JDE PEET'S N.V.

ANNUAL REPORT 2021

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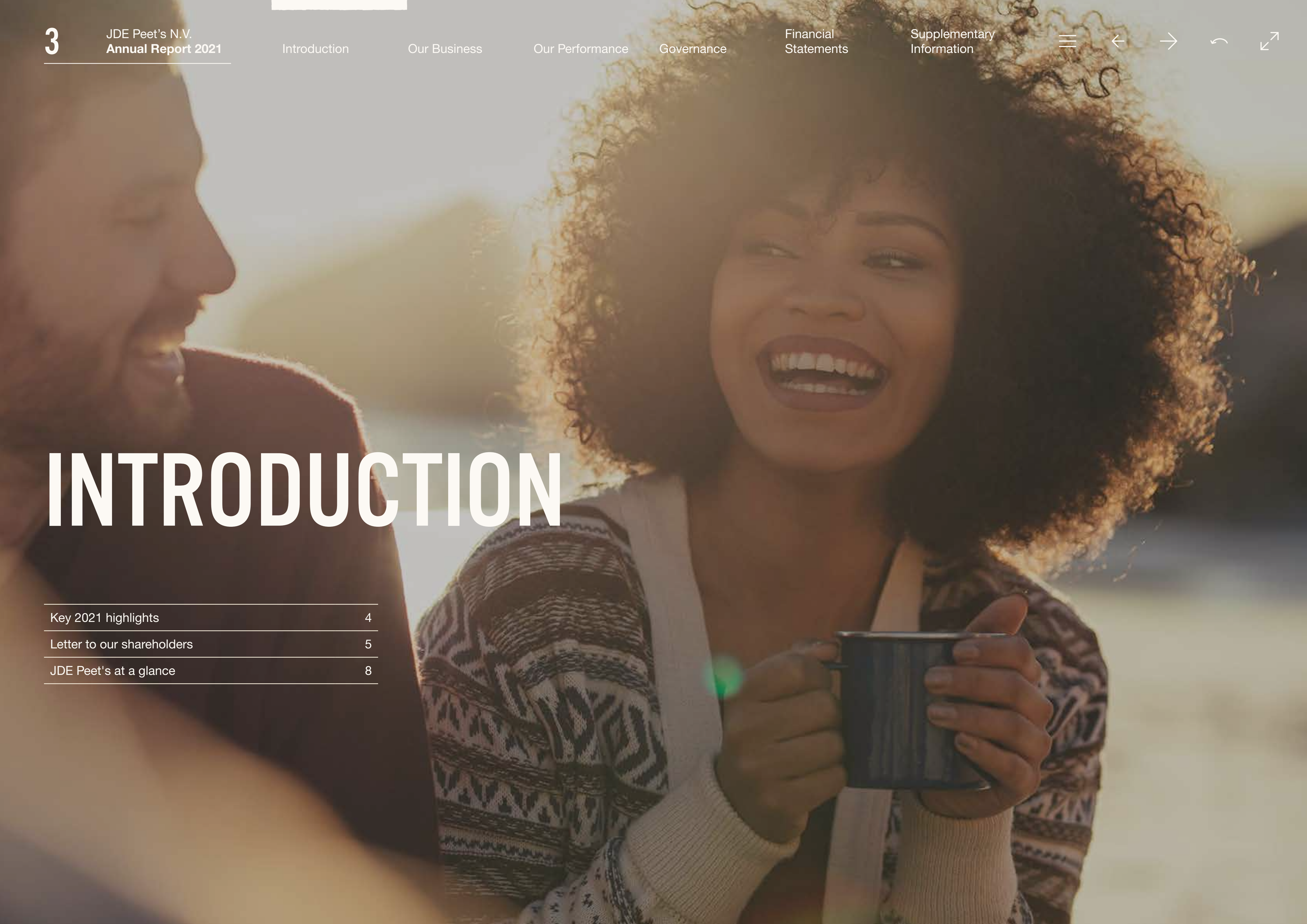


