlling interests | 2,869 |
| | |
| **Cash flow** | |
| Net cash inflow from operating activities | 1,278 |
| Net cash (outflow)/inflow from investing activities | (172) |
| Net cash outflow from financing activities | (1,050) |
| Net increase in cash and cash equivalents | 84 |
| Exchange differences | 28 |
| Dividends payable to non-controlling interests | – |

## 5.2 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Any fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

An exchange of debt instruments or modification of terms is accounted for as a substantial modification or non-substantial modification. For both a non-substantial and substantial modification, a gain or loss is recognised at the time of recognition. When accounted for a non-substantial modification, the gain or loss is determined using the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate. When accounted for as a substantial modification, the original financial liability is derecognised and a new financial liability is recognised at fair value.

*Borrowing facilities of JDE Peet's through the years 2019 and 2020 are summarised in the following tables (in EUR million):*

| | Currency | 31 December 2018 | Unwinding discount | Additions | Repaid | Amortisation | Recognition of lease liability[50] | Currency translation | 31 December 2019 |
|---|---|---|---|---|---|---|---|---|---|
| JDE Credit Agreement: | | | | | | | | | |
| - Term Loan(s) A | EUR | 4,471 | — | — | (500) | — | — | — | 3,971 |
| - Term Loan(s) B | EUR | 401 | — | — | — | — | — | — | 401 |
| - Term Loan(s) B | USD | 674 | — | — | (90) | — | — | 16 | 600 |
| JDE: Other financing | Various | 37 | — | 3 | (25) | — | — | (1) | 14 |
| Loan from related party | EUR | — | — | 1,704 | — | — | — | — | 1,704 |
| Peet's: Senior Credit Facility | USD | 293 | — | 31 | (13) | — | — | 7 | 318 |
| Peet's: Related party borrowing | USD | 259 | — | — | (267)[51] | — | — | 8 | — |
| All: Revolving credit facilities | EUR | 65 | — | 55 | (85) | — | — | — | 35 |
| Leases | | — | 12 | — | (76) | — | 323 | (1) | 258 |
| Unamortised discounts and costs | | (13) | — | — | — | 4 | — | — | (9) |
| **Total borrowings** | | **6,187** | **12** | **1,793** | **(1,056)** | **4** | **323** | **29** | **7,292** |
| | | | | | | | | | |
| Non-current | | 5,843 | | | | | | | 7,199 |
| Current | | 344 | | | | | | | 93 |

[50] *This includes the initial recognition of lease liabilities of EUR 276 million as per 1 January 2019. See Note 3.4 for more details.*
[51] *The related loan receivable was contributed from Acorn to the Company, thereby eliminating with the intercompany payable of the Company*

| | Currency | 31 December 2019 | Unwinding discount | Additions | Repaid | Remeasurement | Amortisation | Recognition of lease liability | Currency translation | 31 December 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| JDE Credit Agreement: | | | | | | | | | | |
| - Term Loan(s) A | EUR | 3,971 | — | — | — | — | — | — | — | 3,971 |
| - Term Loan(s) B | EUR | 401 | — | — | — | — | — | — | — | 401 |
| - Term Loan(s) B | USD | 600 | — | — | — | — | — | — | (49) | 551 |
| JDE: Other financing | Various | 14 | — | 8 | (1) | — | — | — | (2) | 19 |
| Loan from related party | EUR | 1,704 | — | — | (1,704) | — | — | — | — | — |
| Bridge financing | EUR | — | — | 450 | (450) | — | — | — | — | — |
| Peet's: Senior Credit Facility | USD | 318 | — | 220 | (193) | — | — | — | (28) | 317 |
| All: Revolving credit facilities | EUR | 35 | — | — | (35) | — | — | — | — | — |
| Leases | | 258 | 11 | — | (73) | (28) | — | 76 | (16) | 228 |
| Unamortised discounts and costs | | (9) | — | (1) | — | — | 3 | — | — | (7) |
| **Total borrowings** | | **7,292** | **11** | **677** | **(2,456)** | **(28)** | **3** | **76** | **(95)** | **5,480** |
| | | | | | | | | | | |
| Non-current | | 7,199 | | | | | | | | 5,405 |
| Current | | 93 | | | | | | | | 75 |

**JDE group**

*Credit Agreement*

JDE borrowed under a Credit Agreement which consists of Term Loans and a EUR 500 million Revolving Credit Facility (“RCF”). The Term Loans are repayable in full on the respective maturity dates.

The Term Loan A, Term Loan B (EUR) and RCF are denominated in Euro and bear interest based on the Euribor rate plus applicable margin of 1.60% for Term Loan A and 1.75% plus 0.50% floor for Term Loan B (EUR) proceeding with the step-down which was reached in the third quarter of 2019 when JDE's leverage ratio was less than 3.25x. The Term Loan B ($) is denominated in US Dollar and carries an interest based on Libor increased with a margin of 2% plus 0% floor. The assessment of the interest floors embedded in the Term Loans did not result in the requirement to bifurcate any of these floors from the host contract. The maturity date for the Term Loan A and RCF is November 2023, for the Term Loans B November 2025. Early prepayment is allowed at par with no break costs.

The commitment fee for the unused portion of the RCF is 0.61%,

At 31 December 2020 and 31 December 2019, the RCF was fully available, except for some limited utilised trade and documentary credit related ancillary allocations.

To hedge the foreign currency and variable interest rate exposure associated with the term loans, various cross currency and interest rate swaps were entered into. Hedge accounting under IFRS 9 is being applied to JDE’s interest rate and cross currency swap portfolio to the extent they qualify. However, due to the various refinancing transactions the majority of the swaps entered into in prior years no longer meet the required effectiveness criteria and therefore any fair value changes were recognised in the income statement. For further information, reference is made to Note 6.

The JDE Credit Agreement requires compliance with customary affirmative, negative and financial covenants.

There is only one financial covenant throughout 2019 and 2020, which requires the leverage ratio of JDE's total Net Debt to Adjusted EBITDA for the last twelve months to be less than 5.95x.

JDE monitors covenant compliance closely, including the prospective development over the next few years. In the opinion of JDE there is currently no indication that covenants are at risk of being breached. JDE was in compliance with all covenants throughout the contract period, including 31 December 2020.

*Other JDE financing*

Other financing refers to various trade and cash management non-committed facilities at local subsidiary level in France, Malaysia, Brazil, Turkey and the Netherlands. There were no restrictions or covenants on these facilities.

**Leases**

The leases relates to the implementation of IFRS 16 in 2019 which has led to on-balance recognition. In the disclosure note the movement is split between the opening balance, additions during the year and other movements in the lease liability.

**Loan from related party**

On 30 December 2019, following the Peet's acquisition from Acorn, Oak 1753 B.V. entered into a EUR 1,704 million borrowing with Acorn. The loan bore interest of 3-month Euribor plus a margin of 1.6%, with a floor of 0.0%. The maturity was 30 December 2024, but was fully repaid during 2020. There were no repayment restrictions or covenants on this facility.

**Bridge financing**

In July 2020, the Company entered into an unsecured Facility Agreement with a small syndicate of banks for an amount of EUR 450 million with an ultimate maturity in July 2021, which was fully repaid during 2020. The interest rate was 1.50%. The facility was not subject to financial covenants.

**Peet's group**

*Senior Credit Facility*

Peet's entered into a five-year senior credit agreement consisting of a revolving credit facility of $600 million with a syndicate of lenders on 1 December 2017. At 31 December 2020 an amount of $386 million (EUR 317 million) was drawn (2019: $356 million, EUR 318 million). Obligations under this agreement are secured by substantially all of the assets of Peet's.

The Peet's RCF facility is subject to commitment fees for unused credit ranging from 0.20% to 0.30% of the unused amount. Loans under the agreement bear interest at a base rate plus an applicable margin. The base rate is the greater of: (i) the prime rate, (ii) the federal funds effective rate plus 0.50% or (iii) an adjusted LIBOR rate for a one-month interest period for a Eurodollar loan plus 1.00% and the applicable margin ranges from 0.00% to 0.75% on base rate loans and ranges from 1.00% to 1.75% on Eurodollar loans. Peet's does not apply hedge accounting in relation to their borrowings.

The credit facility contains customary representations, warranties and negative and affirmative covenants, including a requirement to maintain a maximum leverage ratio, as defined, of 4.50:1 and a minimum interest coverage ratio, as defined, of 3.50:1. Peet's was in compliance with the covenants throughout the contract period, including 31 December 2020.

**Related party borrowing**

Peet's related party borrowing related to a loan of $297 million against a weighted average interest rate of 6.6% with Acorn Holdings B.V. The start date of the loan was 28 December 2018, which on 30 December 2019 was transferred to the Company as part of Peet's share transfer and consequently eliminated. There were no restrictions or covenants on these facilities.

**Holding structure**

On 25 September 2018, an indirect holding company of the Company, DEMB Holdings B.V., entered into a revolving credit facility with BNP Paribas for an amount of EUR 75 million. The interest on the amount drawn is Euribor plus a margin of 1.45% and a floor of 0%. The commitment fee on the undrawn amount is approx. 0.51%. As of 31 December 2018, an amount of EUR 65 million was drawn under this facility, which was repaid during January 2019. In March 2019 an amount of EUR 20 million was drawn and repaid in April 2019 and in December 2019 an amount of EUR 35 million was drawn. This amount of EUR 35 million was repaid and the facility was assigned to Acorn and therefore no longer available.

## 5.3 CASH AND CASH EQUIVALENTS

In the statements of financial position, cash and cash equivalents include cash on hand and other short-term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Any bank overdrafts are included in trade and other payables. In the statements of cash flows, any bank overdrafts are included as an offset to cash and cash equivalents.

As at 31 December 2020 an amount of EUR 25 million was not at the free disposal of JDE Peet's (2019: EUR 16 million). Cash equivalents mainly consist out of deposits and short-term investments that mature with original maturities of three months or less. Given the nature of these deposits and short-term investments and maturity date, management determined that this is available in the short term.

*The composition of cash and cash equivalents is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Cash in bank and on hand | 373 | 502 |
| Cash equivalents | 41 | 309 |
| **Total** | **414** | **811** |

## 5.4 FINANCE INCOME AND EXPENSE

JDE Peet's receives finance income primarily representing interest on cash and cash equivalents. Finance expense primarily relates to interest on borrowings and change in fair value of derivative financial instruments. The interest is recognised using the effective interest method.

JDE Peet's has the ability to voluntarily prepay term loans in whole or in part with prior notice to their agent. The prepayment of the loans does not result in any additional fees or penalties, just the payment of daily accrued interest at the agreed upon rate. An election was made to treat these voluntary prepayments as a loss on extinguishment of debt and expense the proportionate amount of unamortised deferred financing costs, as the loan has been partially settled. Refer to Note 5.2 for additional information on the borrowings.

*Finance income consists of the following (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Interest income | 43 | 97 |
| Pension finance (expense)/income: | | |
| Interest income on plan assets | 35 | 49 |
| Interest expense on defined benefit obligation | (34) | (45) |
| **Total pension finance (expense)/income** | **1** | **4** |
| **Finance income** | **44** | **101** |

*Finance expense consists of the following (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Interest on credit agreement | (100) | (125) |
| Amortisation debt issuance costs | (3) | (4) |
| Commitment fees revolving credit facility | (4) | (3) |
| Interest on interest rate swaps | (33) | (21) |
| Interest on bank overdrafts | (12) | (49) |
| Interest on borrowings from related parties | (12) | (17) |
| Interest on lease liability | (11) | (12) |
| Other | (5) | (4) |
| **Total interest expense** | **(180)** | **(235)** |
| Foreign exchange gain/(loss) | 114 | (85) |
| Change in fair value of derivative financial instruments | (210) | 39 |
| Fair value changes financial liabilities | (14) | (21) |
| **Finance expense** | **(290)** | **(302)** |

# 6. FINANCIAL RISK MANAGEMENT

In accordance with IFRS 9, financial assets are classified into the following categories: amortised costs, fair value through profit or loss, and fair value through OCI. Classification under IFRS 9 for investments in debt instruments is driven by JDE Peet's model for managing financial assets and their contractual cash flow characteristics. Management determines the classification of its financial assets at their initial recognition.

Financial assets are classified as follows:

- *Financial assets at amortised cost*—Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.
- *Financial assets at fair value through OCI*—Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from Equity to the income statement and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the income statement.
- Assets and liabilities that do not meet the criteria for amortised cost or fair value through OCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the income statement (in finance expense except for the change in fair value of commodity derivative financial instruments which are included in the cost of sales) and presented net within other gains/(losses) in the period in which it arises.

The regular purchases and sales of financial assets are recognised on the trade-date, which is the date on which JDE Peet's commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and substantially all risks and rewards of ownership were transferred. Financial assets and liabilities are offset and the net amount is recognised in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

***Impairment of Financial Assets***—Upon initial recognition of the financial asset the expected loss is assessed. Subsequently, at the end of each reporting period it is assessed whether there is objective evidence that a financial asset or group of financial assets is impaired. The impairment model for financial assets is based on expected credit loss. A broader range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. The impairment methodology applied depends on whether there has been a significant increase in credit risk. In applying this forward-looking approach, a distinction is made between the following categories:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') - '12-month expected credit losses' are recognised for this category;
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2') - 'lifetime expected credit losses' are recognised for this category;
- ('Stage 3') would cover financial assets that have objective evidence of impairment at the reporting date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to JDE Peet's  in accordance with the contract and all the cash flows that are expected to be received, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, as JDE Peet's is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that are expected to be received from the holder, the debtor or any other party.

When a loss allowance was measured for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

An impairment gain or loss is recognised in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

On assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, a comparison is made with the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, both quantitative and qualitative information are considered that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which JDE Peet's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to JDE Peet's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, JDE Peet's presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless JDE Peet's has reasonable and supportable information that demonstrates otherwise.

JDE Peet's considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

## 6.1 FINANCIAL RISK FACTORS

JDE Peet's activities are exposed to a variety of financial risks: market risk (including commodity price risk, foreign exchange risk, and interest rate risk), credit risk and liquidity risk. All of these risks arise in the normal course of business. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. To mitigate the risk from interest rate, foreign currency exchange rate, equity price fluctuations and commodity price fluctuations, various derivative financial instruments are used that are in accordance with JDE Peet's policies and procedures. Part of the interest rate derivatives and part of the cross-currency swaps are designated as hedging instruments and hedge accounting is applied. In addition, hedge accounting is applied for highly probable forecasted transactions like certain foreign currency exposures related to the purchase of commodities and investment transactions. All other derivatives are accounted for at fair value through the profit and loss. JDE Peet's does not enter into financial instruments for trading purposes and is not a party to any leveraged derivatives.

## 6.2 MARKET RISK

***Commodity price risk***

Commodity price risk arises primarily from transactions on the world commodity markets. JDE Peet's objective is to minimise the impact of commodity price fluctuations. This exposure is hedged based on JDE Peet's policies. The commodity risk is mainly managed at regional locations, being the US, the Netherlands, Brazil, Vietnam and Indonesia. The commodity price risk exposure of anticipated future purchases is managed primarily using futures and forward contracts, which are eventually rolled-over in to physical contracts. Through these derivatives, JDE Peet's is able to fix a portion of its price for anticipated future deliveries of green coffee beans for a specified period of time. As a result of the short product business cycle, the majority of the anticipated future raw material transactions outstanding at the statement of financial position date are expected to occur in the next year.

JDE Peet's only enters into futures contracts that are traded on established, well-recognised exchanges, named ICE and IFFE that offer high liquidity, transparent pricing, daily cash settlement and collateralisation through margin requirements.

### *Foreign exchange risk*

JDE Peet's operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises primarily from commercial transactions such as the purchase of commodities, recognised monetary assets and liabilities and net investments in foreign operations.

Mainly forward exchange contracts are used to reduce the effect of fluctuating foreign currencies on short-term foreign currency denominated transactions, third-party product-sourcing transactions and other known foreign currency exposures. Gains and losses on the derivative instruments are intended to offset gains and losses on the associated transaction in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates. Forward currency exchange contracts mature either at the anticipated invoice date or at the cash requirement date of the associated transaction, generally within 12 months. Some foreign exchange derivatives are designated as hedging instruments for accounting purposes and  cash-flow hedge accounting on those hedges is applied. The fair value of these hedging instruments is recognised on the consolidated statement of financial position and the effective portion of fair value changes is recognised in the cash flow hedge reserve in the consolidated statement of comprehensive income. The change in fair value on the other foreign exchange derivatives is recognised directly in the consolidated income statement.

### *Interest rate risk*

Interest rate risk comprises of the cash flow risk on expected future interest payments that result from borrowings at floating rates.

JDE Peet's has US Dollar denominated debt outstanding (amongst others), which means that besides interest rate risk there is also foreign currency risk embedded in its borrowings. To manage interest rate risk, interest rate swaps are entered into that effectively convert the majority of the floating rate debt instruments into fixed rate debt instruments. In order to manage the interest rate risk and the foreign currency risk associated to the US Dollar debt, cross currency swaps are entered into that convert the US Dollar denominated floating rate debt partly into Euro fixed debt. The interest rate swap and cross currency interest rate swap agreements that are hedging the cash flows of floating rate debt agreements are designated and accounted for as cash flow hedges applying hedge accounting, where possible.

### *Equity price risk*

JDE Peet's is exposed to an equity price risk on its shares upon vesting of its share-based payment plans (refer to Note 7.1 share-based payments). This risk could negatively impact future cash flows related to these plans. To mitigate this equity price risk JDE Peet's started in 2020 to hedge the price risk on its shares by entering into a total return equity swap with an external party. JDE Peet's has no obligation to purchase the underlying shares of this swap transaction and will be entitled to receive the dividends on these underlying shares. Upon settlement of the swap, only the fair value changes of the underlying shares will be settled. This derivative is accounted for as a financial instrument through profit and loss and does not qualify for hedge accounting. All results related to this transaction are recognised directly in the consolidated income statement. At 31 December 2020 an exposure of an equivalent of 777,095 shares in the Company was hedged, resulting in the recognition of an asset of EUR 1.5 million with a corresponding benefit in financial income and expense (2019: not applicable).

### *Risk management*

JDE Peet's maintains risk management control systems to monitor the foreign exchange, interest rate and commodity price risk and its offsetting hedge positions. Periodically sensitivity analyses are completed to evaluate the effect of any changes in interest rate, commodity prices and foreign currencies and the associated risk derivatives.

### *Commodities*

*As of 31 December 2020, a sensitivity analysis shows that if underlying commodity prices change by 10%, the fair value of the commodity derivative instruments would have changed as follows:*

| | Change in year-end price In percentages | Effect on profit before tax In EUR million | Effect on equity In EUR million |
|---|---|---|---|
| Coffee beans - 2020 | +/- 10% | +/- 14 million | — |
| Coffee beans - 2019 | +/- 10% | +/- 19 million | — |

### Interest rates

JDE Peet's has substantial exposure to interest rate movements due to the amount of outstanding borrowings during the period presented. A portion of the outstanding borrowings are at floating rates. This floating rate was partly converted into fixed and floating rate debt through the use of derivative instruments (interest rate swaps and cross currency swaps).

*A sensitivity analysis shows that if the swap interest rate curve changes by 10 basis points, the fair value of the interest rate derivatives would have changed by the following (in EUR million):*

| | Fair value derivatives | | Profit or Loss | | Equity, pre-tax | |
|---|---|---|---|---|---|---|
| | 10 basis points increase | 10 basis points decrease | 10 basis points increase | 10 basis points decrease | 10 basis points increase | 10 basis points decrease |
| 31 December 2020 | | | | | | |
| Interest rate derivatives | 8 | (8) | — | — | 8 | (8) |
| 31 December 2019 | | | | | | |
| Interest rate derivatives | 16 | (16) | 1 | (1) | 11 | (11) |

### Foreign currency

JDE Peet's has foreign transaction exposures. The risk is managed through the use of derivative financial instruments.

Fair value movements related to the effective part of foreign exchange and interest rate contracts that are designated in hedging relationships are recognised directly in the Cash Flow Hedge Reserve (net of tax), a separate component within Equity.

*As at 31 December 2020, a sensitivity analysis shows that if foreign exchange rates change by 10 percent this would have affected profit by the following (in EUR million):*

| | Profit or Loss | | Equity, pre-tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| 31 December 2020 | | | | |
| +/-10% | (93) | 114 | (93) | 113 |
| 31 December 2019 | | | | |
| +/-10% | (83) | 101 | (91) | 111 |

### Total return equity swap

*As at 31 December 2020, a sensitivity analysis shows that if the underlying share price changes by 10%, the fair value of the equity derivative instruments would have changed as follows (in EUR million):*

| | Change in year-end price In percentages | Effect on profit before tax In EUR million |
|---|---|---|
| Share price - 2020 | 10% | 4 |
| Share price - 2020 | (10)% | (1) |

## 6.3 CREDIT RISK

Credit risk arises because a counterparty may fail to perform its obligations. JDE Peet's is exposed to credit risk on financial instruments such as cash, derivative assets and trade receivables. Concentration of credit risk is avoided by managing financial assets across several institutions and sectors.

In relation to financial instruments, agreements with counterparties are entered into that meet stringent credit standards (at minimum investment grade), limiting the amount of agreements or contracts it enters into with any one party and, where legally available, executing master netting agreements. These positions are continuously monitored. In situations where a counterparty does not meet the minimum credit rating requirement the outstanding exposure with such a counterparty is closely monitored and maintained at an absolute minimum. While JDE Peet's may be exposed to credit losses in the event of non-performance by individual counterparties, it has not recognised any losses with these counterparties in the past and does not anticipate material losses in the future.

All of JDE Peet's derivative instruments, with the exception of exchange traded coffee futures, are governed by International Swaps and Derivatives Association master agreements. JDE Peet’s trade receivables are subject to credit limits, controls and approval procedures. Due to its large geographic base and number of customers, JDE Peet's is not exposed to material concentrations of credit risk on its trade receivables. Nevertheless, commercial counterparties are constantly monitored. The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking into account any collateral held or other credit enhancements, is equal to the carrying amount of the financial assets.

## 6.4 LIQUIDITY RISK

Liquidity risk arises when a company encounters difficulties to meet commitments associated with liabilities and other payment obligations. Such risk may result from inadequate market depth or disruption or refinancing problems. Liquidity risk is managed by maintaining adequate reserves and banking facilities and by closely monitoring forecasted and actual cash flows and, where possible, matching the maturity profiles of financial assets and liabilities. Seasonality of operating cash flows, which includes the payable extension program and structured payables, could impact short-term liquidity.