INTRODUCTION

KEY HIGHLIGHTS 2021

FINANCIAL

EUR 7BN
TOTAL SALES

6.1% ▲
ORGANIC SALES GROWTH

EUR 1.3BN
TOTAL ADJUSTED EBIT [1]

1.5% ▲
ORGANIC ADJUSTED EBIT GROWTH

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

EUR 1.1BN
OPERATING PROFIT

EUR 1.4BN
FREE CASH FLOW

SUSTAINABILITY

PURCHASES WITH 2ND OR 3RD-PARTY SUSTAINABILITY CERTIFICATION OR VERIFICATION

COFFEE	TEA	PALM OIL
30%	32%	72%
+1% ▲	+10% ▲	+41% ▲

88% [2]
PACKAGING DESIGNED TO BE REUSABLE, RECYCLABLE OR COMPOSTABLE

50+ PROJECTS
ACTIVE PROJECTS WITH SMALLHOLDER FARMERS

470,000
+85,000 ▲
SMALLHOLDER FARMERS REACHED DIRECTLY SINCE 2015

5% ▼
DECREASED SCOPE 1, 2 & 3 GHG EMISSIONS BY 5% VERSUS 2020

[1] More information on the non-IFRS measures can be found in the 'Non-IFRS Measures' in the 'Financial performance' section. Further information on the definitions of these non-IFRS measures can be found in the 'Glossary' section.

[2] Refer to the 'Improving our packaging' and 'About this report' section for more information on this target

LETTER TO OUR SHAREHOLDERS

In 2021, the world again had to deal with a particularly challenging environment, impacted by government restrictions, unprecedented disruptions in global supply chains, and the onset of historically high inflation. Amidst all this, our people worked extremely hard, and in a very agile way, to successfully unleash the possibilities of coffee & tea to create a better future. For us, a better future means protecting coffee and tea for generations to come. It also means empowering our employees and partners to do what they do best every day. And it means ensuring that everyone can enjoy the coffee and tea they love.

In 2021, we refocused on our founding entrepreneurial values. We set out our new strategic framework, reinvested in our powerful portfolio of brands and products, reinforced our operational discipline, stepped up our sustainability ambitions, and further strengthened our financial position.

FINANCIAL PERFORMANCE

Despite the challenging operating conditions, we delivered a strong, broad-based set of results, driven by a new level of high quality revenue growth. All the newly defined priorities – related to geography, channel, brand and category - recorded a high-single-digit to double-digit organic sales growth level.

The ongoing disruption caused by the pandemic meant that many countries continued to advise people to work from home, while government measures around the world continued to lead to reduced activity levels in the Away-from-Home channels. However, we saw these levels begin to gradually recover during the year, as restrictions were lifted. As a result, In-Home performance remained strong while the results of the Away-from-Home businesses improved materially over the course of 2021.

As inflation started to rise across a variety of input costs during the year, we undertook a number of mitigating actions and set up a diligent and disciplined pricing plan for 2021 and 2022. This will help us protect profitability and our ability to continue to invest in innovation and future growth. At the same time, we invested an additional EUR 110 million in areas such as marketing, digital commerce, emerging market capabilities, and sustainability to support our long-term growth ambitions.

All this enabled us to generate EUR 7 billion in sales, EUR 1.1 billion of operating profit and a free cash flow of more than EUR 1.3 billion.

STRATEGY & INNOVATION

During the year, we concentrated on executing our new strategic framework, which is designed to generate sustainable, inclusive, and profitable growth. This strategy is centred around organic growth, driven by innovation across products, packaging, brewers and new business models. In 2021, for instance, L'OR launched a bio-organic range containing 100% organic coffee beans, while Moccona introduced our first range of plant-based offerings in specialty mixes for Australia. In China, Maxwell House and Moccona entered the growing Cold Brew Pure Instant segment, and in Eastern Europe, Jacobs launched a range of Origins and flavoured premium instants products. At Peet's, we have launched a variety of flavoured K-cups, which have contributed to a meaningful share of the category growth since its introduction.