The following disclosure details JDE Peet's remaining contractual maturities for its non-derivative and derivative financial liabilities with agreed repayment periods. The disclosures have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which JDE Peet's can be required to pay. The disclosures include both interest and principal cash flows.

To the extent that interest rates are at floating rates, the undiscounted amount is based on the (forward) interest rates at the end of 31 December 2020 and 31 December 2019, respectively.

*As at 31 December 2020 (in EUR million):*

| | Note | Less than 1 year | Between 1 and 5 years | Over 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|
| Financial assets and (liabilities) | | | | | | |
| Borrowings: | | | | | | |
| Credit agreement/ facility and related party loans | 5.2 | 89 | 5,467 | — | 5,556 | (5,233) |
| Other financing | 5.2 | 81 | 161 | 25 | 267 | (247) |
| Trade and other payables (excluding deferred revenue) | 4.3 | 2,926 | — | — | 2,926 | (2,926) |
| **Total** | | **3,096** | **5,628** | **25** | **8,749** | **(8,406)** |
| Derivative financial assets and (liabilities) | | | | | | |
| Foreign currency derivatives | 6.7 | 52 | 1 | — | 53 | (50) |
| Commodity derivatives | 6.7 | — | — | — | — | 13 |
| Net interest rate derivatives | 6.7 | 43 | 97 | — | 140 | (144) |
| Total return equity swap derivatives | 6.7 | — | — | — | — | 1 |
| Other | 6.7 | — | — | — | — | 4 |
| **Total** | | **3,191** | **5,726** | **25** | **8,942** | **(8,582)** |

*As at 31 December 2019 (in EUR million):*

| | Note | Less than 1 year | Between 1 and 5 years | Over 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|
| Financial assets and (liabilities) | | | | | | |
| Borrowings: | | | | | | |
| Credit agreement/ facility and related party loans | 5.2 | 140 | 6,330 | 1,030 | 7,500 | (7,029) |
| Other financing | 5.2 | 64 | 192 | 45 | 301 | (263) |
| Trade and other payables (excluding deferred revenue) | 4.3 | 2,962 | — | — | 2,962 | (2,962) |
| **Total** | | **3,166** | **6,522** | **1,075** | **10,763** | **(10,254)** |
| Derivative financial assets and (liabilities) | | | | | | |
| Foreign currency derivatives | 6.7 | 16 | — | — | 16 | (10) |
| Commodity derivatives | 6.7 | — | — | — | — | 15 |
| Net interest rate derivatives | 6.7 | 25 | 57 | 2 | 84 | (105) |
| Other | 6.7 | — | — | — | — | (2) |
| **Total** | | **3,207** | **6,579** | **1,077** | **10,863** | **(10,356)** |

## 6.5 FAIR VALUE ESTIMATION

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used to determine fair value, financial instruments are classified into the three levels as prescribed under IFRS. An explanation of each level follows below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) ("Level 2");
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) ("Level 3").

The commodity derivatives are valued using Level 1 valuation methods. Substantially all of the other derivative assets and liabilities are valued using Level 2 valuation methods. Share-based payments are valued using Level 2 and Level 3 valuation methods, for details on this valuation see Note 7.1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If

*As at 31 December 2020 (in EUR million):*

| | NOTE | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|---|
| Assets | | | | | |
| Derivatives used for hedging | | | | | |
| Foreign exchange contract | 6.7 | — | 4 | — | 4 |
| Commodity contracts | 6.7 | 13 | — | — | 13 |
| Total return equity swap contracts | 6.7 | — | 1 | — | 1 |
| Other | 6.7 | 1 | — | 3 | 4 |
| **Total assets** | | **14** | **5** | **3** | **22** |
| | | | | | |
| Liabilities | | | | | |
| Borrowings | 5.2 | — | 5,480 | — | 5,480 |
| Share-based payment liability | 9.4 | — | — | 18 | 18 |
| Management-owned shares liability | 9.4 | — | — | 81 | 81 |
| Derivatives used for hedging | | | | | |
| Interest rate contracts | 6.7 | — | 144 | — | 144 |
| Foreign exchange contracts | 6.7 | — | 54 | — | 54 |
| **Total liabilities** | | **—** | **5,678** | **99** | **5,777** |

all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- The fair value of total return equity swap is calculated based on the share price at the reporting date versus the average price for which the shares have been purchased times the volume purchased.

Management believes that the carrying amount of all other financial assets and financial liabilities recognised in the statement of financial position approximates its fair value. Borrowings, initially accounted for at fair value and subsequently at amortised cost, classify as Level 2, as no similar instrument is available due to the specific profiles of the instruments.

The following tables presents the assets and liabilities of JDE Peet's that are measured at fair value at 31 December 2020 and 31 December 2019, respectively.

*As at 31 December 2019 (in EUR million):*

| | NOTE | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|---|
| Assets | | | | | |
| Derivatives used for hedging | | | | | |
| Interest rate contracts | 6.7 | — | 5 | — | 5 |
| Foreign exchange contracts | 6.7 | — | 5 | — | 5 |
| Commodity contracts | 6.7 | 16 | — | — | 16 |
| Other | 6.7 | 1 | — | 1 | 2 |
| **Total assets** | | **17** | **10** | **1** | **28** |
| | | | | | |
| Liabilities | | | | | |
| Borrowings | 5.2 | — | 7,292 | — | 7,292 |
| Derivatives used for hedging | | | | | |
| Interest rate contracts | 6.7 | — | 110 | — | 110 |
| Foreign exchange contracts | 6.7 | — | 15 | — | 15 |
| Commodity contracts | 6.7 | 1 | — | — | 1 |
| Other | 6.7 | 1 | — | 3 | 4 |
| **Total liabilities** | | **2** | **7,417** | **3** | **7,422** |

There were no transfers between different levels during 2020 and 2019.

## 6.6 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

*Financial assets subject to offsetting as at 31 December 2020 (in EUR million):*

| | Financial instruments | | Financial instruments | |
|---|---|---|---|---|
| | Non-current assets | Current assets | Non-current liabilities | Current liabilities |
| Gross amount recognised in financial instruments | — | 18 | 135 | 64 |
| Gross amount set off | — | — | — | — |
| **Net Amount** | **—** | **18** | **135** | **64** |
| | | | | |
| Related amounts not set off in the statement of financial positions | | | | |
| Gross financial instruments | (125) | (46) | 125 | 46 |
| Cash collateral – not offset | — | 10 | — | — |
| **Net financial instruments** | **(125)** | **(36)** | **125** | **46** |

*Financial assets subject to offsetting as at 31 December 2019 (in EUR million:)*

| | Financial instruments | | Financial instruments | |
|---|---|---|---|---|
| | Non-current assets | Current assets | Non-current liabilities | Current liabilities |
| Gross amount recognised in financial instruments | 5 | 23 | 110 | 21 |
| Gross amount set off | — | — | 1 | — |
| **Net Amount** | **5** | **23** | **109** | **21** |
| | | | | |
| Related amounts not set off in the statement of financial positions | | | | |
| Gross financial instruments | (99) | 2 | 99 | 2 |
| Cash collateral – not offset | — | 16 | — | — |
| **Net financial instruments** | **(99)** | **18** | **99** | **2** |

## 6.7 DERIVATIVE FINANCIAL INSTRUMENTS

JDE Peet's applies the new hedge accounting requirements in IFRS 9. Derivatives are initially recognised at fair value through profit and loss ("FVTPL") on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss from the measurement depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Certain derivatives are designated as hedging instruments in cash flow hedges.

At inception of the transaction the relationship is documented between hedging instruments and hedged items when hedge accounting is applied. In addition to this, its risk management objectives and strategy for undertaking various hedging transactions are documented when hedge accounting is applied. The assessment, both at hedge inception and on an ongoing basis, is documented of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value of the hedged items in the case that hedge accounting is applied.

The fair values of the derivative instruments are disclosed in Note 6.5. Derivatives are classified as current when the settlement date is within 12 months from the period end and all other derivatives as non-current in the statement of financial position. The change in fair value of commodity derivatives is recognised within cost of sales and the movement of all other derivatives within finance expense in the income statement.

*Fair value hedge*—The changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*Cash Flow hedge*—Fair value movements of hedging instruments in a designated effective cash flow hedge are recognised directly in the Cash Flow Hedge Reserve (net of tax), a separate component within OCI, net of the foreign exchange and interest effective to the period.

Amounts accumulated in OCI are reclassified to the income statement in the periods when the hedged item affects profit or loss (for example, when the forecasted sale that is hedged takes place). The gain or loss relating to the ineffective portion of interest rate swaps and cross currency swaps hedging variable exchange- and interest rate borrowings is recognised in the income statement within Finance expense. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses that was recognised in OCI are transferred from OCI and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised when the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was recognised in OCI is immediately transferred to the income statement within Finance expense.

***Key accounting estimate and judgement***—The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using the Discounted Cash Flow method. Judgement is used to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Derivative financial instruments are used, including forward exchange contracts, futures, interest rate swaps, total return equity swaps and cross currency swaps, to manage exposures to foreign exchange, commodity prices, equity prices and interest rate risks. The use of these derivative financial instruments modifies the exposure of these risks with the intent to reduce the risk or cost. Derivatives are not used for trading or speculative purposes and JDE Peet's is not a party to leveraged derivatives. Maturity of the foreign exchange and commodity contracts is primarily within one year.

*Information on the classification and fair values of derivatives in the statement of financial position as of 31 December 2020 is as follows (in EUR million):*

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Derivatives designated as hedging instruments: | | | | |
| Interest rate contracts | — | — | 11 | 125 |
| Foreign exchange contracts | — | — | 13 | — |
| **Sub-Total** | **—** | **—** | **24** | **125** |
| Derivatives not designated as hedging instruments: | | | | |
| Interest rate contracts | — | — | — | 8 |
| Foreign exchange contracts | 4 | — | 40 | 1 |
| Commodity contracts | 13 | — | — | — |
| Total return equity swap contracts | 1 | — | — | — |
| Other | — | 4 | — | — |
| **Sub-Total** | **18** | **4** | **40** | **9** |
| **Total** | **18** | **4** | **64** | **134** |

| | Interest Rate Contracts | Foreign Exchange Contracts | Commodity Contracts | Total Return Equity Swap Contracts | Total |
|---|---|---|---|---|---|
| Derivatives not designated as hedging instruments: | | | | | |
| Amount of gain (loss) recognised in cost of sales | — | — | (3) | — | (3) |
| Amount of gain (loss) recognised in finance income/expense | (69) | (143) | (1) | 2 | (211) |
| Amount of gain (loss) recognised in selling, general and administrative expenses | — | — | — | — | — |

*Information on the classification and fair values of derivatives in the statement of financial position as of 31 December 2019 is as follows (in EUR million):*

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Derivatives designated as hedging instruments: | | | | |
| Interest rate contracts | 2 | 3 | — | 101 |
| Foreign exchange contracts | 1 | — | 3 | — |
| **Sub-Total** | **3** | **3** | **3** | **101** |
| Derivatives not designated as hedging instruments: | | | | |
| Interest rate contracts | — | — | 4 | 5 |
| Foreign exchange contracts | 4 | — | 12 | — |
| Commodity contracts | 16 | — | 1 | — |
| Other | — | 2 | 1 | 3 |
| **Sub-Total** | **20** | **2** | **18** | **8** |
| **Total** | **23** | **5** | **21** | **109** |

| | Interest Rate Contracts | Foreign Exchange Contracts | Commodity Contracts | Total |
|---|---|---|---|---|
| Derivatives not designated as hedging instruments: | | | | |
| Amount of gain (loss) recognised in cost of sales | — | — | (19) | (19) |
| Amount of gain (loss) recognised in finance income/expense | (21) | 60 | — | 39 |
| Amount of gain (loss) recognised in selling, general and administrative expenses | — | — | — | — |

The interest rate swaps and cross currency swaps are hedging the floating interest rates and foreign currency exposure of borrowings. The total return equity swap hedges the price risk of shares in the Company.

The notional amount of swaps was EUR 3.4 billion and USD 220 million related to the interest rate swap (2019: EUR 3.8 billion and USD 220 million), USD 550 million related to the cross currency swap (2019: USD 650 million) and EUR 27 million related to the total return equity swap (2019: EUR 0 million).

For the designated interest rate and cross currency swaps a gain, net of tax, of EUR 29 million was recognised in OCI during 2020 (2019: EUR 0 million) and an amount of EUR 32 million was recognised in the income statement for the ineffective part 2020 (2019: EUR 17 million).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using the Discounted Cash Flow method. Judgement is used to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

# 7. GOVERNANCE

## 7.1 SHARE-BASED PAYMENTS

All JDE and JDE Peet's plans qualify as equity-settled. The Peet’s plans are partly qualified as equity-settled and partly qualify as cash-settled.

The Peet's cash settled plans include a put right requiring Peet’s to repurchase shares at the discretion of the participant. The inclusion of this put right qualified the Peet’s plans as cash-settled through 17 December 2019. On 17 December 2019 the put right towards Peet's was transferred to an entity outside JDE Peet's, qualifying all Peet’s plans as equity-settled. Since the listing of the Company and the exchange with MCHBV (see Note 1.1), the put right towards Peet's became effective again, whereby all Peet’s plans again qualified as cash-settled. In September 2020, Peet’s asked consent to the participant to have the vesting of Peet’s RSUs and Options and any Peet’s share repurchases settled in an equivalent number of shares in the Company (value-for-value). The Peet’s plans for which consent (“consent”) was given qualify as equity-settled and where no consent (“non-consent”) was given remained qualified as cash-settled.

*Equity-settled*—JDE Peet's operates a number of equity-settled share-based payment plans, under which it receives services from directors and employees as consideration for equity instruments. For these plans, JDE Peet's does not have a present obligation to settle in cash or an obligation to repurchase the equity instruments.

The total amount to be expensed for services received is determined by reference to the grant date fair value of the share-based payment award made. For this purpose, analyses are made whether the price paid by a participant, if any, is in line with the market price of the underlying shares at the grant date. If a positive difference exists between (i) the actual market value of the shares and (ii) the purchase price; this results in a fair value to be reported as a share-based payment expense.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest, with a corresponding credit to the share-based payment reserve within Equity. Compensation expense is recognised on a straight-line basis from the beginning of the service period, even when the grant date is subsequent to the service commencement date. During the period between service commencement date and grant date, the share-based payment expense recognised is based on an estimated grant date fair value of the award. Once the grant date has been established, the estimated fair value is revised so that the expense recognised is based on the actual grant date fair value of the equity instruments granted. The only vesting condition for all the plans is that the participant should still provide services for JDE Peet's.

When equity-settled share-based payment plans are modified to cash-settled, the share-based payment reserve is reclassified as a liability, using the share price at the date of the modification. The difference between the share price at the grant date and the fair value at the modification date for the pro-rata period since the grant date is recognised in retained earnings.

*Cash-settled*—If JDE Peet's has an obligation to settle in cash or an obligation to repurchase equity instruments awarded to directors or employees, the arrangement is classified as a cash-settled share-based payment arrangement. For such an arrangement, the costs are recognised on a straight-line basis over the vesting period, whereby the fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in the income statement.

When cash-settled share-based payment plans are modified to equity-settled, the liability is reclassified to the share-based payment reserve within equity using the share price at the date of the modification. This share price is assumed to be the updated grant date fair value and used in determining the expense over the remaining vesting period.

With respect to the RSUs related to the Company plan a Level 2 valuation technique is used. Inputs for the valuation of these RSUs are: share price of the Company and a forfeiture rate.
RSUs related to the JDE plans are based on a Level 3 valuation technique. Inputs for the valuation of these JDE RSUs are: fair value of the Company, fair value of Peet’s and a forfeiture rate.
RSUs related to the Peet’s plans are based on a Level 3 valuation technique. Inputs for the valuation of these Peet’s RSUs are: last twelve months Adjusted Sales, Adjusted EBITDA, Adjusted Net Income and the forfeiture rate. A reference is made to Note 2.1 - Segment information for the definition of 'Adjusted'.

The Options that are applicable to the Peet's plans are valued by using a Level 3 valuation technique. A Black-Scholes option-pricing model is applied which include the following inputs: fair value of Peet's, strike price of a share, time to maturity, risk free rate, dividend yield and volatility. Furthermore, a forfeiture rate is applied to the valuation of the Options. The unobservable market data used in these valuation techniques is not considered to be significant for the valuation.

***Key accounting estimate and judgement***—Share-based payment expenses are recognised based on a number of assumptions regarding forfeitures and measurement of the fair value share prices. A change in these assumptions may result in significant changes in the share-based payment reserve or liability in the future.

Total share-based payment expenses were recognised of EUR 46 million in fiscal year 2020 (2019: EUR 25 million). The total expense consisted of:

- EUR 4.4 million (2019: EUR 0 million) related to the Company's Long-Term Incentive Share Plan and Executive Ownership Plan;
- EUR 8.6 million (2019: EUR 8.7 million) related to JDE's Long-Term Incentive Share Plan, Share Purchase Plan Senior Management and Executive Ownership Plan; and
- EUR 32.5 million (2019: EUR 16.7 million) related to Peet's Long-Term Incentive Share plan, Executive Ownership Plan and Management Stock.

**Description and amendments of Plans under which Awards were granted to Employees**

*Long-Term Incentive Share Plan (the Company)*

The Company established a long-term incentive plan ("LTIP JDEP"), under which RSUs were awarded to board members and key employees of the Company. Each RSU entitles the relevant participant to receive certain number of shares in the Company based on the value at vesting of the RSU. There is no present obligation to settle in cash or to repurchase, and subsequently the RSU awards are accounted for as equity-settled.

This Plan was established during 2020 and not amended.

*Executive Ownership Plan (the Company)*

The Company established an Executive Ownership plan ("EOP JDEP"), under which certain members of the Executive Committee of the Company were given the opportunity to invest in the Company through an indirect interest in JDEP Holding B.V. The investments are matched 1-for-1 and the costs are recognised over a five-year period or longer based on the service commencement date of the employee. There is no present obligation to settle in cash or to repurchase, and subsequently the RSU awards are accounted for as equity-settled..

This Plan was established during 2020 and not amended.

*Long-Term Incentive Share Plan (JDE)*

At JDE a Long-Term Incentive Share Plan ("LTIP JDE") was established, under which RSUs were awarded to key employees of JDE. Each RSU entitles the relevant participant to receive certain number of shares in the Company based on the value at vesting of the RSU. There is no present obligation to settle in cash or to repurchase, and subsequently the RSU awards are accounted for as equity-settled.

Following the listing of the Company, the LTIP JDE was amended, where the RSUs awarded to key employees of JDE are no longer settled in Certificates issued by the Foundation in exchange for shares of JDE, but settled in shares of the Company. The value at vesting of this plan is still based on the share value of JDE and converted to the equivalent value of shares of the Company (value-for-value). Since the plan still vests in shares and there is no present obligation to settle in cash or to repurchase, the LTIP JDE remained accounted for as equity-settled.

*Executive Ownership Plan (JDE)*

At JDE an Executive Ownership plan ("EOP JDE") was established, under which certain members of the Executive Committee of JDE were given the opportunity to invest in JDE through an indirect share ownership in JDE Holdings Minority B.V. ("JHDM"), subsequent to the legal merger of JDE Management Company B.V. into JHDM. The investments are matched 1-for-1 and the costs recognised over a five-year period or longer based on the service commencement date of the employee. As there is no present obligation to settle in cash or purchase the shares, the EOP JDE is classified as equity-settled.

Following the listing of the Company, the EOP JDE was amended. The investments of the Executive Committee members are still in JDE and also the 1-for-1 match at the vesting of this plan is based on the share value of JDE, but the total value at vesting is converted to the equivalent value of shares in the Company (value-for-value). Since the plan still vests in shares and there is no present obligation to settle in cash or to repurchase, the EOP JDE remained accounted for as equity-settled.

*Share Purchase Plan Senior Management (JDE)*

Senior Management is given the opportunity to initially invest in JDE Certificates through a Foundation. For every three shares held for a period of at least five years, the participant will be entitled to receive one RSU up to 150% of their base salary. Each RSU entitles the relevant participant to receive the value of a JDE share, settled in an equivalent value in shares of the Company. As there is no present obligation to settle in cash or purchase the shares, this plan classified as equity-settled.

Following the listing of the Company, Senior Management had the option to keep their invested amount in Certificates as issued by the foundation in JDE or to have these exchanged for the equivalent value in shares in the Company (value-for-value). Furthermore, at vesting, Senior Management participants will receive shares in the Company instead of Certificates as issued by the Foundation in JDE. Since the plan vests in the Company's shares and there is no present obligation to settle in cash or to repurchase, this plan remained accounted for as equity-settled.

*Long-Term Incentive Share Plan (Peet's) and Executive Ownership Plan (Peet's)*

Peet's has a Long-Term Incentive Share Plan ("LTIP Peet's") and an Executive Ownership Plan ("EOP Peet's"). in place.

The Long-Term Incentive Share Plan ("LTIP Peet's") was established, under which RSUs were awarded to key employees of Peet's. Each RSU entitles the relevant participant to receive certain number of shares based on the value at vesting of the RSU. As explained below these RSU's can vest in either Peet's shares or shares of the Company. Furthermore, this plan includes Options that become exercisable subject to vesting conditions to receive Peet's shares or shares of the Company.

The Executive Ownership Plan ("EOP Peet's") was established, under which certain members of Senior Management of Peet's were given the opportunity to invest in Peet's through its immediate parent Peet's inc ("Peet's Inc."). The investments are matched 1-for-1 and the costs recognised over a period of four and a half year or longer based on the service commencement date of the employee. As explained below these matching awards can vest in either Peet's shares or shares of the Company.

The Plans provide the employees the right to sell their vested shares back to Peet's Inc. at fair value during certain periods, resulting in the classification as cash-settled plans. This put right was in place until 17 December 2019.

On 17 December 2019, the put right towards Peet's was transferred to an entity outside JDE Peet's. Subsequently, there was no longer an obligation to make future cash payments and consequently the plans changed to equity-settled. The share-based payment liability of EUR 35 million was reclassified to share-based payment reserve.

Following the listing of the Company, the put right towards Peet's became effective again, classifying all Peet's plans back to cash-settled plans.

Subsequently, participants had the option to consent with the settlement of their awards in shares in the Company at the equivalent of the vested amount (value-for -value). For the part where consent was given these plans qualify back as equity-settled during 2020.

Due to the changes in the classification of these plans a share-based payment liability was recognised with respect to the cash settled plans for an amount of EUR 15 million offset in share-based payment reserve of EUR 15 million and retained earnings of EUR 0 million.

*Management Stock (Peet's)*

Management of Peet's has the opportunity to invest in Peet's shares directly or owns Peet's shares as a result of vesting of RSUs or Options.

These investment arrangements provide the right to sell their vested shares back to Peet's Inc. at fair value during certain periods, resulting in the classification as cash-settled plans. This put right was in place until 17 December 2019.

On 17 December 2019, the put right towards Peet's was transferred to an entity outside JDE Peet's. Subsequently, there was no longer an obligation to make future cash payments and the arrangement changed to equity-settled. The financial liability of EUR 35 million was reclassified to equity.

Following the listing of the Company, the put right towards Peet's became effective again, classifying all Peet's plans back to cash-settled plans.

Subsequently, participants had the option to consent with the settlement of their investments in shares in the Company at the equivalent of the vesting amount is Peet's awards (value-for -value). For the part where consent was given these plans qualify back as equity-settled during 2020.

Due to the changes in the classification of these plans a share-based payment liability was recognised with respect to the cash settled plans for an amount of EUR 81 million offset in retained earnings of EUR 81 million. The costs related to the cash-settled part of the management stock is recognised in the financial income and expense.

### Summary of Awards Granted by Plan

*Long-Term Incentive Share Plan (the Company)*

During the year, regular RSUs were granted to eligible employees in March and September 2020. The vesting dates of these grants are in March and September 2025, respectively.

The value of RSUs will are based on share price of a share in the Company. This resulted in a grant date fair value of EUR 5.8 million in 2020 (2019: EUR 0.0 million) to be recognised as a share-based payment expense over the applicable vesting period of generally five years, taking into account an estimated forfeiture rate between 0% and 33% of awards that will eventually vest.

*Details of the number of RSU share awards outstanding are as follows:*

| | 2020 |
|---|---|
| In shares of the Company | |
| Opening balance as of 1 January | — |
| Granted | 241,131 |
| Forfeited | — |
| Vested | — |
| **Balance as of 31 December** | **241,131** |

The weighted average grant date fair value at 31 December 2020 of the outstanding RSU share awards was EUR 35.7.

*Executive Ownership Plan (the Company)*

The Executive Committee was invited to invest in shares in the Company and to receive their match of their investment. The new investments equalled a grant date fair value of EUR 39 million in 2020 (2019: EUR 0 million) to be recognised as a share-based payment expense generally over a five-year period.

*Details of the number of RSU share awards outstanding are as follows:*

| | 2020 |
|---|---|
| In shares in the Company | |
| Opening balance as of 1 January | — |
| Granted | 1,144,700 |
| Forfeited | — |
| Vested | — |
| **Balance as of 31 December** | **1,144,700** |

The weighted average grant date fair value at 31 December 2020 of the outstanding share awards was EUR 34.07.

The Company's Executive Committee members financed their investments through own funds, loans issued by JDE Peet's, or a combination of own funds and loans. The total amount of loans provided to the Executive Committee members with respect to the share-based payment plans is disclosed in Note 7.2 – Related party transactions.

*Long-Term Incentive Share Plan (JDE)*

During the year, regular RSUs were granted to eligible employees in March and September 2020 and 2019. The vesting dates of these grants are in March and September 2025 and 2024, respectively.

As the RSUs will be settled in shares in the Company based upon the value of JDE, the fair value of an RSU award equals the estimated share value of JDE of an ordinary share at the grant date. This resulted in a grant date fair value of EUR 10.9 million in 2020 (2019: EUR 10.9 million) to be recognised as a share-based payment expense over the applicable vesting period of generally five years, taking into account an estimated forfeiture rate between 0% and 33% of awards that will eventually vest.

*Details of the number of RSU share awards outstanding are as follows:*

| | 2020 | 2019 |
|---|---|---|
| In shares of JDE | | |
| Opening balance as of 1 January | 34,954 | 44,695 |
| Granted | 9,130 | 9,369 |
| Forfeited | (10,534) | (13,039) |
| Vested | (9,867) | (6,071) |
| **Balance as of 31 December** | **23,683** | **34,954** |

The latest available conversion ratio applicable to the number of JDE RSUs to be converted in shares in the Company is: 47.20.

The weighted average grant date fair value at 31 December 2020 of the outstanding RSU share awards was EUR 1,584 (2019: EUR 1,347).

*Executive Ownership Plan (JDE)*

The Executive Committee was invited to invest in shares in JDE and to receive their match of their investment in shares in the Company. The new investments equalled a grant date fair value of EUR 0 million (2019: EUR 6.5 million) to be recognised as a share-based payment expense generally over a five-year period.

*Details of the number of share awards outstanding are as follows:*

| | 2020 | 2019 |
|---|---|---|
| In shares of the JDE | | |
| Opening balance as of 1 January | 21,444 | 43,314 |
| Awarded | — | 4,018 |
| Forfeited | (2,152) | (20,282) |
| Vested | — | (5,606) |
| **Balance as of 31 December** | **19,292** | **21,444** |

The latest available conversion ratio applicable to the number of JDE RSUs to be converted in shares in the Company is: 47.20.

The weighted average grant date fair value at 31 December 2020 of the outstanding share awards was EUR 1,294 (2019: EUR 1,283).

The JDE Executive Committee members financed their investment through own funds, loans issued by JDE Peet's, or a combination of own funds and loans. The total amount of loans provided to the Executive Committee members with respect to the share-based payment plans is disclosed in Note 7.2 – Related party transactions.

*Share Purchase Plan Senior Management (JDE)*

Eligible participants were invited to invest in JDE through indirect share ownership via a foundation, for which they subsequently could choose to exchange this investment in shares in the Company. For the value of every three JDE shares held for a period of at least five years, the participant will be entitled to receive one matching JDE share up to 150% of their base salary. This match will be settled in listed shares in the Company for the equivalent value as the JDE share.

This resulted in a total grant date fair value of EUR 0.0 million (2019: EUR 0.6 million) to be recognised as a share-based payment expense over the applicable vesting periods. For the awards made under the Share Purchase Plan, a forfeiture rate between 0% and 50% was used when estimating the number of awards that will eventually vest.

*Details of the number of RSU share awards outstanding are as follows:*

| | 2020 | 2019 |
|---|---|---|
| In shares of JDE | | |
| Opening balance as of 1 January | 889 | 658 |
| Granted | 6 | 438 |
| Forfeited | (136) | (207) |
| Vested | (45) | — |
| **Balance as of 31 December** | **714** | **889** |

The latest available conversion ratio applicable to the number of JDE RSUs to be converted in shares in the Company is: 47.20.

The weighted average grant date fair value at 31 December 2020 of the outstanding RSU share awards was EUR 1,408 (2019: EUR 1,403).

*Long-Term Incentive Share Plan (Peet's)*

During the year, regular RSUs were granted to eligible employees in March and September 2019 and 2020. The vesting dates of these grants are in September 2024 and 2015, respectively.

In 2019, these plans classified as equity-settled. Following the listing of the Company, the put right towards Peet's became effective again, resulting in a cash settled classification. A part of the participants consent to settle their award in shares in the Company at the equivalent of the vesting amount is Peet's awards (value-for -value).

With respect to the equity settled plans, a grant date fair value of EUR 11 million in 2020 (2019: EUR 10 million) was recognised as a share-based payment expense over the applicable vesting period of generally five years, taking into account an estimated forfeiture rate between 0% and 14% of awards that will eventually vest.

*Details of the number of RSU share awards outstanding are as follows regarding the LTIP:*

| | 2020 Cash-settled | 2020 Equity-settled | 2019 |
|---|---|---|---|
| In shares of Peet's | | | |
| Opening balance as of 1 January | — | 257,114 | 245,756 |
| Granted | — | — | 101,793 |
| Vested | — | — | (67,811) |
| Forfeited | — | (18,903) | (22,624) |
| Effect of plan modifications | 124,368 | (124,368) | — |
| Granted | — | 79,387 | — |
| Vested | (18,127) | (88,925) | — |
| Forfeited | — | — | — |
| **Balance as of 31 December** | **106,241** | **104,305** | **257,114** |

The latest available conversion ratio applicable to the number of Peet's RSUs to be converted in shares in the Company is: 3.65 with respect to the equity-settled plans.

The weighted average grant date fair value at 31 December 2020 of the outstanding RSU share awards was EUR 108 per share (2019: EUR 98 per share).

*Details of the number of options outstanding are as follows:*

| | 2020 Cash-settled | 2020 Equity-settled | 2019 |
|---|---|---|---|
| In shares of Peet's | | | |
| Opening balance as of 1 January | — | 127,937 | 160,913 |
| Granted | — | — | – |
| Exercised | — | (227) | (10,015) |
| Forfeited | — | (5,341) | (22,961) |
| Effect of plan modifications | 95,792 | (95,792) | – |
| Granted | — | — | – |
| Exercised | (1,821) | (5,710) | – |
| Forfeited | (306) | — | – |
| **Balance as of 31 December** | **93,665** | **20,867** | **127,937** |

The latest available conversion ratio applicable to the number of Peet’s Options to be converted in shares in the Company is: 3.65 with respect to the equity-settled plans.

The weighted average exercise price of the options at 31 December 2020 is EUR 62 per share (2019: EUR 55 per share) with a weighted average remaining contractual life of 3.9 years (2019: 2.2 years).

At 31 December 2020, a liability of EUR 18 million was recognised as the share-based plans, including a part of the EOP plan as described below, are modified to cash-settled plans (2019: EUR 0 million).

Executive Ownership Plan (Peet’s)

Eligible employees who made a pre-established minimum investment in Peet’s Inc. under the EOP were eligible to receive a matching award grant of RSUs which vest in a similar manner to the RSU awards granted under the LTIP. These matching awards are valued and expensed in the same manner as other RSU grants.

*Details of the number of RSU share awards outstanding are as follows regarding the EOP:*

| | 2020 Cash-settled | 2020 Equity-settled | 2019 |
|---|---|---|---|
| In shares of Peet's | | | |
| Opening balance as of 1 January | — | 189,090 | 241,004 |
| Granted | — | — | 40,150 |
| Vested | — | (5,684) | (58,420) |
| Forfeited | — | (1,860) | (33,644) |
| Effect of plan modifications | 93,272 | (93,272) | – |
| Granted | — | 31,413 | – |
| Vested | (12,594) | (40,096) | – |
| Forfeited | — | (46,382) | – |
| **Balance as of 31 December** | **80,678** | **33,209** | **189,090** |

The latest available conversion ratio applicable to the number of Peet’s Options to be converted in shares in the Company is: 3.65 with respect to the equity-settled plans.
The weighted average grant date fair value at 31 December 2020 of the outstanding RSU share awards was EUR 108 per share (2019: EUR 98 per share).

Eligible employees were provided the option to finance a portion of their investment under the EOP with a loan from Peet’s Inc. All loans outstanding as of 31 December 2020 are limited recourse loans which may be prepaid by participants at any time. The total amount of loans provided to the Executive Committee members with respect to the share-based payment plans is disclosed in Note 7.2 – Related party transactions.

*Management Stock (Peet's)*

Management of Peet’s has the opportunity to invest in Peet’s shares directly or received Peet’s shares due to the vesting of their RSUs. The value of these investments is classified as a liability on the balance sheet as Peet's has the obligation to buy back these investments and amounts EUR 81 million at 31 December 2020, in 2019 these shares were considered to be equity and therefore no liability was recognised in 2019. The number of outstanding Management Stock that qualifies as a liability is 579.854 per 31 December 2020 and 0  per 31 December 2019.

Management of Peet’s has the opportunity to invest in shares in the Company directly or received such shares following the vesting of their RSUs. The value of these investments is classified as equity as the Company does not have an obligation to buy back these investments. This is valued against the fair value of the share upon the issuance of the shares. The number of outstanding Management Stock that is classified as equity is 198.877 per 31 December 2020 and 895,845 per 31 December 2019.

## 7.2 RELATED-PARTY TRANSACTIONS

### Key management compensation

*The compensation related to key management and non-executive Directors of JDE Peet's for employee services is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Salaries | 47 | 29 |
| Share-based payment compensation | 31 | 18 |
| Severance | 1 | 1 |
| Other | 2 | 1 |
| **Total** | **81** | **49** |
| | | |
| Executive Director | 20 | — |
| Non-executive Directors (the Board) | 2 | — |

The definition of key management in this note differs from the definition as applied in the remuneration report as this definition includes senior management while the remuneration report only apply to the executive Director and the Board. Detailed remuneration disclosures are provided in the remuneration report on pages 130-138.

We applied the provision in art 2:383 DCC regarding omitting disclosures traceable to a single person for 2019 and the period in 2020 up to the listing. As of the date of listing this provision is no longer applicable.

**Shares in JDE Peet's—**As at 31 December 2020, Olivier Goudet held 30,000 ordinary shares in JDE Peet's and Chris Brighton held 17,306 ordinary shares in JDE Peet's. In addition certain non-executive Directors have indirect interests in JDE Peet's through shareholdings in the parent companies.

**Contribution by parent & distribution to parent**—During 2020 no contributions were made by or distributed to the shareholders. During 2019 JDE Peet's distributed an amount of EUR 552 million to its shareholders.

**Share-based payments**—As described in Note 7.1, directors and employees of JDE Peet's participate in share-based payment plans. The costs related to these plans are reflected as part of the selling, general and administrative expenses in the income statement.

**Shares (non-) executive Directors—**(Non-)executive Directors purchased shares under the stock purchase agreement of Peet's. The participants have a right to offer the shares for sale at a purchase price equal to the fair market value as included in Note 7.1. The following transactions occurred in 2019 and 2020 with (non-)executive Directors:

2019: EUR 17.1 million

2020: EUR 10.2 million

### Trading transactions

*During the year, JDE Peet's entities entered into the following transactions with related parties who are not members of JDE Peet's (in EUR million):*

| | Sales to related parties | | Purchases from related parties | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Keurig Dr Pepper | 6 | 11 | 74 | 59 |
| Caribou | 38 | 32 | 23 | 17 |
| Mondelēz Group | 20 | 19 | 37 | 39 |
| **Total** | **64** | **62** | **134** | **115** |

*The following amounts were outstanding from/to related parties at reporting date (in EUR million):*

| | Owed by related parties | | Owed to related parties | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Keurig Dr Pepper | 2 | 1 | 36 | 28 |
| Caribou | — | — | 2 | — |
| Mondelēz Group | 5 | 2 | 9 | 10 |
| **Total** | **7** | **3** | **47** | **38** |

Sales of goods to related parties were made at JDE Peet's' usual list prices, less usual discount provided to customers. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties. The amounts outstanding are unsecured and will be settled in cash. No guarantees were given or received. No provisions were made for doubtful debts in respect of the amounts owed by related parties.

**Transactions with Mondelēz International Inc. Group**—There were transactions between JDE Peet's and Mondelēz Group as part of the normal course of business, such as rental of office space.

**Transactions between Peet's and Keurig Dr Pepper**—There were transactions between Peet's and Keurig Dr Pepper (an entity ultimately partially owned by JAB) as part of the normal course of business, such as the purchase of coffee by Keurig Dr Pepper and subsequently purchase of K-cups by Peet's.

**Transactions between Peet's and Caribou**—There were transactions between the Peet's and Caribou (an entity ultimately owned by JAB) as part of the normal course of business, such as sale of coffee from Peet's to Caribou.

**Transactions with various pension funds**—JDE Peet's has several transactions with the pension funds as further disclosed in Note 9.1. All transactions are related to payments to and/or to fund the pension funds.

**Revive transaction**—As of 31 July 2020, the majority interest in Revive was sold to related party KDP for an arm's length consideration of US Dollar 1. This sale resulted in a remaining ownership percentage of 13.24% while KDP's ownership became 66.36%. Prior to the sale of Revive, the goodwill related to this interest was disposed for an amount of EUR 17.3 million as disclosed in Note 3.2. The remaining impact of this transaction on the financial statements was immaterial.

**Transactions with shareholders**—JDE Peet's borne the commissions due to the underwriters for the secondary component of the listing, representing the existing ordinary shares placed by Acorn and MCHBV for a total amount of EUR 36 million.

**Loans to related parties**

**Loans to key management—**As described in Note 7.1, loans were granted to members of the executive committee for the sole purpose of participating in the executive ownership plans of JDE Peet's. The loans bear interest at 3% and early repayment is allowed. The total amount of loans outstanding to executive committee members amounted to EUR 20 million at 31 December 2020 (2019: EUR 10 million).

**Loan to Acorn—**A loan with Acorn was entered into on 24 October 2019. This loan receivable had a notional amount of EUR 250 million with an interest rate of 3-month Euribor plus a margin of 1.6%, with a floor of Euribor of 0.0%. On 20 December 2019, JDE Peet's distributed this loan to Acorn. This distribution was recognised against retained earnings.

**Loans from related parties**

At 31 December 2020 the Company had no outstanding loans with related parties.

**Loans from Acorn—**Peet's entered into a borrowing from Acorn for a notional amount of US dollar 297 million. The loan is against a weighted average interest rate of 6.6%. The start date of this loan was 28 December 2018. In 2019, the loan was contributed to JDE Peet's resulting in elimination of the loan and an increase of share premium by EUR 265 million. Part of this loan was ultimately due to an entity in which now a (former) member of key management of the intermediate parent company had a controlling interest, this amount was transferred to Acorn.

On 20 December 2019, JDE Peet's made a capital distribution of EUR 300 million to related party Acorn. The amount remained outstanding as other current liability as per 31 December 2019. On 17 January 2020, JDE Peet's received a capital contribution from Acorn for an amount of EUR 300 million as share premium which offset the outstanding other current liability at 31 December 2019.

On 30 December 2019, JDE Peet's acquired the shares in Peet's HoldCo, Inc (US) from Acorn in exchange for a note payable to Oak 1753 B.V. with a principal amount of EUR 1,704 million. The loan bears 3-month Euribor plus a margin of 1.6% interest, with a floor of 0.0% for the Euribor rate and matured on 30 December 2024. This loan was fully repaid during 2020.

**Reconciliation to equity statement**

For 2019, the transactions between Acorn and JDE Peet's (capital decrease of EUR 1,704 million) and Acorn to JDE Peet's (capital decrease of EUR 265 million) resulted in a net decrease in additional paid in capital of EUR 1,439 million as disclosed in the statement of changes in equity. In addition, the distribution of a loan as described above from JDE Peet's to Acorn of EUR 250 million is also disclosed in the statement of changes in equity.

**Fiscal unity—**Certain Dutch subsidiaries of the Company, and the operations of Peet's were included with affiliates not part of the Group in a combined group tax filing. The Company, together with certain of its Dutch subsidiaries, is part of a tax grouping for Dutch corporate income tax purposes.

# 8. INCOME TAXES

Income tax expense for the period comprises of current and deferred tax. Current and deferred tax is recognised in the income statement, except when it relates to a business combination or for items recognised in OCI or directly in Equity.

*Current income tax*—Current tax is the expected income tax payable or receivable in respect of taxable income or loss for the current year in the countries where JDE Peet's operates and generates taxable income, using the tax rates enacted or substantially enacted at the reporting date, and any adjustments thereto in respect of previous years.

*Deferred income tax*—Deferred income tax is a tax payable or receivable in the future and is recognised on temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts, unused tax losses and unused tax credits.

Deferred income tax is not recognised on temporary differences related to: (i) the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, (ii) the investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that JDE Peet's is able to control the timing and reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and (iii) initial recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. The criteria that are considered in assessing the probability that sufficient taxable profit will be available include: (i) the existence of taxable temporary differences that relate to the same taxation authority and the same taxable entity, (ii) expected future taxable profits and (iii) tax planning opportunities. In case a history of recent losses is present, it is considered whether convincing other evidence (apart from available taxable temporary differences) exists, such as the nature of the (historical) losses and changes in activities to support recognising the deferred tax asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

*Uncertain tax treatments*—An uncertain income tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the taxation authority. Such uncertainty can relate to all aspects of income tax accounting, including taxable profit or loss, the tax bases of assets and liabilities, tax losses, tax credits and tax rates. If JDE Peet's concludes it is probable that the taxation authority will not accept an uncertain tax treatment, a liability will be recognised to reflect the effect of the uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, to the extent that a reliable estimate can be made.

If JDE Peet's concludes it is possible but not probable that a taxation authority will not accept an uncertain tax treatment,JDE Peet's shall determine whether to disclose the potential effect of the uncertainty as a tax-related contingency.

***Key accounting estimate and judgement*** — JDE Peet's is subject to taxation in the many countries in which it operates. The tax legislation of these countries differs, is often complex and is subject to interpretation by management and the government authorities. These matters of judgement give rise to the need to create provisions for income tax payments that may arise in future years with respect to transactions already undertaken. Judgment is made about whether each uncertainty should be considered independently or whether some uncertainties can be considered together, when recognising and measuring provision for income tax payments. The income tax provision is estimated based on either of the following methods, depending on which method JDE Peet's expects to better predict the resolution of the uncertainty: (i) the most likely amount - the single most likely amount in a range of possible outcomes, or (ii) the expected value - the sum of the probability-weighted amounts in a range of possible outcomes.

If new information becomes available, this may cause JDE Peet's to change its judgement regarding the adequacy of existing income tax liabilities; such changes to income tax liabilities will impact the income tax expense in the period that such determination is made.

For the utilisation of tax losses and recognition of other deferred tax assets, management uses judgement to assess whether there will be sufficient future taxable profits to utilise such deferred tax assets.

**Income Tax Expense**

*The components of the income tax expense are as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Current tax (expense) / benefit | (192) | (191) |
| Deferred tax (expense) / benefit | (128) | (65) |
| **Total income tax expense** | **(320)** | **(256)** |

*Reconciliation of the effective tax rate (in EUR million):*

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Profit before income taxes | 687 | | 841 | |
| | Tax | % | Tax | % |
| Income tax using JDE Peet's calculated weighted average statutory income tax (a)[52] | (141) | 20.5% | (178) | 21.2% |
| | | | | |
| Differences between computed rate of tax and effective tax rate due to: | | | | |
| Tax exempt and non-taxable income | 6 | (0.9)% | 5 | (0.6)% |
| Non-deductible expenses | (35) | 5.1% | (23) | 2.7% |
| Tax rate changes | (127) | 18.5% | (35) | 4.2% |
| Repatriation taxation of earnings and withholding | (3) | 0.4% | (3) | 0.4% |
| Recognition/(non-recognition) of deferred tax assets | (8) | 1.2% | (22) | 2.6% |
| Tax reserves and tax audit adjustments | (10) | 1.5% | (6) | 0.7% |
| Other taxes | (2) | 0.3% | 6 | (0.8)% |
| **Effective tax rate** | **(320)** | **46.6%** | **(256)** | **30.4%** |

The effective income tax rate in 2020 was higher than JDE Peet's calculated weighted average statutory income tax in 2020, mainly driven by the enacted tax rate changes in the Netherlands (increasing the tax rate from 21.7% to 25.0% and the effective tax rate for the innovation box regime from 7% to 9% in 2021), which resulted in the realisation of a one-off net deferred tax expense of EUR 128 million (2019: one-off net deferred tax expense of EUR 35 million).