When it comes to brewers, the new Senseo Select machine offers very affordable café-style drinks at home, so that consumers can now choose from espresso to lungo or cappuccino. We also extended the L'OR Barista appliance range to include SUBLIME, to address the consumer preference for smaller, sleeker appliances, and we extended the geographical footprint of the system to a number of new markets. These innovations play an important role in delivering our long-term ambitions, and we are very pleased with the pace and pipeline of our innovations.

Alongside the further strengthening of our partnership with illy, through which we sell high-end premium aluminium capsules in 32 markets, we also ventured into a number of new strategic partnerships to drive profitable growth. For example, by supporting J.M. Smucker Co.'s 'Smucker Away

From Home' liquid coffee business with product development, production, and food service equipment innovation. We also partnered with Pret A Manger to expand into the self-serve coffee market launching 'Pret Express' in a range of locations across the United Kingdom, so that customers can enjoy organic coffees and teas in places where Pret Baristas are unable to operate. Together, these two new partnerships help us further expand our Out-of-Home footprint and brand portfolio reach. Additionally, we partnered with Pret A Manger to launch a new range of aluminium coffee pods, using Pret's 100% organic coffee, enabling consumers to enjoy the company's coffee at home for the first time. This will help us increase household penetration in one of the fastest-growing coffee subcategories.

And as part of our strategic drive to grow in markets such as the Asia-Pacific region, we acquired Campos Coffee in Australia. As a specialty coffee leader present across Australia in multiple channels, Campos Coffee is a first-class addition to JDE Peet's.

Letter to our Shareholders (continued)

PEOPLE

Our focus in 2021 remained on the well-being of everyone who works for or with us, maintaining additional health and safety standards at our manufacturing facilities, communicating constantly with farmers, suppliers and partners, and facilitating home-working for our office-based employees. Where safety and government measures allowed, we were quick to reopen our sites, including offices. However, we also believe that the COVID-19 pandemic has changed the way we communicate, collaborate and connect in the modern workplace.

We also took a number of significant steps to further embed DE&I in JDE Peet's. To that end, we set up a dedicated DE&I Board and launched, among other things, a market activation toolkit that gives change makers, who are business leaders and champions across the company, a pragmatic and systemic approach on next steps, actions and behaviours linked to DE&I across our markets. Our inclusive culture capability programme also included the implementation of 50+ online DE&I courses within our Learning & Development platform. And in order to drive the DE&I agenda and raise awareness on topics which are globally relevant, we rolled out a global activation strategy across three events in 2021: International Women's Day, Cultural Diversity Day and DE&I Week.

Engagement remains a crucial aspect of ensuring our people are satisfied working at JDE Peet's, which is why we again carried out an engagement survey. The results showed that engagement levels are similar to those seen in our most recent pre-COVID-19 survey. We believe this highlights both employees' resilience and our efforts to create an environment where our people feel connected with the company.

SUSTAINABILITY

Our sustainability strategy spans our entire value chain, and aims to ensure we source our raw materials responsibly, minimise our footprint, and engage our own employees as well as all the communities and partners in our entire ecosystem. As we believe this is vital to the long-term success of the company, we worked hard on its execution throughout the year, engaging with stakeholders along the entire supply chain and stepping up our level of ambition for the short and long term.

Under the Common Grounds programme, we launched 10 new projects globally in partnership with suppliers, NGOs and others to address key sustainability challenges in the countries from which we source our coffee, tea and other agricultural ingredients. Under this programme, we have now reached over 470,000 smallholder farmers through more than 50 collaborative projects across 18 countries.

We made good progress in reducing our environmental footprint. In partnership with customers, we also further expanded our recycling initiatives for some of our single-serve offerings, such as Podback in the UK and the Aluminium Capsule Recycling Alliance in France. Overall, we increased the share of packaging designed to be reusable, recyclable or compostable to 88% and achieved 40% recycled content in our packaging, reaching this target well ahead of time. In addition, our entire European manufacturing network plus five other manufacturing sites reached zero-waste-to-landfill status and we managed to reduce overall manufacturing waste by 15%.