[52] *JDE Peet's calculated weighted average statutory income tax is the average of the standard rate of tax (including the impact of tax rate attributes) applicable in the countries in which JDE Peet's operates, weighted by the amount of underlying profit before taxation generated in each of those countries. For this reason, the rate may vary from year to year according to the mix of profit and related tax rates.*

### Deferred Income Tax Assets and Liabilities

*The analysis of the deferred income tax assets and liabilities is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Deferred income tax assets | 77 | 61 |
| Deferred income tax liabilities | (1,086) | (949) |
| **Net deferred income tax** | **(1,009)** | **(888)** |

*Deferred tax assets and deferred tax liabilities are attributable to the following items (in EUR million):*

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | Net deferred tax asset/(liability) | Deferred tax assets | Deferred tax liabilities | Net deferred tax asset/(liability) |
| Property, plant and equipment | 5 | (105) | (100) | 5 | (120) | (115) |
| Goodwill and other intangible assets | 9 | (1,248) | (1,239) | 14 | (1,097) | (1,083) |
| Other non-current financial assets | 148 | (1) | 147 | 142 | (1) | 141 |
| Retirement benefit asset/obligations | 71 | (54) | 17 | 68 | (52) | 16 |
| Share-based payments | 3 | — | 3 | 5 | — | 5 |
| Borrowings | 43 | — | 43 | 63 | (2) | 61 |
| Derivative financial instruments | 34 | — | 34 | 20 | — | 20 |
| Provisions and other | 22 | (4) | 18 | 14 | (2) | 12 |
| Trade and other receivables/payables | 28 | — | 28 | 27 | (1) | 26 |
| Inventories | 6 | — | 6 | 7 | — | 7 |
| Tax on repatriation of earnings | — | (40) | (40) | — | (39) | (39) |
| Other tax credits carry forwards | 2 | — | 2 | 4 | — | 4 |
| Tax loss carry forwards | 72 | — | 72 | 57 | — | 57 |
| **Subtotal** | **443** | **(1,452)** | **(1,009)** | **426** | **(1,314)** | **(888)** |
| Offset of deferred tax positions | (366) | 366 | — | (365) | 365 | — |
| **Net deferred tax asset/(liability)** | **77** | **(1,086)** | **(1,009)** | **61** | **(949)** | **(888)** |

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries, joint ventures and associates, with an impact of EUR 28 million (2019: EUR 25 million). This is because JDE Peet’s is able to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

On 22 December 2017, the U.S. Tax Cuts and Jobs Act ("TCJA") was signed into law, a tax reform package which, among others, subjects certain foreign earnings on which U.S. income has been deferred to a one-time transition tax ("Toll Charge"). Although JDE Peet's believes that it has sufficient tax credits available to offset the transition tax liability, this fundamental legislation was introduced only in late December 2017, and the possibility of further clarifications and/or modifications on this one-time Toll Charge exists; therefore, this inherently carries an element of uncertainty that JDE Peet's may not be able to eventually offset the (entire) liability.

**Movement in deferred tax balances during the year**

In 2020 the net deferred tax position increased with EUR 121 million from a net deferred liability of EUR 888 million in 2019 to a net deferred liability of EUR 1,009 million in 2020. This increase was predominantly driven by a deferred tax expense due to enacted tax rate changes in the Netherlands.

*The movements during 2020 and 2019 are as follows (in EUR million):*

| | Balance as of 31 December 2019 | (Charged) Credited to the income statement | (Charged) Credited directly to other comprehensive income | Currency translation | Business combinations | Balance as of 31 December 2020 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | (115) | 9 | — | 6 | — | (100) |
| Goodwill and other intangible assets | (1,083) | (172) | — | 17 | (1) | (1,239) |
| Other non-current financial assets | 141 | 6 | — | — | — | 147 |
| Retirement benefit asset/obligations | 16 | (3) | — | 4 | — | 17 |
| Share-based payments | 5 | (1) | — | (1) | — | 3 |
| Borrowings | 61 | (16) | — | (2) | — | 43 |
| Derivative financial instruments | 20 | 17 | (3) | — | — | 34 |
| Provisions and other | 12 | 8 | — | (2) | — | 18 |
| Trade and other receivables/payables | 26 | 6 | — | (4) | — | 28 |
| Inventories | 7 | — | — | (1) | — | 6 |
| Tax on repatriation of earnings | (39) | (1) | — | — | — | (40) |
| Other tax credits carry forwards | 4 | (2) | — | — | — | 2 |
| Tax loss carry forwards | 57 | 21 | (3) | (3) | — | 72 |
| **Net deferred tax asset/(liability)** | **(888)** | **(128)** | **(6)** | **14** | **(1)** | **(1,009)** |

| | Balance as of 31 December 2018 | (Charged) Credited to the income statement | (Charged) Credited directly to other comprehensive income | Currency translation | Business combinations | Balance as of 31 December 2019 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | (72) | (41) | — | (2) | — | (115) |
| Goodwill and other intangible assets | (1,020) | (60) | — | (3) | — | (1,083) |
| Other non-current financial assets | 137 | 4 | — | — | — | 141 |
| Retirement benefit asset/obligations | (9) | 1 | 28 | (4) | — | 16 |
| Share-based payments | 4 | 1 | — | — | — | 5 |
| Borrowings | 24 | 37 | — | — | — | 61 |
| Derivative financial instruments | 19 | (2) | 3 | — | — | 20 |
| Provisions and other | 5 | 9 | — | — | (2) | 12 |
| Trade and other receivables/payables | 35 | (11) | — | 2 | — | 26 |
| Inventories | 2 | 5 | — | — | — | 7 |
| Tax on repatriation of earnings | (40) | 1 | — | — | — | (39) |
| Other tax credits carry forwards | 8 | (4) | — | — | — | 4 |
| Tax loss carry forwards | 80 | (5) | (23) | 5 | — | 57 |
| **Net deferred tax asset/(liability)** | **(827)** | **(65)** | **8** | **(2)** | **(2)** | **(888)** |

### Tax losses, tax credits and other carried forwards

JDE Peet's has tax losses carried forward of EUR 789 million as at 31 December 2020 (2019: EUR 708 million), for which EUR 72 million was recognised as a deferred tax asset (2019: EUR 57 million). Unrecognised deferred tax assets on tax losses amount to EUR 78 million in 2020 (2019: EUR 74 million).

JDE Peet's has U.S. and Netherlands tax credits carry forwards at 31 December 2020 of EUR 21 million (2019: EUR 16 million) for which a deferred tax asset was recognised for EUR 2 million (2019: EUR 4 million). The unrecognised tax credits amount to EUR 19 million in 2020 (2019: EUR 12 million), of which EUR 14 million expires between 3 and 7 years and the remaining EUR 5 million are carried forward unlimited in time.

Further, JDE Peet's has temporary differences at 31 December 2020 with a tax effect of EUR 25 million (2018: EUR 15 million) for which no deferred tax asset was recognised as future taxable profit is not deemed probable.

*These (un)recognised tax losses carried forward expire as to the table below (in EUR million):*

| | Tax losses unrecognised | | Tax losses recognised | | Total tax losses | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Within 1 year | 6 | — | 1 | 1 | 7 | 1 |
| 1 to 2 years | 5 | 7 | 4 | 1 | 9 | 8 |
| 2 to 3 years | 6 | 6 | 2 | 3 | 8 | 9 |
| 3 to 4 years | 7 | 6 | 1 | 2 | 8 | 8 |
| 4 to 5 years | 13 | 4 | — | — | 13 | 4 |
| Later | 29 | 42 | 115 | 67 | 144 | 109 |
| Unlimited | 282 | 260 | 318 | 309 | 600 | 569 |
| **Balance as at 31 December** | **348** | **325** | **441** | **383** | **789** | **708** |

# 9 OTHER DISCLOSURES

## 9.1 POST EMPLOYMENT AND OTHER LONG TERM EMPLOYEE BENEFIT PLANS

JDE Peet's contributes to defined contribution retirement benefit plans that are recognised as expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each fiscal year. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise. Past service cost is recognised immediately in the income statement. For defined benefit plans, the operating and finance expense are recognised separately in the income statement. The amount recognised as operating cost in the income statement is the cost of accruing pension benefits promised to employees over the year, plus the costs of individual events such as past service benefit enhancements, settlements and curtailments (such events are recognised immediately in the income statement). The amount recognised as finance income includes a credit equivalent to the interest income on the pension plans' assets over the year, offset by a charge equal to the interest expense in the plans' liabilities over the year.

The retirement benefit obligations recognised in the statement of financial position represent the present value of the defined benefit obligation, as adjusted for past service cost, and as reduced by the fair value of plan assets.

***Key accounting estimate and judgement***—JDE Peet's sponsors defined benefit plans and provides other post-employment benefits. Assumptions are an important element in the actuarial methods that are used to measure the expense and obligations relative to employee benefits. The assumptions utilised include discount rate, inflation and indexation, life expectancy, payroll increase and health-care trends. Any change in these assumptions could potentially result in a significant change to the pension assets, pension liabilities, commitments and pension costs in future periods.

JDE Peet's operates a number of defined benefit and defined contribution plans for its employees.

**Defined Contribution Plans**

JDE Peet's sponsors defined contribution pension plans for its employees. The cost is determined by the contributions to these plans and is recognised when it becomes due. The amount of expense recognised during the fiscal year 2020 was EUR 32 million (2019: EUR 31 million).

**Defined Benefit Plans (Pension, Jubilee and Post-Employment Medical)**

JDE Peet's sponsors defined benefit plans in a number of countries, with the most significant plan in the UK. The defined benefit plans include pension plans, jubilee plans and post-employment medical benefit plans.

***United Kingdom***–The UK Pension Plan is fully funded on a technical provisions basis.

The Trustee of the plan implemented an investment strategy in which 90% of the plan assets are invested in matching assets (corporate credits and – index linked – gilts) and 10% of plan assets are invested in worldwide equity. The overall investment portfolio is structured in such a way that the volatility of the funded status is within 2% per year. The target return of the investments is 50 – 75bps above gilts (excl. manager fees), while the technical provisions basis is set at Gilts +50bps. Under UK Pensions Law the sponsoring companies remain liable in case of future deficits in the pension plan.

The value of UK Plan as at 31 December 2020 amounted to a net asset of EUR 287 million (2019: EUR 306 million). No asset ceiling applies to this plan.

The defined benefit plan in the UK is funded by contributions from the associates and the relevant JDE Peet's entities, taking into account applicable government regulations and the recommendations of independent, qualified actuaries. The funding of the plan was at 31 December 2020 109.6% (2019: 108.3%). JDE Peet's will pay contribution between 42% and 59% of the pensionable salary for active members, which for the year 2021 is estimated at EUR 8 million.

***Germany***–There are six (largely) unfunded defined benefit plans in Germany. About 1,100 associates accrue benefits in two (closed) schemes: a jubilee plan and a deferred compensation plan. The total defined benefit obligation at 31 December 2020 was EUR 235 million (2019: EUR 217 million) of which EUR 80 million (2019: EUR 80 million) was funded by means of a Contractual Trust Agreement.

*A summary of the amounts recognised in the financial statements related to the pension, jubilee and post-employment medical plans is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Defined benefit obligation of funded plans | (1,749) | (1,692) |
| Fair value of plan assets | 2,036 | 1,998 |
| **Funded defined benefit plans with a surplus** | **287** | **306** |
| | | |
| Defined benefit obligation of funded plans | (373) | (358) |
| Fair value of plan assets | 116 | 113 |
| **Funded defined benefit plans with a deficit** | **(257)** | **(245)** |
| Defined benefit obligation—post-employment medical & jubilee benefits | (12) | (13) |
| **Defined benefit liability** | **(269)** | **(258)** |

The following provides detailed disclosures regarding the pension, jubilee and the post-employment medical plans.

***Pension Benefits****—The reconciliation of the amounts recognised in the table above to the total defined benefit obligation and fair value of plan assets is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Total defined benefit obligation | (2,122) | (2,050) |
| Total fair value of plan assets | 2,152 | 2,111 |
| **Net defined benefit position** | **30** | **61** |

### Information on plan assets and defined benefit obligation per country

*The defined benefit obligation per 31 December per country and the plan assets per country can be specified as follows (in EUR million):*

| | Plan assets | | Defined Benefit Contribution | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| United Kingdom | 2,036 | 1,998 | (1,749) | (1,692) |
| Germany | 80 | 80 | (315) | (297) |
| Other | 36 | 33 | (58) | (61) |

The weighted average duration of the defined benefit obligations for the UK per 31 December 2020 is 15.9 years (2019: 15.4 years) and for Germany per 31 December 2020 is 22.1 years (2019: 22.1 years).

*The movement in the defined benefit obligation over the year is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Defined benefit obligation at the beginning of the period | 2,050 | 1,725 |
| Employer service costs | 17 | 15 |
| Interest expense | 33 | 44 |
| Administration costs | 2 | 1 |
| Actuarial (gain)/loss due to experience | (2) | 21 |
| Actuarial (gain)/loss due to demographic assumption changes | 6 | (14) |
| Actuarial (gain)/loss due to financial assumption changes | 179 | 239 |
| Foreign currency translation | (91) | 98 |
| Benefits paid | (72) | (79) |
| **Defined benefit obligation at current period end** | **2,122** | **2,050** |

*The movement in the fair value of plan assets is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Fair value of plan assets at the beginning of the period | 2,111 | 1,884 |
| Employer contributions | 12 | 12 |
| Benefits paid | (72) | (79) |
| Interest income | 35 | 49 |
| Return on plan assets greater/(less) than interest income | 173 | 128 |
| Foreign currency translation | (107) | 117 |
| **Fair value of plan assets at current period end** | **2,152** | **2,111** |

*The amounts recognised in the income statement are as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Employer service costs | 17 | 15 |
| Interest expense on defined benefit obligation | 33 | 44 |
| Interest income on plan assets | (35) | (49) |
| Administration costs | 2 | 1 |
| **Total defined benefit cost recognised in the consolidated income statement** | **17** | **11** |

Of the total defined benefit cost recognised in the income statement EUR 17 million (2019: EUR 15 million) was recognised in selling, general and administrative expenses and cost of sales for the period.

*The amounts recognised in the statements of comprehensive income (before tax) are as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Opening balance | (115) | (214) |
| Actuarial (gains) / losses on the defined benefit obligation | 183 | 246 |
| Actuarial (gains) / losses on the plan assets | (173) | (128) |
| Foreign currency translation | 16 | (19) |
| **Closing balance** | **(89)** | **(115)** |

*The experience adjustments and actuarial gains and losses due to change in actuarial assumptions are as follows and relate to the plans included in the statement of financial position at the end of the year (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Liability (gain) or loss due to experience | (2) | 21 |
| Liability (gain) or loss due to demographic and financial assumptions changes | 185 | 225 |
| **Actuarial (gains) / losses on the defined benefit obligation** | **183** | **246** |
| Asset (gain) or loss due to experience | (173) | (128) |
| **Actuarial (gain) or loss recognised** | **10** | **118** |

*The weighted-average actual assumptions used in measuring the defined benefit cost recorded in the consolidated income statement of the next fiscal year and plan obligations at the end of the fiscal year are as follows:*

| | | 2020 | | 2019 |
|---|---|---|---|---|
| | UK | Germany | UK | Germany |
| Discount rate | 1.30% | 0.80% | 1.85% | 1.00% |
| Indexation rate inactive participants - deferred | 2.40% | N/A | 2.25% | N/A |
| Indexation rate inactive participants - pensioners | 2.85% | 1.75% | 2.85% | 1.75% |
| Inflation rate | 2.90% | 1.75% | 3.00% | 1.75% |
| Future salary increases | 3.40% | 2.50% | 3.25% | 2.50% / 3.00% |

The discount rate is determined by utilising a yield curve based on high-quality, fixed-income investments that have an AA bond rating to discount the expected future benefit payments to plan participants. Salary increase assumptions are based upon historical experience and anticipated future management actions.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following mortality tables:

- UK: SAPS S2 Pensioners +0.3 year age rating with CMI Core Projection Model 2018 update, with a 1.25% long term trend and for 2020 an 0.25% initial addition to improvements.
- Germany: Heubeck 2018G.

Sensitivity to changes in individual parameters used as of 31 December 2020 can be estimated as follows:

- A 50 basis point decrease in the discount rate of interest would increase the defined benefit obligation by approximately EUR 191 million (2019: EUR 180 million);
- A 50 basis point increase in inflation assumption would increase the defined benefit obligation by approximately EUR 119 million (2019: EUR 109 million);
- A 50 basis point increase in the salary growth rate would increase the defined benefit obligation by approximately EUR 19 million (2019: EUR 19 million).

*The pension plan asset allocation differs per plan. On a weighted average basis, the allocation was as follows:*

| | 2020 | 2019 |
|---|---|---|
| Equity instruments | 10.0% | 10.1% |
| Bond instruments | 3.7% | 28.0% |
| Other | 86.3% | 61.9% |
| | **100.0%** | **100.0%** |

Investment strategies are based on the composition of the plan liabilities. With the aid of asset liability management modelling, analyses are made of possible future economic scenarios and investment portfolios. Based on these analyses, investment strategies are determined for each plan to produce optimal investment returns at acceptable funding ratio risk levels. Less favourable years can be part of these scenarios. The strategic targets changed substantially from 2009 since one of the pension plans in the United Kingdom with significant assets is inactive and therefore the plan assets are mainly invested in fixed income securities and cash instruments only, which are included in “Other” in the table above.

Expected cash contributions to retirement benefit plans for fiscal year 2021 are EUR 13 million (2020: EUR 13 million). The exact amount of cash contributions made to pension plans in any year is dependent on a number of factors including minimum funding requirements in the jurisdictions in which JDE Peet's operates the tax deductibility of amounts funded and arrangements made with the trustees of certain foreign plans.

**Jubilee and Post-Employment Medical Benefits**—JDE Peet's operates a post-employment medical benefit scheme in the Netherlands and Jubilee schemes in the Netherlands, Austria and Germany. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes except for the treatment of actuarial gains and losses which are recognised immediately in the income statement. The plans are unfunded.

*The movement in the defined benefit obligation is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Opening balance | 13 | 12 |
| Employer service cost | — | 1 |
| Employer contribution | (1) | — |
| **Closing balance** | **12** | **13** |

## 9.2 PROVISIONS

***Termination Benefits***—Termination benefits are payable when employment is terminated by JDE Peet's before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised when it is demonstrably committed to a termination and when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value. The estimated costs associated with these benefits are reflected in the restructuring provisions.

***Provisions***—Provisions, which are primarily for restructuring costs, legal claims, medical claims and environmental obligations are recognised when JDE Peet's has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions primarily comprise employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When the carrying amount of a provision is an estimate of a single amount to be received or paid in the future, the cost of debt is used to discount the provision. When an expected cash flow approach is used to determine the carrying amount of the provision (the sum of probability-weighted amounts in a range of possible estimated amounts), the risk-free rate will be used to discount the provision.

***Key accounting estimate and judgement:***

*Restructuring provisions*—A provision for restructuring costs is recognised when a detailed formal plan for the restructuring has been determined and the plan has been communicated to the parties that may be affected by it. The provision is based on a number of assumptions including the timing of the payments and the number of employees that will ultimately receive the termination benefits. A change in these assumptions may result in a significant change in the liability in future periods. Adjustments to previously recognised charges resulting from a change in estimate are recognised in the period in which the change is identified.

In assessing the likelihood of occurrence of restructuring provisions, judgement is required to determine if an outflow of economic resources is probable. Where it is probable, a liability is recognised and further judgement is used to determine the level of the provision.

*Legal and other provisions*—JDE Peet's is involved in certain litigation and other legal proceedings. These claims involve highly complex issues, damages and other matters. In assessing the likelihood of occurrence of legal provisions, there is uncertainty as to estimating likely outcomes or ranges of possible loss, as investigations are not conducted in a consistent manner across jurisdictions and each country and agency has different set of laws, rules and regulations. Accordingly, the outcome of these matters cannot be predicted. However, the unfavourable resolution of one or more of these proceedings could have a material adverse effect on the business, results of operations, financial conditions and/or cash flows. Where it is probable, a liability is recognised and further judgement is used to determine the level of the provision.

*The change in provisions was as follows (in EUR million):*

| | Restructuring | Legal and other | Total |
|---|---|---|---|
| Opening balance as of 1 January 2019 | 46 | 50 | 96 |
| Additions charged to income statement | 21 | 4 | 25 |
| Payments | (37) | (11) | (48) |
| Reductions related from re-measurement or settlement without cost | (9) | 2 | (7) |
| **Carrying amount as of 31 December 2019** | **21** | **45** | **66** |
| Non-current | — | 21 | 21 |
| Current | 21 | 24 | 45 |
| **Carrying amount as of 31 December 2019** | **21** | **45** | **66** |
| Additions charged to income statement | 40 | 6 | 46 |
| Payments | (16) | (4) | (20) |
| Reductions related from re-measurement or settlement without cost | (3) | 1 | (2) |
| Currency translation differences | 1 | (1) | — |
| **Carrying amount as of 31 December 2020** | **43** | **47** | **90** |
| Non-current | 1 | 19 | 20 |
| Current | 42 | 28 | 70 |
| **Carrying amount as of 31 December 2020** | **43** | **47** | **90** |

**Restructuring**—During the periods presented, a number of actions were taken to improve the efficiency of operations which resulted in reduction in headcount on some locations and in the Out-of-Home segment. In connection with these actions, expenses of EUR 40 million were recognised during the year ended 31 December 2020 (2019: EUR 21 million). JDE Peet's expects that the majority of the remaining restructuring provisions will be paid out within the next 12 months.

### Legal and other provisions

*The composition of legal and other provisions is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Branded Apparel | 12 | 16 |
| Other | 35 | 29 |
| **Total** | **47** | **45** |

**Branded Apparel**—The provision relates to Branded Apparel, a previously divested business. The provision includes medical claims related to injuries caused to prior employees as a result of noise induced hearing loss and asbestos exposure, which may result in payments to those individuals for their related medical expenses. The expense related to this provision was recognised in selling, general and administrative expenses in the income statement.

**Other**—Includes items such as:

- Decommissioning provisions related to property, plant and equipment
- Environmental provisions
- Non-income tax provisions
- Provisions for labour and insurance claims
- Warranty provisions
- Contingent liabilities coming from PPA's
- Liabilities assumed in connection with the separation from Sara Lee

## 9.3 OTHER NON-CURRENT ASSETS

*The composition of other non-current assets is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Lease receivables | 24 | 24 |
| Supply contracts | 19 | 25 |
| Advance to related parties | 30 | 13 |
| Investment in associates | 16 | 5 |
| Other non-current assets | 35 | 39 |
| **Total** | **124** | **106** |

The supply contracts relate to prepayments on a contract, which is amortised over 10 years, respectively, as of August 2016. The current portion of this prepayment is included in trade and other receivables (Note 4.2).The advance to related parties represent loans granted to key management members in relation to their share-based payment plans.

# 9.4 OTHER NON-CURRENT AND CURRENT LIABILITIES

*The composition of other non-current and current liabilities is as follows (in EUR million):*

| | Note | 2020 | 2019 |
|---|---|---|---|
| Deferred revenue | | 53 | 50 |
| Share-based payment liability | 7.1 | 18 | — |
| Management-owned shares liability | 7.1 | 81 | — |
| Other | | 7 | 9 |
| **Total non-current liabilities** | | **159** | **59** |
| | | | |
| Derivative financial instruments | 6.7 | 64 | 21 |
| Dividend payable to related party | | — | 300 |
| **Total current liabilities** | | **64** | **321** |

*The change in the management-owned shares was as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Balance as at 1 January | – | 107 |
| Investments | – | 5 |
| Fair value through income statement | 10 | 21 |
| Repayments | – | (32) |
| Vesting of share-based payments | (10) | 7 |
| Currency translation | **–** | **4** |
| Reclassification from / (to) equity | 81 | (112) |
| **Balance as of 31 December** | **81** | **–** |

**Deferred revenue**—Deferred revenue relates to the customer loyalty programmes as further described in accounting policies (Note 2.2). The current portion of this deferred revenue is included in trade and other payables (Note 4.3).

**Share-based payment and Management-owned shares liability**—During 2020, the share-based payment plans, including the shares owned by management, of Peet's were partly modified from equity-settled to cash-settled share-based payment plans. This modification is recognised as a reclassification between the share-based payment reserve, retained earnings and the other non-current liabilities for an amount of EUR 15 and EUR 81 million for the share-based payment liability and the management-owned shares liability respectively. Subsequently, all fair value changes are recognised in the profit and loss account for an amount of EUR 7 million and EUR 10 million for the share-based payment liability and the management-owned shares liability respectively, in 2020. For more information about these plans reference is made to note 7.1 share-based payments.

**Dividends payable to related party**—On 20 December 2019, the Company made a capital distribution of EUR 300 million to Acorn which was outstanding at 31 December 2019. On 17 January 2020, the Company received a capital contribution from Acorn for an amount of EUR 300 million as share premium which offset the outstanding payable at 31 December 2019.

## 9.5 COMMITMENTS AND CONTINGENCIES

***Commitments****—The off-balance sheet commitments consist of the following (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Purchase commitments | 830 | 885 |
| Operating leases | 17 | 26 |
| Guarantees | 3 | 2 |
| | **850** | **913** |

*Purchase commitments*–Purchase commitments primarily consist of commitments related to the purchases of green coffee, packaging, other raw materials/commodities and services.

*Operating lease commitments*–JDE Peet's leases certain facilities, equipment and vehicles under agreements that are classified as operating leases. The building leases have various lease terms, while the equipment and vehicle leases have terms of generally less than seven years. As of 1 January 2019, IFRS 16 is applied, resulting in a decrease in the operating lease commitments in 2019. Leases of assets with a low value, or term of less than 12 months are included in the operating lease commitments.

*The future aggregate minimum lease payments under non-cancellable operating leases are as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Not later than one year | 6 | 9 |
| Later than one year and not longer than five years | 10 | 15 |
| Later than five years | 1 | 2 |
| | **17** | **26** |

*Guarantees*–JDE Peet's is party to a variety of agreements under which it may be obligated to indemnify a third party against losses arising from a breach of representation and covenants related to matters such as title to assets sold, the collectability of receivables, specified environmental matters, lease obligations assumed and certain tax matters. In each of these circumstances, payment by JDE Peet's is conditioned on the other party making a claim pursuant to the procedures specified in the contract. These procedures allow JDE Peet's to challenge the other party's claims. In addition, the obligations under these agreements may be limited in terms of time and/or amount, and in some cases JDE Peet's may have recourse against third parties for certain payments it made. Historically, payments made by JDE Peet's under these agreements have not had a material effect on its business, financial condition or results of operations.

Contingencies—JDE Peet's has various contingent liabilities. The most significant contingencies are described below:

- *JDE Peet's is involved from time to time in legal and arbitration proceedings arising in the ordinary course of business*—In the judgement of management no losses, in excess of provisions made, which could be material in relation to JDE Peet's financial position are likely to arise in respect of these matters. Furthermore, the exposures cannot be reliably estimated.
- *Taxes*—JDE Peet's operates in a high number of jurisdictions, and is subject to a wide variety of taxes per jurisdiction. Tax legislation can be highly complex and subject to interpretation. From time to time JDE Peet's is involved in tax disputes and proceedings relating to taxes arising in the ordinary course of business. As a result, JDE Peet's is required to exercise significant judgement in the recognition of taxes payable, provisions for income and non-income taxes and determination of tax contingencies. The outcome of tax disputes and proceedings is provided for when it is probable that the uncertain tax treatment will not be accepted and a reliable estimate of the outflow can be made (refer to Note 8 for income taxes and Note 9.2 for non-income taxes). The ultimate liability for such matters is dependent upon the outcome of negotiations with relevant tax authorities and/or litigation proceedings, and may vary significantly from the amounts provided. Contingent tax liabilities are possible obligations that are not probable. They arise in respect of tax litigation against group companies or investigations by fiscal authorities. In many countries, there is a high degree of complexity in the local tax regimes. JDE Peet's contingent liabilities that arise in respect of tax litigation or investigations by fiscal authorities mainly relate to tax positions in Brazil and include a large number of cases with a risk assessment lower than probable but possible. Assessing the amount of such tax contingencies is highly judgemental, and the timing of possible outflows is uncertain. Management believes they will prevail in further proceedings with the tax authorities, however there can be no guarantee of success in court. In each case we believe our position is strong so they have not been provided for.

- *Brazilian tax case*—In fiscal year 2012, D.E Cafes do Brasil initiated court proceedings in Brazil to contest a tax assessment in relation to fiscal year 2006. This assessment mainly relates to the following two items: (i) disallowance of goodwill amortisation and (ii) allegedly incorrect documented returned sales. In March 2020, during trial at the second administrative level: item (i) was decided 100% in favour of JDE Peet's, and item (ii) was decided for the majority (approx. 87%) in favour of JDE Peet's. The decision has not been published yet. Once published it can be appealed to by the tax authorities as well as by JDE Peet's (for the approx. 13% unfavourable decision in relation to item (ii)). The corporate income tax exposure of this case was assessed and included in the measurement of uncertain tax liabilities.
- On 5 May 2020, JDE Peet's received notice of a potential indemnification claim pursuant to the JDE Global Contribution Agreement, following on-site inspections undertaken by the European Commission at certain of Mondelēz International's European offices as part of an investigation into an alleged infringement of European Union competition law. On 28 January 2021, the European Commission announced it had taken the procedural step to open a formal antitrust investigation into Mondelēz International's conduct in relation to several product categories including coffee. The investigation concerns Mondelēz International and does not involve JDE Peet's. The European Commission has made it clear that the opening of a formal investigation does not prejudge its outcome and that they have not yet made a finding of any infringement, hence any potential indemnification obligations of JDE Peet's in this respect remain uncertain. JDE Peet's may be subject to significant indemnification obligations as a result of the investigation or other claims brought pursuant to the JDE Global Contribution Agreement, such obligations could materially adversely affect its business, financial condition or results of operations.

Any exposures assessed possible, not probable, were measured at their fair value upon a business combination transaction.

# 9.6 LEGAL ENTITIES

The following table provides an overview of JDE Peet's operating subsidiaries. Ownership percentages have been based on the number of issued and outstanding shares, except for JDE Holdings Minority B.V. where profit allocation rights are used since that reflects ownership of the entity more accurately.

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| **Holding structure** | | | |
| Oak 1753 B.V. | The Netherlands | 100% | 100% |
| DE US Inc | United States | 100% | 100% |
| DEMB Participations B.V. | The Netherlands | —% | 100% |
| Oak Swiss B.V. | The Netherlands | —% | 100% |
| DEMB Holding B.V. | The Netherlands | —% | 100% |
| Oak International B.V. | The Netherlands | 100% | 100% |
| DE Holdco UK Ltd | United Kingdom | 100% | 100% |
| Nutri-Metics International | Hong Kong | 100% | 100% |
| Oak InvestCo B.V. | The Netherlands | 100% | 100% |
| Delta Charger HoldCo B.V. | The Netherlands | 100% | 100% |
| Oak HoldCo B.V. | The Netherlands | 100% | 100% |
| Douwe Egberts Finance B.V. | The Netherlands | 100% | 100% |
| SL Malaysia Sdn Bhd | Malaysia | 100% | 100% |
| PT D.E. Utama Indonesia | Indonesia | 99% | 100% |
| PT D.E. Indonesia | Indonesia | 100% | 100% |
| PT Prem. Ventures Indonesia | Indonesia | 91% | 85% |
| PT Suria Yozani (ID) | Indonesia | 100% | 99% |
| JDE Holdings Minority B.V. | The Netherlands | 97% | 100% |
| OAK CH GmbH (previously Jacobs Douwe Egberts Holding CH GmbH) | Switzerland | 100% | 100% |
| New Oak 2 B.V. | The Netherlands | 100% | 100% |
| JDEP Holding B.V. | The Netherlands | 100% | —% |

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| **JDE Group** | | | |
| JACOBS DOUWE EGBERTS B.V. | The Netherlands | 100% | 100% |
| D.E Holding Australia Pty. Ltd. | Australia | 100% | 73% |
| D.E Investments Australia Pty. Ltd. | Australia | 100% | 73% |
| JACOBS DOUWE EGBERTS AU Pty. Ltd. | Australia | 100% | 73% |
| D.E Holding Asia Pty. Ltd. | Australia | 100% | 73% |
| Café Express Australia Pty Ltd | Australia | —% | 73% |
| JACOBS DOUWE EGBERTS AT GmbH | Austria | 100% | 73% |
| LLC «JACOBS DOUWE EGBERTS Bel» | Belarus | 100% | 73% |
| JACOBS DOUWE EGBERTS PRO BE BVBA | Belgium | 100% | 73% |
| JACOBS DOUWE EGBERTS BE BVBA | Belgium | 100% | 73% |
| JACOBS DOUWE EGBERTS BR Comercialização de Cafés Ltda. | Brazil | 100% | 73% |
| FOODS Indústria e Comércio Ltda. | Brazil | 100% | 73% |
| JACOBS DOUWE EGBERTS OPS BG EOOD | Bulgaria | 100% | 73% |
| JACOBS DOUWE EGBERTS BG EOOD | Bulgaria | 100% | 73% |
| April Eight (China) Limited | China | 68% | 51% |
| JACOBS DOUWE EGBERTS PRO CN Trading Ltd. | China | 63% | 48% |

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| JACOBS DOUWE EGBERTS OPS CN Ltd. | China | 63% | 48% |
| JACOBS DOUWE EGBERTS Trading CN Ltd. | China | 63% | 48% |
| Shantou SEZ Perfect Foods Industries Co. Ltd. | China | 57% | 43% |
| Changzhou Super Food Co., Ltd. | China | 100% | 73% |
| Changzhou Super Chartered Food Co., Ltd. | China | 100% | 73% |
| Super Continental (Wuxi) Food Ingredients Sales and Marketing Co., Ltd. | China | —% | 73% |
| Wuxi Super Food Technology Co., Ltd. | China | 100% | 73% |
| Guangzhou Supreme Food Service Limited | China | 68% | 51% |
| Shenzhen Kopitiam Asia Pacific Limited | China | 100% | 73% |
| Shenzhen Oldtown White Coffee Trading Co., Ltd | China | 100% | 73% |
| JACOBS DOUWE EGBERTS CZ s.r.o. | Czech Republic | 100% | 73% |
| JACOBS DOUWE EGBERTS OPS CZ s.r.o. | Czech Republic | 100% | 73% |
| JACOBS DOUWE EGBERTS DK ApS | Denmark | 100% | 73% |
| JOBmeal Oy | Finland | 100% | 73% |
| D.E. Investments France SNC | France | 100% | 73% |
| Courtaulds Textiles Holdings SAS | France | 100% | 73% |
| DEF Holding S.N.C. | France | 100% | 73% |
| JACOBS DOUWE EGBERTS PRO FR S.N.C. | France | 100% | 73% |
| JACOBS DOUWE EGBERTS FR S.N.C. | France | 100% | 73% |
| DEF Finance S.N.C. | France | 100% | 73% |
| JACOBS DOUWE EGBERTS FR SAS | France | 100% | 73% |

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| Maison Lyovel SAS | France | 100% | 73% |
| Finap SASU | France | 100% | 73% |
| Société de Management Lyovel EURL | France | 100% | 73% |
| LYOVEL SASU | France | 100% | 73% |
| Tremplin Restauration SASU | France | 100% | 73% |
| SOGEDIA SASU | France | —% | 73% |
| INSTANTS DELICES EURL | France | —% | 73% |
| VILLEPINTE SCI | France | 100% | 73% |
| ORMES SCI | France | 100% | 73% |
| DOMART SCI | France | 100% | 73% |
| ALTER EGO SASU | France | 100% | 73% |
| D'ACCUEIL Management SASU | France | 100% | 73% |
| SFD Capitaine Ferro SASU | France | 100% | 73% |
| Pause Café Vending SASU | France | 100% | 73% |
| D'ACCUEIL Angers SASU | France | 100% | 73% |
| D'ACCUEIL Le Mans SASU | France | 100% | 73% |
| JACOBS DOUWE EGBERTS Georgia LLC | Georgia | 100% | 73% |
| JACOBS DOUWE EGBERTS Real Estate DE GmbH | Germany | 100% | 73% |
| Jacobs Deutschland Holding GmbH | Germany | 100% | 73% |
| JACOBS DOUWE EGBERTS DE GmbH | Germany | 100% | 73% |
| JACOBS DOUWE EGBERTS Holding Elm DE GmbH | Germany | 100% | 73% |
| JACOBS DOUWE EGBERTS OPS DE GmbH & Co KG | Germany | 100% | 73% |
| JACOBS DOUWE EGBERTS GR E.P.E. | Greece | 100% | 73% |
| JACOBS DOUWE EGBERTS Coffee Trade GR E.P.E. | Greece | 100% | 73% |
| Bonsai Ventures Hong Kong Ltd. | Hong Kong | 63% | 48% |

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| JACOBS DOUWE EGBERTS HK Ltd | Hong Kong | 100% | 73% |
| Oldtown White Coffee Limited | Hong Kong | 100% | 73% |
| OTK (HK) Investment Limited | Hong Kong | 100% | 73% |
| Super U&U (Hong Kong) Ltd. | Hong Kong | 100% | 73% |
| JACOBS DOUWE EGBERTS HU ZRT | Hungary | 100% | 73% |
| PT Super Aneka Foods & Beverages | Indonesia | 100% | 73% |
| PT Dwisindo Mas | Indonesia | 50% | 58% |
| JACOBS DOUWE EGBERTS IE Limited | Ireland | 100% | 73% |
| Linnyshaw Insurance Ltd. | Isle of Man | 100% | 73% |
| 12 Oz Coffee Joint S.r.l. | Italy | 100% | 37% |
| D.E Holding Italy S.R.L. | Italy | 100% | 73% |
| JACOBS DOUWE EGBERTS OPS IT S.r.l. | Italy | 100% | 73% |
| JACOBS DOUWE EGBERTS IT S.r.l. | Italy | 100% | 73% |
| JACOBS DOUWE EGBERTS Kazakhstan LLP | Kazakhstan | 100% | 73% |
| UAB JACOBS DOUWE EGBERTS LT | Lithuania | 100% | 73% |
| D.E Holding Luxembourg S.à r.l. | Luxembourg | 100% | 73% |
| Conneczone Sdn Bhd | Malaysia | 100% | 73% |
| Dynasty Confectionery Sdn Bhd | Malaysia | 100% | 73% |
| Emperor's Kitchen Sdn Bhd | Malaysia | 100% | 73% |
| Gongga Food Sdn Bhd | Malaysia | 100% | 73% |
| Kopitiam Asia Pacific Sdn Bhd | Malaysia | 100% | 73% |
| Old Town Sdn Bhd | Malaysia | 100% | 73% |
| Old Town (M) Sdn Bhd | Malaysia | 100% | 73% |
| Old Town Kopitiam Butterworth Sdn Bhd | Malaysia | 100% | 73% |
| Old Town Kopitiam Sdn Bhd | Malaysia | 100% | 73% |
| Old Town Kopitiam Kuala Lumpur Sdn Bhd | Malaysia | 100% | 73% |

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| Oldtown Logistic Sdn Bhd | Malaysia | 100% | 73% |
| White Cafe Sdn Bhd | Malaysia | 100% | 73% |
| White Cafe Marketing Sdn Bhd | Malaysia | 100% | 73% |
| Esquire Chef Sdn Bhd | Malaysia | 100% | 73% |
| Dynasty Kitchen Sdn Bhd | Malaysia | 100% | 73% |
| Old Town Kopitiam Cheras Sdn Bhd | Malaysia | 100% | 73% |
| Super Food Technology Sdn Bhd | Malaysia | 100% | 73% |
| Super Food Specialists Sdn. Bhd. | Malaysia | 100% | 73% |
| Super Bio-Food Ingredients (M) Sdn. Bhd. | Malaysia | 100% | 73% |
| Super FI (M) Sdn. Bhd. | Malaysia | 100% | 73% |
| Owl Food Manufacture (M) Sdn. Bhd. | Malaysia | 100% | 73% |
| Super Coffeemix Marketing Sdn. Bhd. | Malaysia | 100% | 73% |
| Super NHF Canning Sdn. Bhd. | Malaysia | 100% | 73% |
| Super Food Marketing Sdn. Bhd. | Malaysia | 100% | 73% |
| Super FO Sdn. Bhd. | Malaysia | 100% | 58% |
| Super Power Station Sdn. Bhd. | Malaysia | 100% | 73% |
| JACOBS DOUWE EGBERTS MX, S. DE R.L. DE C.V. | Mexico | 100% | 73% |
| JACOBS DOUWE EGBERTS MA SARLAU | Morocco | 100% | 73% |
| Super Coffeemix Ltd. | Myanmar | 58% | 44% |
| Global Joure Brands B.V. | The Netherlands | 100% | 73% |
| JACOBS DOUWE EGBERTS Holdings B.V. | The Netherlands | 100% | 73% |
| JACOBS DOUWE EGBERTS International B.V. | The Netherlands | 100% | 73% |
| JACOBS DOUWE EGBERTS Minority B.V. | The Netherlands | 100% | 73% |
| JACOBS DOUWE EGBERTS CC Holding B.V. | The Netherlands | 100% | 73% |

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| JACOBS DOUWE EGBERTS Coffeecompany B.V. | The Netherlands | 100% | 73% |
| Jacobs Douwe Egberts Holdings Asia NL B.V. | The Netherlands | 100% | 73% |
| Koninklijke Douwe Egberts B.V. | The Netherlands | 100% | 73% |
| JACOBS DOUWE EGBERTS Treasury B.V. | The Netherlands | 100% | 73% |
| JACOBS DOUWE EGBERTS Export NL B.V. | The Netherlands | 100% | 73% |
| JACOBS DOUWE EGBERTS PRO NL B.V. | The Netherlands | 100% | 73% |
| JACOBS DOUWE EGBERTS NL B.V. | The Netherlands | 100% | 73% |
| D.E Global Finance B.V. | The Netherlands | 100% | 73% |
| JACOBS DOUWE EGBERTS Holdings Nordics NL B.V. | The Netherlands | 100% | 73% |
| deOudedoelen B.V. | The Netherlands | —% | 73% |
| JACOBS DOUWE EGBERTS NZ Limited | New Zealand | 100% | 73% |
| JACOBS DOUWE EGBERTS NORGE AS | Norway | 100% | 73% |
| Midtunhaugen 6 AS | Norway | 100% | 73% |
| JACOBS DOUWE EGBERTS PL sp. z o.o. | Poland | 100% | 73% |
| JACOBS DOUWE EGBERTS PT, Unipessoal Lda. | Portugal | 100% | 73% |
| JACOBS DOUWE EGBERTS RO Srl | Romania | 100% | 73% |
| Douwe Egberts Rus LLC | Russia | 100% | 73% |
| JACOBS DOUWE EGBERTS Rus LLC | Russia | 100% | 73% |
| Super Investment Holdings Pte Ltd. | Singapore | —% | 73% |
| Strategic Marketing & Distribution Pte. Ltd. | Singapore | —% | 73% |
| Beecomb Food Industries Pte. Ltd. | Singapore | 57% | 43% |

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| JACOBS DOUWE EGBERTS HLD INV SG PTE. LTD. | Singapore | 100% | 73% |
| JACOBS DOUWE EGBERTS HLD SCM SG PTE. LTD. | Singapore | 100% | 73% |
| JACOBS DOUWE EGBERTS HLD SCP SG PTE. LTD. | Singapore | 100% | 73% |
| JACOBS DOUWE EGBERTS HLD SGI SG PTE. LTD. | Singapore | 100% | 73% |
| JACOBS DOUWE EGBERTS HLD SGP SG PTE. LTD. | Singapore | 100% | 73% |
| JACOBS DOUWE EGBERTS PRO OBS SG PTE. LTD. | Singapore | 100% | 73% |
| JACOBS DOUWE EGBERTS RTL OWL SG PTE. LTD. | Singapore | 100% | 73% |
| JACOBS DOUWE EGBERTS RTL SCC SG PTE. LTD. | Singapore | 100% | 73% |
| Oldtown Singapore Pte Ltd | Singapore | 100% | 73% |
| JACOBS DOUWE EGBERTS SK s.r.o. | Slovakia | 100% | 73% |
| JACOBS DOUWE EGBERTS ZA (Pty) Ltd | South Africa | 100% | 73% |
| JACOBS DOUWE EGBERTS ES S.L.U. | Spain | 100% | 73% |
| JACOBS DOUWE EGBERTS S.E. AB | Sweden | 100% | 73% |
| JACOBS DOUWE EGBERTS OPS S.E. AB | Sweden | 100% | 73% |
| JOBmeal AB | Sweden | 100% | 73% |
| JOBmeal Group AB | Sweden | 100% | 73% |
| JACOBS DOUWE EGBERTS CH GmbH | Switzerland | 100% | 73% |
| ReFru Holding GmbH | Switzerland | 100% | —% |
| Fruchthof GmbH | Switzerland | 100% | —% |
| Repa GmbH | Switzerland | 100% | —% |
| JACOBS DOUWE EGBERTS TH Ltd. | Thailand | 100% | 73% |