Finally, we are very pleased that our climate strategy was approved by the Science Based Targets Initiative (SBTi). This involves the commitment to reduce our absolute greenhouse gas emissions for scope 1 & 2 by 25% and scope 3 by 12.5% by 2030 compared to our 2020 base year. In 2021, we decreased our GHG emissions related to scope 1, 2 & 3 by 5%.

FINANCING

We significantly optimised our financial position and capital structure in 2021, as we substantially reduced our leverage and average cost of debt and significantly extended our weighted average maturity through a successful refinancing and subsequent bond issuance at very compelling terms.

OUTLOOK

In a year in which the world again faced a challenging environment, we made solid progress in 2021, and strengthened the company in many areas. And while we do not expect the uncertainty and volatility around us to disappear anytime soon, we remain confident and committed to our long-term algorithm of targeting 3 to 5% organic sales growth, mid-single digit organic adjusted EBIT growth, a free cash flow conversion of around 70%, and stable dividend flows which we expect to sustainably grow over time.

For 2022, the unprecedented level of inflation across many input costs and the related volatility and uncertainty that comes with it, will be our biggest challenge. With this in mind, we expect to deliver double-digit organic sales growth, as we will be disciplined on price, and aim for a stable level of absolute gross profit compared to 2021. We will also continue to increase investments in our strategic growth opportunities, keep a tight focus on other cost items, and aim to deliver free cash flow of at least EUR 1 billion.

THANK YOU

We have come out of 2021 as a nimbler global coffee & tea pure player with stronger fundamentals. Everything we achieved during the year was made possible with the support of our stakeholders. Our teams, who realise our ambitions and work hard every day to ensure our great products are available across our markets. Our customers and consumers, who continue to purchase and enjoy our products, whether at home or elsewhere. Our smallholder farmers, who grow high-quality coffee and tea for us, and our suppliers and other partners who make sure everything reaches our manufacturing facilities. NGOs and governmental bodies, who work with us to improve the livelihoods of smallholder farmers and make a difference to the environment. Industry partners, who join with us on industry groups around the world. And our shareholders, who support us and take an ongoing interest in our performance and growth, as we work towards creating long-term value in one of the most attractive and resilient categories in the food & beverage industry.

We would like to thank them all for their agility, resilience and support, and we look forward to working with everyone at JDE Peet's and along our value chain to make 2022 another successful year.

Sincerely,

Fabien Simon
Chief Executive Officer

Olivier Goudet
Chairman of the Board

JDE PEET'S AT A GLANCE

JDE Peet's 2021 Annual Report provides an overview of our main business activities and achievements throughout the year. Following the Integrated Reporting Framework for the International Integrated Reporting Council (IIRC) when possible, it focuses on our strategy, governance, performance and outlook, and aims to explain how we create value for our stakeholders in the short, medium and long term.

43 MARKETS
IN CPG AND OOH WHERE WE ARE THE #1 OR #2 PLAYER

78%
OF SALES GENERATED IN THESE MARKETS

100 MARKETS
WHERE WE ARE ACTIVE

5 SEGMENTS
CULTURAL & GEOGRAPHICAL

43 FACILITIES
MANUFACTURING FACILITIES

24 COUNTRIES
WORLDWIDE

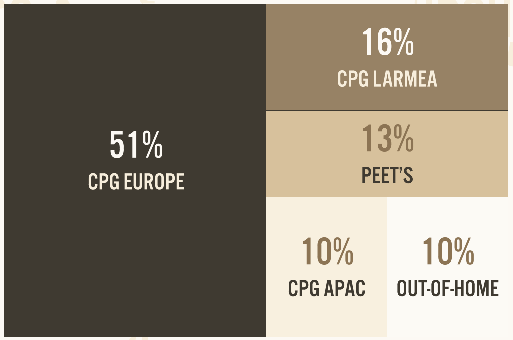
19,000+
EMPLOYEES

90+
NATIONALITIES

50+ PROJECTS
ACTIVE PROJECTS WITH SMALLHOLDER FARMERS

18 COUNTRIES
WORLDWIDE

SALES BY SEGMENT



OUR BUSINESS

JDE Peet's is the world's leading pure-play coffee & tea company. We provide customers and consumers with coffee & tea in more than 100 markets through a portfolio of over 50 brands, including L'OR, Peet's, Jacobs, Senseo, Tassimo, Douwe Egberts, OldTown, Super, Pickwick and Moccona. In 2021, our more than 19,000 employees helped us serve around 4,500 cups of coffee or tea per second and generate total sales of EUR 7 billion.