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| SCML (Thailand) | Thailand | 100% | 73% |
| JACOBS DOUWE EGBERTS TR Gıda Ticareti Sanayi Limited Şirketi | Turkey | 68% | 51% |
| Of Çaysan Tarım Ürünleri Entegre Tesisleri Sanayi ve Ticaret Anonim Şirketi | Turkey | 68% | 51% |
| JACOBS DOUWE EGBERTS TURKEY ÇAY KAHVE HİZMETLERİ LİMİTED ŞİRKETİ | Turkey | 100% | 73% |
| LLC Jacobs Douwe Egberts Ukraina | Ukraine | 100% | 73% |
| D.E Holding UK Ltd | United Kingdom | 100% | 73% |
| Jacobs Coffee UK Ltd | United Kingdom | 100% | 73% |
| JACOBS DOUWE EGBERTS OPS GB Ltd | United Kingdom | 100% | 73% |
| JACOBS DOUWE EGBERTS R&D GB Ltd | United Kingdom | 100% | 73% |
| Courtaulds Textiles Ltd. | United Kingdom | 100% | 73% |
| Courtaulds Textiles (Holdings) Ltd. | United Kingdom | 100% | 73% |
| JACOBS DOUWE EGBERTS PRO GB Ltd | United Kingdom | 100% | 73% |
| JACOBS DOUWE EGBERTS GB LTD | United Kingdom | 100% | 73% |
| D.E Finance UK Ltd | United Kingdom | 100% | 73% |
| New Way Packaged Products Ltd | United Kingdom | 100% | 73% |
| Tea Forté Inc. | USA | 100% | 73% |
| Super Coffeemix Vietnam Ltd. | Vietnam | 100% | 73% |
| TNBT Company Limited | Vietnam | 100% | 73% |

| Name of subsidiary | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| **Peet’s Group** | | | |
| Stumptown Coffee Corporation | USA | 96% | 91% |
| Maple Tree Holding Co., Inc. | USA | 64% | 61% |
| Maple Leaf Holding Co., Inc. | USA | 64% | 61% |
| Intelligentsia Coffee, Inc. | USA | 63% | 60% |
| Kilogram Tea Manager, Inc. | USA | 64% | 60% |
| Kilogram Tea, LLC | USA | 64% | 60% |
| HH Peet's Holdings Limited | Hong Kong | 61% | 58.1% |
| HH Peet's China Limited | Hong Kong | 61% | 58% |
| Peet's Coffee - Shanghai | China | 61% | 58% |
| Peet's Coffee (Beijing) Co., Ltd. | China | 61% | —% |
| Peet's (Shanghai) Food Co., Ltd. | China | 61% | —% |
| Peet's Coffee & Tea, LLC | USA | 98% | 98% |
| Peet’s HoldCo, Inc. | USA | 100% | 100% |
| Peet’s Coffee, Inc. | USA | 97% | 92% |

*The following table provides an overview of entities in which the Group holds a non-controlling interest:*

| Name of entity | Country of incorporation | Ownership percentage 2020 | Ownership percentage 2019 |
|---|---|---|---|
| Tianjin Super Lifestyle Food Development Company Ltd | China | 49% | 37% |
| Ningxia Yin Ou Super Lifestyle Food Co., Ltd | China | 49% | 37% |
| Wuxi Tian Feng Food Ingredient Co., Ltd. | China | 39% | 29% |
| Prodia+ | France | 6% | 4% |
| Darea | France | 24% | 18% |
| OTK Eatery Sdn Bhd | Malaysia | 0% | 29% |
| Plus One Solution Sdn Bhd | Malaysia | 49% | 37% |
| San Miguel Super Coffeemix Co., Inc. | Philippines | 29% | 22% |
| SmartPort Zapad | Russia | 49% | 37% |
| Ceres Super Pte. Ltd. | Singapore | 39% | 29% |
| OTK Singapore Pte Ltd | Singapore | 49% | 37% |
| Seed Leaf LLC | USA | 27% | 62% |
| Revive Brands | USA | 13% | 74% |
| Force Holdings LLC | USA | 32% | —% |

# STATEMENTS ON RELEASE FROM THE DUTY TO DISCLOSE FINANCIAL STATEMENTS

The following German entities are included in the financial statements of the JDE Peet's N.V., Amsterdam, the Netherlands, and make use of the release from the duty to disclose financial statements and reports pursuant § 264 (3) and § 291 of the German Commercial Code:

- Jacobs Deutschland Holding GmbH, Bremen/Germany
- JACOBS DOUWE EGBERTS REAL ESTATE DE GmbH, Bremen/Germany
- JACOBS DOUWE EGBERTS DE GmbH, Bremen/Germany
- JACOBS DOUWE EGBERTS Holding Elm DE GmbH, Bremen/Germany
- JACOBS DOUWE EGBERTS OPS DE GmbH & Co KG, Bremen/Germany

The following UK entities are included in the financial statements of the JDE Peet's N.V.., Amsterdam, the Netherlands, and make use of the release from the duty to disclose financial statements and reports pursuant sections 479 (a)-(c) of the UK Companies Act 2006:

- D.E Finance UK Ltd.
- JACOBS DOUWE EGBERTS PRO GB Ltd
- JACOBS Coffee UK Ltd.

The Company issued a guarantee under Article 403 of Part 9 of Book 2 of the Dutch Civil Code in favour of the following Dutch entities:

- JACOBS DOUWE EGBERTS B.V.
- Global Joure Brands B.V.
- JACOBS DOUWE EGBERTS Holdings B.V.
- JACOBS DOUWE EGBERTS International B.V.
- Koninklijke Douwe Egberts B.V.
- JACOBS DOUWE EGBERTS Treasury B.V.
- JACOBS DOUWE EGBERTS Minority B.V.
- JACOBS DOUWE EGBERTS CC Holding B.V.
- Jacobs Douwe Egberts Holdings Asia NL B.V.
- JACOBS DOUWE EGBERTS Export NL B.V.
- JACOBS DOUWE EGBERTS PRO NL B.V.
- JACOBS DOUWE EGBERTS NL B.V.
- JACOBS DOUWE EGBERTS Coffeecompany B.V.
- JACOBS DOUWE EGBERTS Holdings Nordics NL B.V.
- D.E Global Finance B.V.
- JDEP Holding B.V.
- New Oak 2 B.V.
- Oak 1753 B.V.
- DE US, Inc.
- Oak Holdco B.V.
- Oak International B.V.
- Oak InvestCo B.V.
- Douwe Egberts Finance B.V.
- JDE Holdings Minority B.V.
- Delta Charger Holdco B.V.

In addition, JACOBS DOUWE EGBERTS International B.V. issued comfort letters in favour of the following French and Spanish entities:

- JACOBS DOUWE EGBERTS ES S.L.U.
- D.E. Investments France S.N.C.
- Courtaulds Textiles Holdings S.A.S.
- DEF Holdings S.N.C.
- JACOBS DOUWE EGBERTS PRO FR S.N.C.
- Maison Lyovel
- Finap et lyovel
- Jacobs Douwe Egberts IE Limited

# COMPANY FINANCIAL STATEMENTS

## COMPANY INCOME STATEMENT

### For the years ended 31 DECEMBER 2020 and 31 DECEMBER 2019

*In EUR million*

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| Selling, general and administrative expense | | (72) | (6) |
| **Operating profit** | | **(72)** | **(6)** |
| Finance income | | 17 | 204 |
| Finance expense | | (16) | (4) |
| Share of profit of subsidiaries | | 377 | 280 |
| **Profit before income taxes** | | **306** | **474** |
| Income tax benefit / (expense) | | 2 | (50) |
| **Profit for the period** | | **308** | **424** |

## COMPANY STATEMENT OF FINANCIAL POSITION

### As at 31 DECEMBER 2020 and 31 DECEMBER 2019

*Before appropriation of profit in EUR million:*

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| Non-current assets: | | | |
| Investments in subsidiaries | 3 | 10,165 | 9,288 |
| Other non-current financial assets | 7 | 14 | 267 |
| | | 10,179 | 9,555 |
| Current assets: | | | |
| Trade and other receivables | 4 | 54 | — |
| Cash and cash equivalents | | 13 | — |
| | | 67 | — |
| Total assets | | 10,246 | 9,555 |
| Equity and liabilities | | | |
| Equity: | | | |
| Share capital | 5 | 5 | 1 |
| Share premium | | 9,907 | 6,035 |
| Legal reserves: | | | |
| Cash flow hedge reserve | | 74 | 74 |
| Foreign currency translation reserve | | (768) | (262) |
| Other legal reserves | | (41) | (55) |
| Other reserves | | 717 | 226 |
| Profit for the period | | 308 | 424 |
| | | 10,202 | 6,443 |
| Non-current liabilities: | | | |
| Intercompany debt payable | 8 | — | 3,090 |
| | | — | 3,090 |
| Current liabilities: | | | |
| Income tax payable | 6 | 2 | 9 |
| Trade and other payables | 6 | 42 | 13 |
| | | 44 | 22 |
| Total equity and liabilities | | 10,246 | 9,555 |

# JDE PEET'S N.V.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The Company applied the consolidation exemption of article 2:403 of the Dutch Civil Code for the period ending 31 December 2019. As at 1 January 2020, there is a change in accounting policy as the consolidation exemption of article 2:403 is no longer to be applied. Per this date, the Company applies the option provided in Section 2:362 (8) of the Dutch Civil Code for the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company Financial Statements. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result of the Company Financial Statements of the Company are the same as those applied for the Consolidated Financial Statements under IFRS as adopted by the EU.

The Company Financial Statements are prepared to comply with the requirements of the Dutch Civil Code. There are no differences between Shareholders' Equity and Net profit for the period determined under the Dutch Civil Code and that determined in accordance with IFRS. In concluding, the Company has accounted for its investments in subsidiaries using the net asset value method of accounting versus the cost method or fair value method.

As included above, for the period ending 31 December 2019 the Company prepared statutory financial statements using the consolidation exemption of article 2:403. These statutory financial statements had a different financial period and were prepared under a different basis. Therefore, the figures currently presented as comparative figures are different from what was presented in the statutory financial statements 2019. The figures as presented in the Company Financial Statements are in accordance with the requirements as set out in IAS 1.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principles of valuation and determination of result for the Company's annual financial statements and consolidated financial statements are the same. For the principles of valuation of assets and liabilities and for the determination of result reference is made to the notes to the consolidated financial statements.

The investments in subsidiaries, other than affiliates, are carried at net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the result according to the accounting policies applied in the Consolidated financial statements.

# 3. INVESTMENTS IN SUBSIDIARIES

*The movements of the investments in subsidiaries are as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Balance at 1 January | 9,288 | 5,891 |
| Effect of exchange with Mondelez Coffee HoldCo B.V. | 2,760 | — |
| Net result | 377 | 280 |
| Other transactions with shareholders | (1,799) | 2,990 |
| Cash flow hedge reserve | 17 | (4) |
| Foreign currency translation | (352) | 97 |
| Other reserves | (126) | 34 |
| **Balance as of 31 December** | **10,165** | **9,288** |

Informal capital transactions in 2019 is related to an internal reorganisation as part of the preparation of the listing of the Company. These informal capital transactions are a net amount of informal capital contributions of EUR 5,280 million and distributions of EUR 2,290 million. For 2020, the informal capital transactions are related to the distribution of the intercompany loans as described in Note 8 of the Company financial statements, this is offset with the capitalisation of loan to Peet's and capital contributions received in relation to the listing of JDE Peet's.

# 4. TRADE AND OTHER RECEIVABLES

*The composition of trade and other receivables is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Receivable from other JDE Peet's companies | 35 | — |
| Other receivables | 19 | — |
| **Total** | **54** | **—** |

All trade and other receivables are due within one year, no amounts are provided for.

# 5. SHAREHOLDERS' EQUITY

*The movements of the shareholders' equity are as follows (in EUR million):*

The Company's ability to declare dividends is limited to distributable reserves as defined by applicable law.

| | Share capital | Share premium | Legal reserves | Other reserves | Profit for the period | Total equity |
|---|---|---|---|---|---|---|
| Balance — As of 1 January 2019 | 1 | 7,447 | (266) | 701 | — | 7,883 |
| Profit for the period | — | — | — | — | 424 | 424 |
| Retirement benefit obligation related items | — | — | (84) | — | — | (84) |
| Foreign currency translation | — | — | 97 | — | — | 97 |
| Foreign currency contracts | — | — | (4) | — | — | (4) |
| Interest rate swaps | — | — | — | — | — | — |
| **Total Comprehensive Income** | **—** | **—** | **9** | **—** | **424** | **433** |
| Shared-based payment transactions | — | — | — | (7) | — | (7) |
| Dividends | — | — | — | (552) | — | (552) |
| Capital transactions with related parties | — | (1,439) | — | — | — | (1,439) |
| Purchase of shares from non-controlling shareholders | — | 9 | 3 | 9 | — | 21 |
| Issuance of shares | — | (4) | — | — | — | (4) |
| Reallocation Peet's equity plans | — | 126 | (53) | 35 | — | 108 |
| Reclassifications | — | (104) | 64 | 40 | — | — |
| **Balance — As of 31 December 2019** | **1** | **6,035** | **(243)** | **226** | **424** | **6,443** |
| Profit for the period | — | — | — | — | 308 | 308 |
| Retirement benefit obligation related items | — | — | (42) | — | — | (42) |
| Foreign currency translation | — | — | (352) | — | — | (352) |
| Foreign currency contracts | — | — | (9) | — | — | (9) |
| Interest rate swaps | — | — | 26 | — | — | 26 |
| **Total Comprehensive Income/(Loss)** | **—** | **—** | **(377)** | **—** | **308** | **(69)** |
| Dividends | — | (10) | — | (1) | — | (11) |
| Share-based payment transactions | — | 36 | — | 15 | | 51 |
| Appropriation of profit 2019 | — | — | — | 424 | (424) | — |
| Release from legal reserve for internally developed software | — | — | (5) | 5 | — | — |
| Issuance of shares upon listing of the Company | 4 | 786 | — | — | — | 790 |
| Effect of exchange with Mondelez Coffee HoldCo B.V. | — | 2,760 | (110) | 110 | — | 2,760 |
| Capital contribution by shareholder | — | 300 | — | — | — | 300 |
| Other transactions with shareholders | — | — | — | 34 | — | 34 |
| Modification Peet's management stock | — | — | — | (81) | — | (81) |
| Modification Peet's equity plans | — | — | — | (15) | — | (15) |
| **Balance — As of 31 December 2020** | **5** | **9,907** | **(735)** | **717** | **308** | **10,202** |

# 6. TRADE AND OTHER PAYABLES

*The composition of trade and other payables is as follows (in EUR million):*

| | 2020 | 2019 |
|---|---|---|
| Trade and other payables | 9 | 4 |
| Payable to related parties | 33 | 9 |
| **Total** | **42** | **13** |

The carrying amount of the trade and other payables is considered a close approximation of their fair value due to their short maturity.

# 7. OTHER NON-CURRENT ASSETS

As at 31 December 2019, the Company had a loan outstanding for an amount of US$ 297 million (EUR 267 million) with Peet's HoldCo, Inc, which it carried in relation to the acquisition of Peet's HoldCo, Inc. The loan is against a weighted average interest of 6.6%. On 24 September 2020, this loan was capitalised for an amount of US$ 289 million (EUR 264 million), the total outstanding amount as at 31 December 2020 is US $4 million (EUR 3 million). The other amount included is an advance to a related party. The effect of the capitalisation is also reflected in Note 3 Investment in subsidiaries.

*In EUR millions*

| | 1/1/2020 | Additions | Repayments/ redemptions | 31/12/2020 |
|---|---|---|---|---|
| Intercompany loan | 267 | — | 264 | 3 |

| | 1/1/2019 | Additions | Repayments/ redemptions | 31/12/2019 |
|---|---|---|---|---|
| Intercompany loan | 1,983 | 1,971 | (3,687) | 267 |

As a preparation towards the listing of the Company, a number of loans with related parties were incepted in 2019. Subsequently, a number of these loans were capitalised in 2019 as included in the repayments/redemptions above. As per 1 January 2019, a loan was outstanding with DE US Inc, which was subsequently contributed to Oak InvestCo B.V. Furthermore, a loan was incepted with Acorn in relation to the acquisition of Peet's. This loan subsequently assigned to Oak 1753 B.V.

In addition to this, as included in the aforementioned preparation of the listing of JDE Peet's, Peet's was contributed to JDE Peet's as per December 2019. In relation to this, a loan was contributed as included above.

# 8. INTERCOMPANY LOANS

As at 31 December 2019 the Company had borrowings outstanding with the following related parties (all amounts in millions or Euro). During 2020 these borrowings were capitalised as part of an internal reorganisation in preparation of the listing of the Company. The impact of the internal reorganisation is included as repayments/redemptions in the table below. The loans as included below were all to direct or indirect subsidiaries of the Company, namely:

- DEMB Holding B.V. (EUR 215 million), interest applicable of 1.6%, term: 1 December 2019 - 17 January 2020
- Oak InvestCo B.V. (EUR 11 million), interest applicable of 1.6%, term: 1 December 2019 - 17 January 2020
- JDE Holdings Minority B.V. (EUR 63 million), interest applicable of 1.6%, term: 1 December 2019 - 17 January 2020
- Delta Charger Holdco B.V. (EUR 2,807 million), interest applicable of 1.6%, term: 1 December 2019 - 17 January 2020

*In EUR millions*

| | 1/1/2020 | Additions | Repayments/ redemptions | 31/12/2020 |
|---|---|---|---|---|
| Intercompany loan | 3,090 | — | (3,090) | — |

| | 1/1/2019 | Additions | Repayments/ redemptions | 31/12/2019 |
|---|---|---|---|---|
| Intercompany loan | — | 3,090 | — | 3,090 |

# 9. COMMITMENTS AND CONTINGENCIES

Contingencies and commitments to which the Company is exposed are disclosed in Note 9.5 of the Consolidated financial statements. The legal entities to which the declarations of joint and several liability relate, are listed in note in the statements on release from the duty to disclose financial statements in the consolidated financial statements.

# 10. RELATED-PARTY TRANSACTIONS

*Loans from related parties*

As per 31 December 2020, the Company did not have any loans to related parties. As per 31 December 2019, the Company had loans outstanding with the following related parties:

- DEMB Holding B.V. (EUR 215 million)
- Oak InvestCo B.V. (EUR 11 million)
- JDE Holdings Minority B.V. (EUR 63 million)
- Delta Charger Holdco B.V. (EUR 2,807 million)

For more details on these loans, refer to Note 8.

*Loans to related parties*

As per 31 December 2020, the Company had a loan to Peet's of US $4 million (EUR 3 million). As per 31 December 2019, the amount outstanding in relation to this loan was US$ 297 million (EUR 267 million).

*Other*

In Note 7.2 of the Consolidated financial statements the other relevant disclosures in relation to Related Parties (such as fiscal unity, loans to management and contribution of the parent) are further disclosed.

# 11. BOARD REMUNERATION

The board remuneration is disclosed in Note 7.2 of the Consolidated financial statements.

# 12. APPROPRIATION OF NET RESULT FOR THE YEAR

The Board of Directors of the Company proposes to add the net profit for the year 2020 to Other reserves. JDE Peet's' Board proposes to pay a dividend of EUR 0.70 per share in cash related to FY 20. The dividend will be paid in two instalments of EUR 0.35 each. The first payment date will be on Friday 16 July 2021, with the ex-dividend date on Monday 12 July 2021 and the record date on Tuesday 13 July 2021. The second payment date will be on Friday 28 January 2022, with the ex-dividend date on Monday 24 January 2022 and the record date on Tuesday 25 January 2022. The dividend proposal is subject to approval by the Annual General Meeting of Shareholders (AGM) to be held on Thursday 17 June 2021.

## 13. SUBSEQUENT EVENTS

The Company is in the process of refinancing its outstanding credit facilities with JDE and Peet's. The Company has signed new facilities and launched the amendment process of an existing facility, with closing scheduled to be completed in the first quarter of 2021.

23 March 2021

F.J.J. Simon
*Executive Director*

O.C.G. Goudet
*Chairman, non-executive Director*

J.J.B.C. Creus
*Non-executive Director*

G.P. Harf
*Non-executive Director*

A. Santo Domingo
*Non-executive Director*

G.E. Hovde
*Non-executive Director*

N. Urdaneta
*Non-executive Director*

F.A. Engelen
*Non-executive Director*

G.W.V. Pleuhs
*Non-executive Director*

D. Hennequin
*Non-executive Director*

S. MacFarlane
*Non-executive Director*

A. Richards
*Non-executive Director*

J. Tan
*Non-executive Director*

L. Vandevelde
*Non-executive Director*

# OTHER INFORMATION

**Profit appropriation**

Articles of association provisions governing the distribution of profit:

Article 27 of the articles of association states the following:

27.1 After adoption of the annual accounts, but no later than within six months from the end of the financial year concerned, a cash distribution will be made on the Preference Shares in respect of the previous financial year, which distribution will be calculated as follows:

(a) if the Preference Shares are paid up at the expense of the Company's reserves, the annual distribution will be one thousand euro (EUR 1,000) for all outstanding Preference Shares together;

(b) in other cases, the distribution will be a percentage equal to three (3) months' Euribor (Euro Interbank Offered Rate) – weighted to reflect the number of days for which the payment is made – plus a premium, to be determined by the Board of at least one percentage point and at most five percentage points, depending on the prevailing market conditions.

The distributions referred to under (a) and (b) will be calculated over the proportionate period of time if the relevant Preference Shares were issued and outstanding for a part of the financial year. Distributions in respect of the Preference Shares are calculated over the paid up part of their nominal value. The making of such distributions is subject to the provision of Article 27.8.

The amounts of such distributions will be charged to the profits realised during the financial year in respect of which it is made or, if and to the extent such profits are insufficient, any other part of the Company's distributable equity.

No further distributions will be made on the Preference Shares.

27.2 The Board may decide that the profits realised during a financial year and remaining after application of Article 27.1 are used to increase and/or form reserves.

27.3 The profits remaining after application of Articles 27.1 and 27.2 shall be put at the disposal of the General Meeting. The Board shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.

27.4 Distributions from the Company's distributable reserves are made pursuant to a resolution of the General Meeting on the proposal of the Board.

27.5 Provided it appears from an interim statement of assets signed by the Board that the requirement mentioned in Article 27.8 concerning the Company's equity has been fulfilled, the Board may make one or more interim distributions to the holders of Ordinary Shares and/or to the holders of Preference Shares, with regard to Preference Shares, however, subject to the maximum distribution amount set forth in Article 27.1.

27.6 The Board may decide that a distribution on Ordinary Shares shall not take place as a cash payment but in kind, or as a payment in Ordinary Shares, or decide that holders of Ordinary Shares shall have the option to receive a distribution as a payment in cash or in kind and/or as a payment in Ordinary Shares, out of the profit and/or at the expense of reserves, provided that the Board is designated by the General Meeting pursuant to Article 6.2. The Board shall determine the conditions applicable to the aforementioned choices.

27.7 The Company's policy on reserves and dividends shall be determined and may be amended by the Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item.

27.8 Distributions may be made only insofar as the Company's equity exceeds the amount of the paid in and called up part of the issued capital, increased by the reserves which must be kept by virtue of the law or these Articles of Association.

27.9 All distributions may be made in another currency than Euro.

**Proposed Profit Appropriation**

JDE Peet's' Board proposes to pay a dividend of EUR 0.70 per share in cash related to FY 20. The dividend will be paid in two instalments of EUR 0.35 each. The first payment date will be on Friday 16 July 2021, with the ex-dividend date on Monday 12 July 2021 and the record date on Tuesday 13 July 2021. The second payment date will be on Friday 28 January 2022, with the ex-dividend date on Monday 24 January 2022 and the record date on Tuesday 25 January 2022. The dividend proposal is subject to approval by the Annual General Meeting of Shareholders (AGM) to be held on Thursday 17 June 2021.

# INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Board of JDE Peet’s N.V.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 INCLUDED IN THE 2020 ANNUAL REPORT

**Our opinion**

We have audited the accompanying financial statements for the year ended 31 December 2020 of JDE Peet’s N.V., based in Amsterdam, the Netherlands.

In our opinion:

- The accompanying Consolidated financial statements give a true and fair view of the financial position of JDE Peet’s N.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying Company financial statements give a true and fair view of the financial position of JDE Peet’s N.V. as at 31 December 2020, and of its result for the year 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The Consolidated Statement of Financial Position as at 31 December 2020;
2. The following statements for the year ended 31 December 2020; the Consolidated Income Statement, the Consolidated Statements of Comprehensive Income, Changes in Equity, and Cash Flows; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The Company Statement of Financial Position as at 31 December 2020;
2. The Company Income Statement for the year ended 31 December 2020; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of JDE Peet’s N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 52 million. The materiality is based on 7.5% of profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of group entities (components) were performed using materiality levels determined by the judgement of the group engagement team, having regard to the materiality of the consolidated financial statements. Component materiality did not exceed EUR 28 million and for the majority of the components materiality is significantly less than this amount.

We agreed with the Board that uncorrected misstatements in excess of € 2.6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

JDE Peet’s N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of JDE Peet’s N.V.

Because we are ultimately responsible for our opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the group entities (components). Decisive were size and/or risk profile of the components. On this basis, we selected components for which an audit had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. Our assessment of entities that are significant to the group was done as part of our audit planning and was aimed to obtain sufficient coverage of the risks of material misstatement for significant account balances, classes of transactions, and disclosures that we have identified. In addition, we considered qualitative factors as part of our assessment. In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and by the component auditors. Such components included the Company’s larger operations in Brazil, France, Germany, South-East Asia, the United Kingdom and the United States.

We have performed audit procedures ourselves at JDE Peet’s N.V., corporate entities and the operations in the Netherlands. Furthermore, we performed audit procedures at group level on areas such as the group consolidation, financial statement disclosures, impairment testing for goodwill and other intangible assets, group accounting for treasury, group accounting for specific material deferred tax balances, share-based payments, and critical accounting positions subject to management estimates. Specialists were involved amongst others in the areas of integrated reporting, treasury, information technology, tax, accounting, pensions and valuations. For selected component audit teams, the group engagement team provided detailed written instructions, which, in addition to communicating the requirements of component audit teams, detailed significant audit areas and information obtained centrally relevant to the audit of individual components including awareness for risk related to management override of controls.

Where the work was performed by component auditors, we developed a plan for overseeing each component audit team based on its relative significance and specific risk characteristics. We also had to consider COIVD-19 related travel and containment restrictions. Our oversight procedures included remote working paper reviews for, amongst others, the components listed above, holding conference calls, attending meetings and reviewing component audit team deliverables to gain sufficient understanding of the work performed. Due to current realities all oversight procedures have been performed remotely whereby we varied the nature, timing and extent of these procedures based on both quantitative and qualitative considerations.

The group entities, that were subject to full-scope audits and audits of specified account balances and classes of transactions, comprise approximately 73% of consolidated revenues, approximately 76% of consolidated operating profit, and approximately 94% of consolidated total assets. For the remaining entities, we performed a combination of specific audit procedures and analytical procedures at group level relating to the risks of material misstatement for significant account balances, classes of transactions, and disclosures that we have identified.

| | |
|---|---|
| Audit coverage of consolidated revenues | 73% |
| Audit coverage of consolidated operating profit | 76% |
| Audit coverage of consolidated total assets | 94% |

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

**Scope of fraud and non-compliance with laws and regulations within our audit**

In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with law and regulation may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

*Consideration of fraud*

In identifying potential risks of material misstatement due to fraud, we obtained an understanding of the Company and its environment, including the entity's internal controls. We evaluated the Company's fraud risk assessment and made inquiries with, management, those charged with governance and with others within the Company, including but not limited to, the Director Internal Audit, the Global Chief Compliance Officer, and the Global Group Controller. We evaluated several fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud. We involved our forensic specialists in our risk assessment and in determining the audit response.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Board, the executive leadership team and other members of management, which may represent a risk of material misstatement due to fraud.

As part of our audit procedures to respond to these fraud risks, we evaluated the design and implementation of the internal controls relevant to mitigate these risks. We performed substantive audit procedures, including detailed testing of journal entries, evaluating the accounting estimates for bias (including retrospective reviews of prior year's estimates), evaluating any significant unusual transactions (including those with related parties), and the supporting documentation in relation to post-closing adjustments. We also incorporated elements of unpredictability in our audit. The procedures described are in line with the applicable auditing standards and are not primarily designed to detect fraud. Our procedures to address fraud risks did not result in a Key Audit Matter.

*Consideration of compliance with laws and regulations*

We assessed the laws and regulations relevant to the Company through discussions with the General Counsel and the Global Chief Compliance & Privacy Officer, and reading minutes and reports of internal audit.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. In addition, we considered major laws and regulations applicable to listed companies (as the Company is subject to those from 2020 onwards). Our procedures with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, are more limited. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Company's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our procedures in this area were limited to (i) inquiry of management, the Board, and others within the Company as to whether the Company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) fraud or non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Because of the characteristics of fraud, particularly when it involves sophisticated and carefully organized schemes to conceal it, such as forgery, intentional omissions, misrepresentation and collusion, an unavoidable risk remains that we may not detect all fraud during our audit.

**Our key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements.

We have communicated the key audit matters to the Board. The key audit matters are not a comprehensive reflection of all matters discussed. We specifically considered the impact of COVID-19 on JDE Peet's N.V.'s business and its operating results. In addition to the aforementioned impact on group oversight we evaluated those accounting areas for which the impact was most pervasive in our audit as a key audit matter.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Goodwill impairment analysis Out-of-Home | |
|---|---|
| Risk | As per December 31, 2020 the Group's balance sheet includes significant amounts of goodwill, as disclosed in Note 3.2 Goodwill and other intangible assets. Goodwill associated with the Out-of-Home segment amounts to EUR 2,163 million. As disclosed in Note 3.3 management performs an annual impairment test on goodwill and indefinite lived brands and trademarks.<br><br>The annual goodwill impairment test includes a variety of factors that require significant management judgment for both valuation assumptions (e.g. discount rates and long-term growth rate) and business assumptions (e.g. revenue and profit growth). In 2020, COVID-19 had the most significant impact, operationally and financially, on the Group's Out-Of-Home segment, raising uncertainties on future cashflows due to its uncertain future effects on e.g. (the recovery curve of) office work, out-of-home consumption and travel and hospitality.<br><br>Due to the significant judgment involved, we have considered this topic to be a key audit matter. |
| How our audit responded to the key audit matter | We have obtained an understanding of the internal processes and controls regarding management's annual impairment test (including their use of third-party valuation experts), how they arrived at their estimates and how they assessed the effect of estimation uncertainty.<br><br>In our audit we have evaluated the reasonableness of business and valuation assumptions, the methodologies applied and the data used by the Company.<br><br>In relation to business assumptions we have challenged management's expectations of future revenue and profit growth (including recovery in channels impacted by COVID-19), for example by evaluating the ability and intent of management's various initiatives to restore profitability. We have also evaluated alternative (ranges of) outcomes and scenarios for major initiatives, and corroborated information obtained with multiple individuals.<br><br>In relation to valuation assumptions we have engaged internal valuation specialists to assist us in evaluating the discount rates and long-term growth rates applied; this evaluation included benchmarking against independent external information and peers in the industry.<br><br>Throughout our procedures (and until the date of the financial statements) we have maintained a high level of professional skepticism by, for example, remaining alert for indications of contradictory evidence.<br><br>We paid specific attention to the sensitivity of possible outcomes of both the valuation and business assumptions, and evaluated various alternative scenarios addressing underlying uncertainties.<br><br>We have communicated the outcome of our procedures to those charged with governance.<br><br>We have also assessed the adequacy of the Company's disclosure Notes 3.3 in the JDE Peet's N.V. financial statements related to the impairment assessment, including whether sensitivities and assumptions have been appropriately disclosed. |
| Observation | We observe that, primarily as a result of COVID-19, estimated recoverable amounts have been adversely affected compared to calculations performed in the previous year, and that realizability of the associated goodwill balance (EUR 2,163 million) is critically dependent on the (pace of) recovery of the relevant markets after COVID-19, and on the effectiveness of management's initiatives (including cost reductions). |

| Listing as a new group | |
|---|---|
| Risk | Shortly before the Company's listing on the Amsterdam Stock Exchange in May 2020, the new group was formed by combining the legacy businesses known as "Jacobs Douwe Egberts" and "Peet's". As a result, JDE Peet's N.V. now consists of two former groups that each have their own systems, processes and controls – with different levels of maturity.<br><br>Moreover, the listing implied that the Company is now subject to regulations in new domains, such as reporting on Environmental, Social and Corporate Governance matters. Some of those regulations have implications for the Board Report as part of the Annual Report (such as, but not limited, the Statement of the Board).<br><br>Lastly, the listing and formation of the new group had implications for certain financial reporting domains in the financial statements, such as the requirement to disclose segment reporting (including related performance measures), and revisions to various existing arrangements (including share-based payment schemes). These matters involved accounting evaluations.<br><br>The combination of these matters required significant management and auditor attention. For that reason, we have designated the listing and formation of the new group JDE Peet's as a key audit matter. |
| How our audit responded to the key audit matter | In relation to the formation of the new group, we have evaluated the appropriateness of the design and implementation of the Group's new central controls, including its monitoring activities over the financial reporting of the newly added Peet's business. In our group auditor oversight procedures over the Peet's auditors we paid particular attention to the evaluation of key internal controls including the new IT implementation in 2020, and the implications for our Peet's 2020 audit strategy.<br><br>In relation to the new set of regulations that the Company is subject to, we have evaluated management's assessment of its compliance with those regulations including but not limited to the Dutch Corporate Governance Code (amongst others the evaluation of the disclosures on the independence of the Board). We have evaluated, amongst others, management's basis for its conclusions in the Statement of the Board. We evaluated whether the Board Report contains all elements required by laws and regulations in all material respects, whether the information is consistent with that of the financial statements, and whether the information contains material inconsistencies or omissions in light of our knowledge obtained in the audit.<br><br>In relation to financial reporting implications, we have assessed whether the segment reporting presented in the financial statements (including the related performance measures) is in accordance with IFRS 8 and is used internally for assessing operating segment performance and allocating resources; refer to Note 2.1. We have also evaluated management's accounting treatment for revisions to arrangements that had taken place in 2020 (including share-based payment and associated schemes and related financial instruments arrangements; refer to Note 7.1) |
| Observation | No matters to be reported in this auditor's report. |

## REPORT ON THE OTHER INFORMATION INCLUDED IN THE 2020 ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the 2020 annual report contains other information that consists of:

- the Report of Management Board;
- Report of the non-executive Directors;
- The Remuneration Report;
- Other Information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
- Other information included in the Annual Report.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements; and
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the Board Report in accordance with

Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Engagement**

We were engaged by the Shareholders as auditor of JDE Peet's N.V. on May 25, 2020, as of and for the year ended 31 December 2020.

**European Single Electronic Format ("ESEF")**

In the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format is regulated that the Annual Report of the Company has to be prepared in a single electronic reporting format ("ESEF"). The requirements to be met are set out in the aforementioned delegated regulation (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the Annual Report made up in XHTML format, including the partly tagged Consolidated Financial Statements as included in the reporting package by the Company, has been prepared in all material respects in accordance with the RTS on ESEF.

Management is responsible for preparing the Annual Report including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components in a reporting package. Our responsibility is to obtain reasonable assurance for our conclusion whether the Annual Report in this reporting package, is in accordance with the requirements. We have taken into consideration what is stated in Alert 43.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;
- Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications; and
- Examining the information related to the Consolidated Financial Statements in the reporting package to determine whether all required tagging has been applied and whether they are in accordance with the RTS on ESEF.

**No prohibited non-audit services**

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

**Responsibilities of management for the financial statements**

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board is responsible for such internal control as the Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board should prepare the financial statements using the going concern basis of accounting unless the Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

**Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Amsterdam, 23 March 2021

Deloitte Accountants B.V.

*Signed on the original: G.M. Dekker*

SUPPLEMENTARY INFORMATION

# INVESTOR RELATIONS

## INVESTOR RELATIONS POLICY

JDE Peet’s is committed to helping investors and equity analysts become better acquainted with JDE Peet’s and its management. We are also dedicated to maintaining a long-term relationship of trust with the investment community at large, while complying with applicable rules and regulations on fair disclosure to shareholders. In order to ensure this, we have put in place a detailed communication program to maintain proper communication with (potential) shareholders and analysts. Events related to Investor Relations are available in the Financial Calendar section on our corporate website.

Consistent with JDE Peet's' policy on Bilateral Contacts with Shareholders, bilateral meetings with (potential) shareholders are not held in the period between the end of the reporting period and the date at which the semi-annual and annual results will be published.

During these periods, the company refrains from making presentations at financial conferences, or one-on-one meetings with equity analysts or investors. Exceptions may apply, for example, if communication relates to factual clarifications of previously disclosed information.

# SHAREHOLDER ENGAGEMENT

We attach great value in maintaining an open dialogue with shareholders, investors and equity analysts. This promotes transparency and enables us to receive valuable feedback. Moreover, we apply an active investor relations approach aimed at supporting the company's long-term ambitions by keeping existing and potential shareholders well-informed about our strategy and latest operational and financial developments. JDE Peet's reports a full set of financial results on a semi-annual basis, supported by conference calls for research analysts and institutional investors to discuss these results, which can be accessed and replayed on the Investor Relations website.

JDE Peet's also conducts extensive investor outreach throughout the year involving members of the Investor Relations team and members of the Global Leadership Team, to ensure that areas of interest which matter most to shareholders can be addressed effectively.

Since its listing on 29 May 2020, JDE Peet's hosted around 220 virtual investor meetings, reaching around 100 unique investment institutions. As part of this engagement, the company met virtually at least twice with 8 of its 10 largest shareholders, excluding its two largest shareholders and passive funds.

# INFORMATION ABOUT THE SHARES AND THE SHAREHOLDER BASE

JDE Peet's was listed and began trading on the Euronext Amsterdam stock exchange on 29 May 2020 under the ticker "JDEP" and ISIN code NL0014332678. Options on JDE Peet's ordinary shares began trading on the European Option Exchange in Amsterdam (Euronext. Liffe) on 14 August 2020. JDE Peet's has been included in the MSCI Standard Developed Europe index as of 10 November 2020, in the STOXX index as of 21 December 2020, and in the Euronext AMX midcap index as of 21 December 2020.

Following the IPO on 29 May 2020, and the subsequent full exercise of the over-allotment on 4 June 2020, JDE Peet's ordinary shares outstanding amounted to 498,719,501. In September 2020, the company issued 989,529 ordinary shares to settle some of the employee share-based incentive plans, resulting in a total number of 499,709,030 ordinary shares issued and outstanding on 31 December 2020.

On 31 December 2020, Acorn Holdings B.V. held 302,302,847 ordinary shares, Mondelez Coffee HoldCo B.V. ("MCHBV") held 114,273,798 ordinary shares, together representing 83.4% of the total issued and outstanding shares in the company's share capital. The remaining 16.6%, or 83,132,385 ordinary shares, is considered to be free-float.

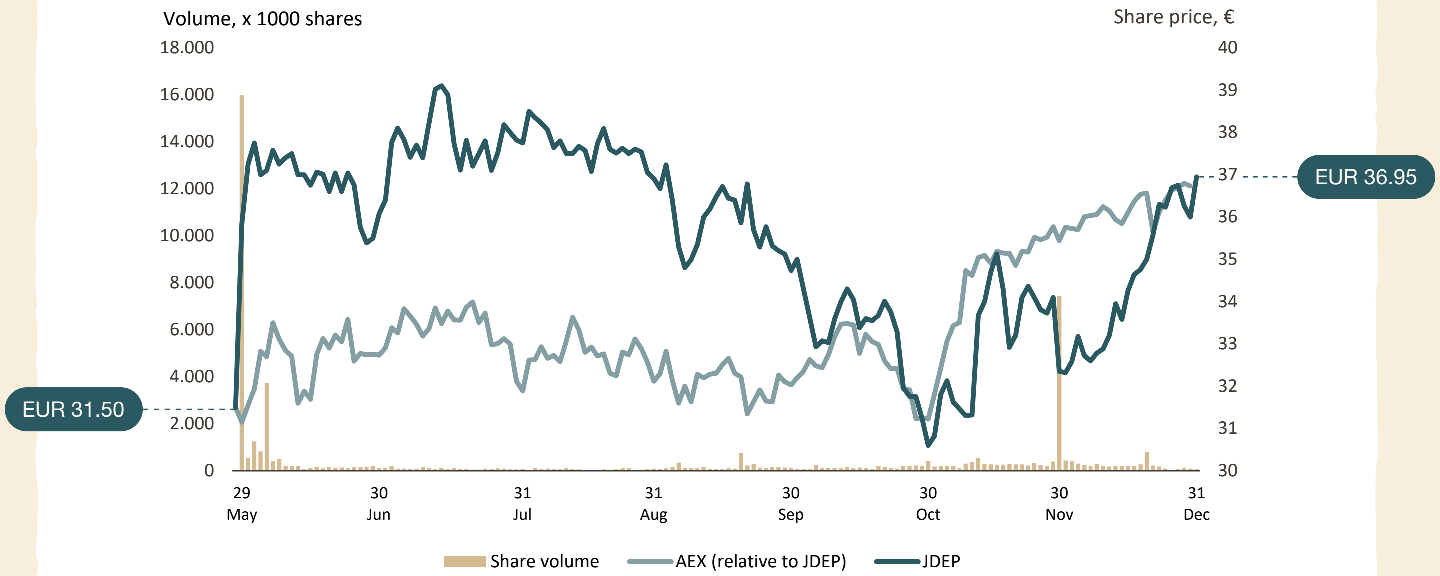
The Dutch Financial Supervision Act requires institutions and individuals holding a (potential) capital and/or voting interest of 3% or more in JDE Peet's, to disclose such to the Netherlands Authority for the Financial Markets (AFM). The AFM processes these disclosures in its publicly available register, which can be found at www.afm.nl. The table below includes the total interests registered at the AFM on 31 December 2020.

| | Date | Total % Registered |
|---|---|---|
| Lucresca SE[53] | 2 June 2020 | 64.14% |
| Agnaten SE | 2 June 2020 | 64.14% |
| Mondelêz International, Inc. [54] | 2 June 2020 | 23.36% |

[53] *Agnaten SE and Lucresca SE have indirect actual joint control over the shares held by Acorn Holdings B.V.*
[54] *Through its subsidiary MCHBV*

These stated interests differ from the current interests of the relevant shareholders as these filing were made on 2 June 2020 and therefore do not reflect the over-allotment nor the additional shares that were issued since. Additionally, institutions only have to update their filings if their capital and/or voting interest crosses various thresholds, such as the 3% or a subsequent 5% threshold.

The following table depicts JDE Peet's' share price evolution since the official listing on Euronext Amsterdam on 29 May 2020.




The average daily trading volume in JDE Peet's shares at Euronext Amsterdam between 29 May 2020 and 31 December 2020 was 352,347 shares, or 250,221 shares when excluding the first day of trading.

On the basis of a total number of issued ordinary shares of 499,709,030 shares and the closing share price on 31 December 2020 of EUR 36.95, JDE Peet's market capitalisation was EUR 18.5 billion at the end of 2020.

# CAPITAL ALLOCATION POLICY

JDE Peet's primary sources of liquidity are cash flows generated from its operations and credit facilities. The primary use of this liquidity is to fund the company's ongoing operations, capital expenditure requirements, deleveraging objectives, acquisitions, and return of cash to shareholders primarily through dividend payments.

JDE Peet's intends to maintain a robust capital structure and continues to aim towards a financing structure that is compatible with an investment grade profile. To that end, the company prioritises deleveraging, with the aim of reducing down its net leverage to below 3x net debt/adjusted EBITDA towards its optimal leverage level. While JDE Peet's prioritises deleveraging while its leverage is above the optimal leverage level, it will continue to invest in R&D, brand building and other organic growth opportunities. Such opportunities include the significant EUR 110 million investment to increase the company's aluminium capsule capacity by 60% by the end of the first quarter of 2022.