BUSINESS OVERVIEW

2021 YEAR IN REVIEW

Here is a selection of our most important milestones in 2021:

Q1

JDE Peet's published its inaugural Annual Report.

The J.M. Smucker Co. and JDE Peet's announced a strategic partnership which will allow JDE Peet's to support the Smucker Away From Home liquid coffee business with product development, production and food service equipment innovation.

Staying healthy has taken on a vital and pressing meaning during the pandemic. Pickwick Tea launched its Superblends range, with added vitamins, winning the Best Product of the Year 2021/2022 award in the Netherlands.

We expanded our Instant portfolio into the indulgent space with the launch of Jacobs Flavours, targeting younger consumers by offering them the high quality Jacobs Instant they love, infused with the most popular flavours such as caramel and chocolate.

We extended our focus on beans with the launch of the Farmer's Initiative in France and later in Norway, a range of high-quality certified coffees from single origins, where for every pack a donation is made to projects to improve social and environmental conditions on coffee farms.

We successfully completed a EUR 6.5 billion refinancing transaction, including EUR 2.5 billion of new investment-grade facilities that are connected to our sustainability ambitions.

Q2

To offer our consumers the same homely feeling as in their homes and a place to meet people, Douwe Egberts opened another three D.E Café's in the Netherlands, totalling 12, under licensing agreement.

JDE Peet's acquired Campos Coffee, a speciality coffee leader in Australia, available in over 600 cafés and present in multiple channels including direct-to-consumer, retail, and its own flagship cafés.

JDE Peet's became the first company to use the new supply chain sustainability solution SourceUp, as part of its commitment towards 100% responsibly sourced coffee by 2025. Coffee farmers who form part of this landscape programme in Vietnam use 20% less water, 14% less chemical fertiliser, use no banned pesticides and saw their income increase by 20% compared to farmers outside the programme.

Moody's Investors Service and S&P Global Ratings assigned investment grade ratings to JDE Peet's. These ratings reinforce the commitment JDE Peet's made at the time of the IPO to further improve the company's credit profile, underscoring its operating strength, strong financial discipline, and continued progress.

Business Overview (continued)

Q3

We partnered with Pret A Manger to launch a new range of aluminium coffee pods, using Pret's 100% organic coffee, enabling consumers to enjoy the company's coffee at home for the first time.

On the Professional side, we launched Tea Master Selection, a range of worldly teas in sustainable composition (certified blends, sustainable packaging, country of origin) without compromising on taste and quality.

We extended the L'OR Barista appliance range to include SUBLIME, a more compact and modem application to address the consumer need for smaller, sleeker appliances, and extending the geographical footprint of the system in two new markets.

Q4

JDE Peet's signed a new multi-year agreement with the Sustainable Trade Initiative and Cargill to support independent smallholder farmers in Indonesia move towards sustainable palm oil production. This partnership and the continued cooperation with key stakeholders in the palm oil supply chain is an important milestone for JDE Peet's' commitment towards 100% responsibly sourced coffee, tea and palm oil by 2025.

Pret A Manger and JDE Peet's announced plans to expand into the self-serve coffee market with the launch of "Pret Express". Pret Express will be introduced in convenience stores, forecourts, universities, healthcare facilities and workplaces across the United Kingdom, offering the same favourite organic coffees and teas consumers enjoy in Pret shops in places where Pret Baristas are not able to operate.

JDE Peet's highlighted its recent successful entry of Maxwell House and Moccona into the growing Cold Brew Pure Instant segment in China as part of the company's reignited global innovation agenda. These types of innovations enable us to continue building our credentials while blurring the lines between traditional Single Serve and Instant coffee and creating exciting new coffee experiences for the next generation of coffee consumers.

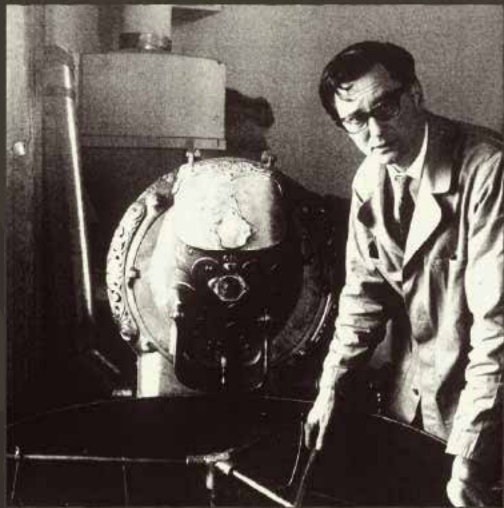
L'OR partnered with World Coffee Research (WCR) to enrich the diversity of coffee varieties from around the world and the lives of passionate farmers who grow it, with the launch of L'OR limited edition creations from estates where WCR grow new coffee varieties.

We successfully completed two additional bond issuances totalling EUR 1.1 billion which further improve our cost of debt and debt maturity profile.

OUR STORY

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

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



Business Overview (continued)

OUR PURPOSE

At JDE Peet's, we unleash the possibilities of coffee & tea to create a better future. We collaborate with members of the industry to improve the livelihoods of every community in which we operate from farmers and suppliers, to our talented employees and the local communities in which our consumers enjoy millions of cups of our coffee & tea every day. We play our part to create a better future.

Our purpose is much more than a sustainability promise. It guides our strategic choices. For us, a better future means protecting coffee & tea for generations to come. It also means empowering our partners and employees to do what they do best every day. And it means ensuring that everyone can enjoy the coffee and tea they love.

With the pace of life always seeming to increase, we firmly believe our coffee & tea products play an important role in maintaining connection and unleashing everyone's true potential.

Our Vision

A COFFEE & TEA FOR EVERY CUP

Our Purpose

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

Business Overview (continued)

Our Values

THAT DRIVE OUR BEHAVIOUR

DISCIPLINE

We stay focused on what matters and build our mastery when we do the right things in the right way

ACCOUNTABILITY

We take responsibility for our actions and ownership of our results

SIMPLICITY

We choose the most straightforward paths to achieve our desired outcomes

SOLIDARITY

Together we make a bigger difference, building trust and unity around shared interests

ENTREPRENEURSHIP

Ensures we win the freedom to create and pursue more opportunities by staying agile, moving fast and resisting unnecessary bureaucracy

Business Overview (continued)

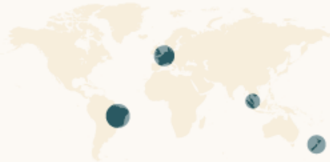
OUR BRAND PORTFOLIO

Our strong portfolio of global, regional and local brands has been built upon a rich history and heritage and these brands are deeply rooted in the diverse coffee & tea cultures in which we operate. Our portfolio allows us to cover the category landscape, ensuring we can offer a coffee & tea to everyone, no matter who they are, where they are, or what their preferences are.

We use a distinctive brand building model to develop meaning and communication for our brands, so that they meet 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 we know amazing things can happen over a cup of coffee or tea.

Our **global brands** are large players operating in multiple markets, with one meaning and one global execution.

Our **regional heroes** have an international footprint with local nuances. These local nuances are based on cultural drinking habits, the 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
1966 Peet's Coffee
1992 L'OR
1999 Stumptown Coffee Roasters
2004 Tassimo
1853 Gevalia
1937 Pickwick
1978 Pilão
1995 Intelligentsia
1999 OldTown White Coffee
2014 Tiora
1895 Jacobs
1960 Moccona
1987 Super
1996 Mighty Leaf
2001 Senseo

AN UPLIFTING SENSE OF POSSIBILITIES

RICH AND STRONG HERITAGE SINCE 1895

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

JACOBS drives growth in emerging markets by focusing on local drinking preferences with its extended portfolio of Instant Mixes and Instant Cappuccinos.