# DIVIDEND POLICY AND PROPOSED DIVIDEND

The dividend policy of JDE Peet’s intends to preserve the independence of the company, maintain a healthy financial structure and to retain sufficient earnings in order to grow the business both organically and through acquisitions. The ability and intention of the company to declare and pay dividends in the future will mainly depend on its financial position, results of operations, capital requirements, investment prospects, the existence of distributable reserves and available liquidity and such other factors as the Board may deem relevant; and are subject to factors that are beyond the company's control. Subject to the aforementioned limitations, the company intends to provide a stable and increasing dividend per share, while the pace will be determined by the company’s capital allocation priorities.

JDE Peet's' Board proposes to pay a dividend of EUR 0.70 per share in cash related to FY 20. The dividend will be paid in two instalments of EUR 0.35 each. The first payment date will be on Friday 16 July 2021, with the ex-dividend date on Monday 12 July 2021 and the record date on Tuesday 13 July 2021. The second payment date will be on Friday 28 January 2022, with the ex-dividend date on Monday 24 January 2022 and the record date on Tuesday 25 January 2022. The dividend proposal is subject to approval by the Annual General Meeting of Shareholders to be held on Thursday 17 June 2021.

Dividend in cash is, in principle, subject to 15% Dutch dividend withholding tax, which will be deducted from the dividend in cash paid to shareholders. A shareholder's claim to payments of dividends lapses five years after the day on which the claim became payable. Any dividends that are not collected within this period revert to the company.

# ANNUAL GENERAL MEETING 2021

The Annual General Meeting of Shareholders is scheduled for Thursday 17 June 2021. The agenda and the explanatory notes to the agenda will be published on the company’s corporate website.

# FINANCIAL CALENDAR 2021 AND 2022

## 2021

| | |
|---|---|
| Full-year results 2020 | 9 March |
| Annual General Meeting of Shareholders | 17 June |
| Ex-dividend date (first instalment) | 12 July |
| Dividend record date (first instalment) | 13 July |
| Dividend payment date (first instalment) | 16 July |
| First-half results 2021 | 4 August |

## 2022

| | |
|---|---|
| Ex-dividend date (second instalment) | 24 January |
| Dividend record date (second instalment) | 25 January |
| Dividend payment date (second instalment) | 28 January |

# ADDITIONAL INFORMATION & CONTACT

JDE Peet's' corporate website provides comprehensive information about the company and its shares, including, among others, company announcements, annual and semi-annual reports, financial data, investor presentations, webcasts and transcripts, and a financial calendar. At the end of 2020, JDE Peet's was covered by 15 financial analysts. The analysts' names and consensus estimates can also be found on the website.

# CONTACT

Shareholders, investors and equity analysts are invited to contact Investor Relations with any information requests they have:

**JDE Peet's Investor Relations**

IR@JDEPeets.com

+31 20 558 1212

# ABOUT THIS REPORT

## OUR APPROACH

Following JDE Peet’s listing in May 2020, the organisation has decided to report on its financial and non-financial performance by issuing its first Annual Report. The recent creation of JDE Peet's and its listing creates the opportunity to take a first step towards reporting in a transparent and integrated manner. It's our ambition to follow the Integrated Reporting Framework for the IIRC to the extent possible, acknowledging that integrated thinking and reporting is a journey.

The purpose of this report is to explain how JDE Peet’s creates value for its stakeholders on the short, medium and long term, by providing a comprehensive overview of its business model, operations, external environment, strategy and performance.

The Report of Management Board (as defined in Title 9, Dutch Civil Code 2) consists of the following sections: JDE Peet's at a glance, Value Creation. Our Performance and Governance, excluding the Report of the non-executive Directors and the Remuneration Report.

## GOVERNANCE

The content of this report is compiled with active input from our business experts from across functions, vetted by the relevant departmental leads. The report is discussed and approved by a steering committee constituted of the Global Director Group Controller, the General Counsel and Company Secretary, the Global Accounting and Reporting Manager, the Legal Manager Corporate and the Global Director of Corporate & Government Affairs and Corporate Responsibility. The report is reviewed by the Audit Committee and discussed in a meeting of the Board, during which the Board approves the Report.

## SCOPE AND BOUNDARIES

The information included in this report relates to the company's financial year, from 1 January 2020 to 31 December 2020. The information contained in the Governance section relating to the Board and Executive Committee is only applicable from 2 June 2020 as explained in the governance section.

For some material topics and related non-financial KPIs, not all entities within JDE Peet's are included. Unless otherwise noted, non-financial data does not include 12oz, Coffee Company, Intelligentsia, Mighty Leaf Tea, Revive Kombucha, Stumptown, Repa Switzerland, Fruchthof Switzerland and Tea Forté. Where additional entities are excluded from the scope of a KPI, this is indicated next to the data reported within the respective section.

Data included under the section `*Improving our packaging* under the 'Our performance' chapter in this Annual Report, excludes the following entities which form part of JDE Peet's: 12oz, Café Pele, Coffee Company, Intelligentsia, Job Meal, Maison Lyovel, Mighty Leaf Tea, Ofçay, OldTown, Revive Kombucha, Stumptown, Super Group, Repa Switzerland, Fruchthof Switzerland and Tea Forté. These entities will be integrated into the dataset in the coming years. The packaging sustainability targets in the same section exclude equipment, spare parts and services and co-packed items. The targets currently also exclude our Peet's segment. We will consider including Peet's in coming years.

KPIs presented under the section '*Our people: United by our values*' under the '*Our performance*' chapter in this Annual Report, were calculated excluding the following entities which form part of JDE Peet's: 12oz, Coffee Company, JDE CC Holding, DE Holding Italy, Maison Lyovel, JDE Portugal, Jacobs Russia (Export MEA), Bonsai Ventures, Repa Switzerland, Fruchthof Switzerland, JDE Vietnam MU, Super Coffeemix MU (Myanmar), Gongga Food, Super FI.

JDE Peet's implemented new software in 2020 to obtain accurate and reliable data relating to training and other human resources related data for JDE employees. This enabled us to provide more detailed information on KPIs in 2020, such as the breakdown of nationalities presented for 2020.

JDE Peet's did not acquire any significant businesses in 2020.



# REPORTING PRINCIPLES

This report was developed according to the reporting principles defined by the GRI Standards: Stakeholder Inclusiveness (please refer to section "*Engaging our Stakeholders* "), Sustainability Context (please refer to section "*External Trends*"), consideration of Materiality (please refer to section "*Material Steps towards Value Creation and Corporate Responsibility*") and completeness (please refer to section "*Our Performance*" to see the reporting against all highest material topics).

# DATA QUALITY

To ensure data quality, a data collection process for non-financial information has been set up. We performed an internal check on our existing KPIs and developed data templates for each relevant work stream. The data templates include definitions and short instructions of how to source the data, if applicable.

The data used in this report is based on a number of data management and monitoring systems used by the respective functions and departments at JDE Peet's. Once the data has been collected and consolidated, several levels of review have been applied to the data received. Firstly, KPI owners have reported the data in accordance with their system monitoring. Additionally, the data has been reviewed by the steering committee and has been presented to the Corporate Responsibility Governance Committee. The Executive Committee is the ultimate responsible for the accuracy, balance, clarity, comparability, reliability and timeliness of the information reported in this document.

# REPORTING FRAMEWORKS AND LEGAL DISCLOSURES

This report is compiled in compliance with the Dutch regulatory requirements.

The financial information in the financial statements has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS). Moreover, the financial information meets the requirements as set out in Title 9, Book 2 of the Dutch Civil Code.

This first Annual Report follows the elements and principles of the IIRC Framework. In its willingness to report its non-financial performance in a robust and transparent manner, this report has been prepared in accordance with the GRI Standards: Core Option. The full GRI Content Index is available as a separate PDF. JDE Peet's also evaluates its contribution to the UN Sustainability Development Goals developed by the United Nations to assess the impact of its corporate responsibility programme.

An index to help readers navigate to the NFRD Disclosures in this report has been prepared and can be found on our website.

# DEFINITIONS OF THE MATERIAL TOPICS

## FIRST TIER - MATERIAL TOPICS OF VERY HIGH IMPORTANCE TO OUR STAKEHOLDERS AND OUR BUSINESS SUCCESS

- **Climate change mitigation**: Our efforts to reduce or prevent emission of greenhouse gases by deploying decarbonisation technologies and identifying, assessing, and managing climate-related risks at all levels of business operations along our entire value chain
- **Ethics and governance**: Our company's policies, standards, principles and norms that govern the actions at all levels of our organisation. General principles of governance and ethics include accountability, transparency, integrity and compliance
- **Product quality**: Production and sale of high-quality, reliable products (manufactured products and food & beverage products) in line with our company's quality standards and international food management standards to bring the right cup to every customer and consumer
- **Responsible supplier labour practices**: Our contribution to address labour issues, such as forced and compulsory labour, child labour, and human trafficking in our supply chain, as well as upholding the right of freedom of association and recognition of the right to collective bargaining and the occupational health and safety of workers. Our suppliers' and their subcontractors' business must comply with our Supplier Code of Conduct and all applicable laws and regulations regarding immigration, working conditions and occupational safety
- **Sustainable agriculture**: Good agricultural practices (GAP) that promote resilience while increasing the long-term viability of farm production. These include, among other things: water and energy reduction, optimal nutrient management, climate change mitigation efforts, soil conservation, integrated pest management, and activities to improve crop yields and quality
- **Supply chain transparency**: Visibility into the supply chain including the origin of raw materials and transparency on actual and potential negative environmental, social, economic and legal impacts
- **Sustainable packaging**: Our efforts in the purchasing, design and development of the primary, secondary, and tertiary packaging of our products to minimise the environmental impact across the whole lifecycle by reducing the amount we use, enabling recycling/composting/reuse and including recycled content (where regulations allow)

# SECOND TIER - MATERIAL TOPICS OF HIGH IMPORTANCE

- **Biodiversity protection**: Our efforts to minimise and avoid altogether any adverse impacts on local ecosystems of our raw materials and the related land use, especially where operations are sited in biologically sensitive areas. This includes deforestation and degradation of protected areas related to agriculture
- **Decent wages and benefits**: Adequate and fair remuneration in our own operations in compliance with national laws, regulations and collective agreements. Ensure overtime workers are compensated at legally mandated rates and statutory benefit and insurance are paid as legal requirement
- **Economic performance**: Generating and distributing economic value while adapting to changing societal conditions and imperatives, while carefully managing our social and environmental impact
- **Farmer livelihoods**: Our collaboration with partners from non-profits, government, suppliers, and industry to support the socio-economic viability of farms
- **Human rights**: Condemning the violation of any form of human rights (forced labour, child labour, human trafficking, modern slavery, etc.) in our operations and in our supply chain
- **Operational resource efficiency**: Managing the resource use and efficiency (e.g., direct and indirect energy, water) in our business operations and production processes (including transport) while prioritising renewable and clean resources
- **Product safety**: Our commitment to manufacture products that are safe for consumers and meet appropriate quality assurance standards and all applicable regulations, minimising the risk of recalls due to food safety issues. It includes the claims made by JDE Peet's on packages that can be substantiated (e.g., health or sustainability claims)
- **Supplier economics**: The recognition and reflection of the needs and positions of both parties and mutual benefits in the key parameters of our commercial agreements, in line with applicable laws and regulation.
- **Supply business continuity**: Managing the risk of significant disruption (e.g. strikes, key supplier failure, flood, fire, pandemic, machine failure) of our supply chain and manufacturing facilities to ensure in-time delivery of our production operations
- **Talent & employee engagement**: Fostering employee's full involvement and enthusiasm through programs and activities while measuring their engagement through recognised standards
- **Transparency & accountability**: Transparent disclosure of the material financial and non-financial information, related risks and opportunities in a clear, comparable and accessible manner using recognised sustainability tools and frameworks
- **Waste**: Our approach to systematically identify, manage, reduce, and responsibly dispose of or recycle waste across our operations
- **Workplace diversity & inclusion**: Our efforts to ensure that our workforce reflects diversity including (but not limited to) race, ethnicity, gender, disability, sexual orientation, gender identity, national origin, language, and socioeconomic status
- **Supplier economics**: The recognition and reflection of the needs and positions of both parties and mutual benefits in the key parameters of our commercial agreements, in line with applicable laws and regulation
- **Employee health & well-being**: Promoting employee health, safety, well-being and precautions that minimise hazards by conducting occupational health & safety assessments, providing employees with protective and safe equipment and preparing emergency response plans

# THIRD TIER - MATERIAL TOPICS OF MODERATE IMPORTANCE

- **Community engagement**: Our engagement and support of local communities across our operational and corporate footprint. Includes, for example, financial or product donations to local charities (e.g., foodbanks) and employee volunteering programs
- **Data security & privacy**: Safeguarding individuals' rights of privacy by limiting the types of employee, worker and customer information gathered and the ways in which such information is obtained, used, and stored. This includes JDE Peet's efforts to maintain safe IT systems and preventative security measures, compliance with GDPR or other privacy laws, and responsible use of technology and innovation / automation in own manufacturing facilities
- **Supplier diversity**: Engaging diverse suppliers, including minority-owned, women-owned, veteran owned, LGBT-owned, historically underutilised business, and small business vendors as suppliers. Supplier diversity is important along the value chain, for instance, pertaining to the inclusion of smallholder, female and young farmers
- **Taxation**: Our fulfilment of taxation responsibilities to the economies in which the company operates. This includes complying with changes in tax laws

# FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control and all of which are based on our current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “aim”, “annualised”, “anticipate”, “assume”, “believe”, “continue”, “could”, “estimate”, “expect”, “goal”, “hope”, “intend”, “may”, “objective”, “plan”, “position”, “potential”, “predict”, “project”, “risk”, “seek”, “should”, “target”, “will” or “would” or the highlights or the negatives thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. These forward-looking statements and other statements contained in this report regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing us. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Forward-looking statements in this report speak only as of the date of this report. Except as required by applicable laws and regulations, we expressly disclaim any obligation or undertaking to update or revise the forward-looking statements contained in this report to reflect any change in our expectations or any change in events, conditions or circumstances on which such statements are based.

# GLOSSARY

## SELECTED INDUSTRY TERMS

- **Away-from-Home**: coffee & tea products purchased for consumption outside of the home at offices, hotels, bars, restaurants etc. as well as in coffee stores
- **Carbon footprint**: the amount of carbon dioxide released into the atmosphere as a result of the activities of a particular individual, organisation, or community or the manufacturing, use and disposal of a product
- **Certified or verified:** coffee or tea that a third party (for example, the Rainforest Alliance or Ethical Tea Partnership) has independently certified or verified as meeting its sustainability requirements
- **Developed market:** developed economies as defined by the United Nations Conference on Trade and Development (Development Status Groups and Composition, 12 July 2019)
- **Direct (Scope 1) GHG emissions:** The sum of all on-site GHG emissions at JDE Peet's manufacturing facilities which arise from combustion processes used to manufacture products. These GHG emissions can result from burning of fuels in boilers, roasters, dryers or from electric generators. This indicator corresponds to Scope 1 of the GHG Protocol. GHG included in the calculation are $CO_2$, $CH_4$, $N_2O$, HFCs, PFCs, $SF_6$ and $NF_3$. The $CO_2$ equivalents from refrigerants losses were deemed immaterial and are excluded. Emissions are calculated using fuel-specific factors from DEFRA and IEA and purchased energy quantities. Biogenic emissions from the combustion of spent coffee grounds and other biomass are assumed to be zero. The consolidation follows the operational control method outlined in the 'GHG Protocol Corporate Standard'
- **Emerging markets:** transition economies and developing economies as defined by the United Nations Conference on Trade and Development (Development Status Groups and Composition, 12 July 2019)
- **Energy indirect (Scope 2) GHG emissions:** GHG emissions arising from the generation of electricity, heating, cooling and steam which is purchased by JDE Peet's manufacturing facilities or otherwise brought into our organisational boundaries. The emissions physically occur at the facility where the electricity, heating/cooling carriers or steam are generated. Publicly available country-specific default factors or supplier-specific factors when available are used to calculate this from the purchased energy quantities. This indicator corresponds to Scope 2 of the GHG Protocol. GHG included in the calculation are $CO_2$, $CH_4$, $N_2O$, HFCs, PFCs, $SF_6$ and $NF_3$
- **Energy intensity ratio:** the energy used for the manufacturing of our products at our manufacturing facilities, including all fuels, electricity, heating, cooling and steam, in gigajoules per tonne of production
- **GHG intensity ratio:** The GHG emissions arising from the operations of our manufacturing facilities in tonnes of $CO_2e$ per tonne of production. This covers direct (Scope 1) and energy indirect (Scope 2) GHG emissions as defined above
- **Glyphosate**: a widely used herbicide that controls broadleaf weeds and grasses
- **GMO-free**: products free from genetically modified organisms
- **Green coffee:** raw coffee beans that have not been roasted
- **In-Home:** packaged coffee & tea products purchased for consumption at home
- **Multi-serve:** coffee products for multi-cup use, as opposed to single-cup use
- **NFRD**: the Non-Financial Reporting Directive which lays down the rules on disclosure of non-financial and diversity information by large companies
- **Out-of-Home:** coffee & tea products purchased for consumption outside of the home through our Out-of-Home coffee solutions
- **Ready-to-drink:** beverages that are sold in a prepared form, ready for consumption by consumers
- **Responsibly sourced:** coffee, tea or palm oil sourced from origin countries where the Common Grounds programme is active

- **Smallholder**: a small farm operating under a small-scale agriculture model
- **Single-serve:** coffee products for single-cup use, as opposed to multi-cup use
- **Volume:** servings of coffee that can be made from various forms of coffee products
- **Waste intensity ratio**: The waste generated in the manufacturing of our products at our manufacturing facilities in tonnes per tonne of production. Volumes are typically based on recorded volumes by a third parties managing the waste
- **Water stressed areas**: Locations for which WRI's Aqueduct Water Risk Atlas tool shows Baseline Water Stress as high or extremely high.
- **Water user ratio**: The water withdrawal (in cubic meter) required to make one tonne of product

# SELECTED ABBREVIATIONS

- **AGM**: Annual General Meeting of Shareholders
- **APAC:** Asia Pacific
- **CHRO**: Chief Human Resources Officer
- **$CO_2$e**: Carbon dioxide equivalent, a standard unit for measuring GHG emissions
- **CPG: C**onsumer packaged goods
- **COSO**: Committee of Sponsoring Organizations of the Treadway Commission
- **DSD:** Direct store delivery
- **EBIT**: Earnings before interest and tax
- **ERM**: Enterprise risk management
- **ERP: E**nterprise resource planning
- **ESG**: Environmental, social and governance
- **ETP**: The Ethical Tea Partnership
- **GAIN**: Global Alliance for Improved Nutrition
- **GCC**: Global Compliance Council
- **GCP**: Global Coffee Platform
- **GHG**: Greenhouse gas
- **GRI:** Global Reporting Initiative, an organisation that publishes international standards for non-financial reporting
- **HACCP**: Hazard Analysis and Critical Control Point
- **ICO**: The International Coffee Organization
- **ICS**: Internal Control Supervisor
- **IFRS: T**he International Financial Reporting Standards
- **IIRC**: International Integrated Reporting Council
- **ILO**: The International Labour Organisation
- **IPO**: Initial Public Offering
- **LARMEA**: Latin America, Russia, Middle East and Africa
- **LCC**: Local Compliance Council
- **MCHBV**: Mondelez Coffee HoldCo B.V.
- **OP2B**: The One Planet Business for Biodiversity coalition
- **PPP**: Public-private partnership
- **QMS**: Quality Management System
- **RSPO**: Roundtable on Sustainable Palm Oil
- **S&OP: S**tandardised sales and operation planning
- **SCC**: The Sustainable Coffee Challenge
- **SDGs**: The United Nations Sustainable Development Goals
- **SKU: S**tock keeping unit
- **TRIR**: Total Recordable Incidents Rate
- **USAID**: United States Agency for International Development
- **WCR**: World Coffee Research

# NON-IFRS DEFINITIONS

- **Adjusted depreciation and amortisation (adjusted D&A):** Adjusted depreciation and amortisation is defined as depreciation and amortisation, adjusted for the depreciation and amortisation already included in the adjusting items as included in adjusted EBIT
- **Adjusted EBITDA:** Adjusted EBITDA are defined as operating profit before depreciation and amortisation, adjusted for the same factors as listed under adjusted EBIT
- **Adjusted income tax expense**: Adjusted income tax expense is defined as income tax expense adjusted for the effect of tax rate changes on deferred tax assets/liabilities and the non-recurring items, such as tax reserves and tax audit adjustments
- **Adjusted financial income and expenses**: Adjusted financial income and expenses is defined as financial income and expense, adjusted for the effect of non-recurring items such as the costs related to refinancing activities. No adjustments were made in 2019 and 2020
- **Free cash flow**: Free cash flow is defined as net cash provided by operating activities less capital expenditure
- Net debt: Net debt is defined as total borrowings less cash and cash equivalents, excluding cash not at the free disposal of the Company.
- **Net leverage ratio:** Net leverage ratio is defined as net debt divided by adjusted EBITDA of the last twelve months
- **Operating working capital:** Operating working capital is defined as inventories and trade receivables – net less trade payables
- **Organic adjusted EBIT :** Organic adjusted EBIT is defined as adjusted EBIT translated at the prior year average foreign exchange rate and adjusted for scope changes (a.o. M&A and divestitures) and other items. To determine organic adjusted EBIT in a given year, adjusted EBIT in that year is translated at the average foreign exchange rate of the comparable year and excludes adjusted EBIT from acquired/divested companies until 12 months following the transaction date. In 2020 there was an adjustment of EUR 6 million related to an ERP implementation in the Out-of-Home segment
- **Organic sales:** Organic sales are defined as revenue translated at the prior year average foreign exchange rate and adjusted for scope changes (a.o. M&A and divestitures) and other items. To determine organic sales in a given year, revenue in that year is translated at the average foreign exchange rate of the comparable year and excludes revenue from acquired/divested companies until 12 months following the transaction date. In 2020 there was a sales adjustment of EUR 10 million related to an ERP implementation in the Out-of-Home segment
- **Organic sales growth:** Organic sales growth is defined as the growth in organic sales between the given and comparable year
- **Underlying profit:** Underlying profit is defined as adjusted EBIT for the period including adjusted financial income and expenses, adjusted income tax expense and income from associates and joint ventures, adjusted for minority shareholders