BRAND HIGHLIGHT

A 55-YEAR OBSESSION: THE PURSUIT OF BETTER COFFEE

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

Peet's coffee also continues to expand its presence by offering café quality in China. In 2021, the number of Peet's coffee stores in China increased by 37 to 70 stores.

BRAND HIGHLIGHT

L'OR

L'ART DU CAFÉ

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 its high-quality aluminium capsules and exquisite blends. Today, the unequalled quality of L'OR coffee continues to seduce connoisseurs all over the world.

L'OR has also responded to coffee drinkers' demand for a high-quality coffee experience at home, with the launch of the L'OR BARISTA brewer, offering a range of coffee creations at home.

DOUWE EGBERTS, A TRUE ICON AND LEADING COFFEE BRAND WITH A CUP FOR EVERYONE BRINGING PEOPLE CLOSER TOGETHER

Douwe Egberts was founded in 1753 in Joure, the Netherlands, where Egbert Douwes and his wife Akke Thijsses opened a grocery selling tea and coffee. Today, the brand is represented in 7 markets and holds strong leading positions in the Netherlands and Belgium, where it is omnipresent; from retail to offices, universities, and in D.E Café's. The brand is all about bringing people closer together and stands symbol for warm moments of connection in people's live. In 2021, Douwe Egberts opened another 3 D.E Café's in The Netherlands offering our consumers the same homely feeling as in their homes and a place to meet people. The great quality coffee we offer out of home, we now also offer in retail through our new and award winning (Wheel of Retail, Food Award and Best Innovation GFK) D.E Café range of beans and capsules.

Douwe Egberts is committed to contributing to the community through initiatives like 'D.E Neighbours day', a yearly country-wide event to make neighbourhoods in the Netherlands more sociable, but above all: get to know your neighbour over a good cup of coffee. In 2021, Douwe Egberts reinforced their Coffee for Everyone Program in Belgium via collaborating with retailers to donate over 8.5 million cups of coffee to food banks.

BRAND HIGHLIGHT

TASSIMO

DELIVERS COFFEE ENJOYMENT ON DEMAND

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

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.

INSPIRING PEOPLE TO MAKE CHOICES THAT MATTER FOR 20 YEARS

Senseo began by bringing the first single serve offering to everyone, and has grown to become, the leading system in Western Europe delighting 15 million households every day. Today, Senseo is the only appliance offering affordable sustainable cups of coffee, with fully compostable pads.

The new Senseo Select machine has responded to consumer trends offering café style drinks at home so that consumers can now choose from espresso to lungo or cappuccino.

The Senseo Select machine:

Is sustainable

Works at the touch of a button

Offers a range of drinks

Is affordable

INSPIRING EVERYDAY MOMENTS OF PLEASURE

Moccona's belief is that a life well lived is one where we take the time to pause and appreciate the countless moments of beauty that exist in the world, all ready to be enjoyed.

Moccona was established in 1743 in the small Dutch village of Joure. Moccona's european charm and superior taste made it a household name in Australia. Today, it continues to provide an elevated coffee experience to consumers in the Asia Pacific region, building a premium positioning around its distinctive glass jar.

Moccona has portfolio presence in all key coffee segments across retail and Out-of-Home with new offerings such as a range of plant-based specialty coffee and cold brew single-serve pure instant.

BRAND HIGHLIGHT

A POWERFUL TEA BRAND THAT INSPIRES YOU TO TAKE TIME FOR YOURSELF AND OTHERS

The rich history of Pickwick started more than 260 years ago in the Netherlands. The brand has expanded since then to 8 markets across Europe.

Pickwick delivers uplifting moments every day for those who thrive on caring for themselves and others. We believe that everyone can create daily moments that simply make them feel better by offering a portfolio based on pure taste and natural aromas.

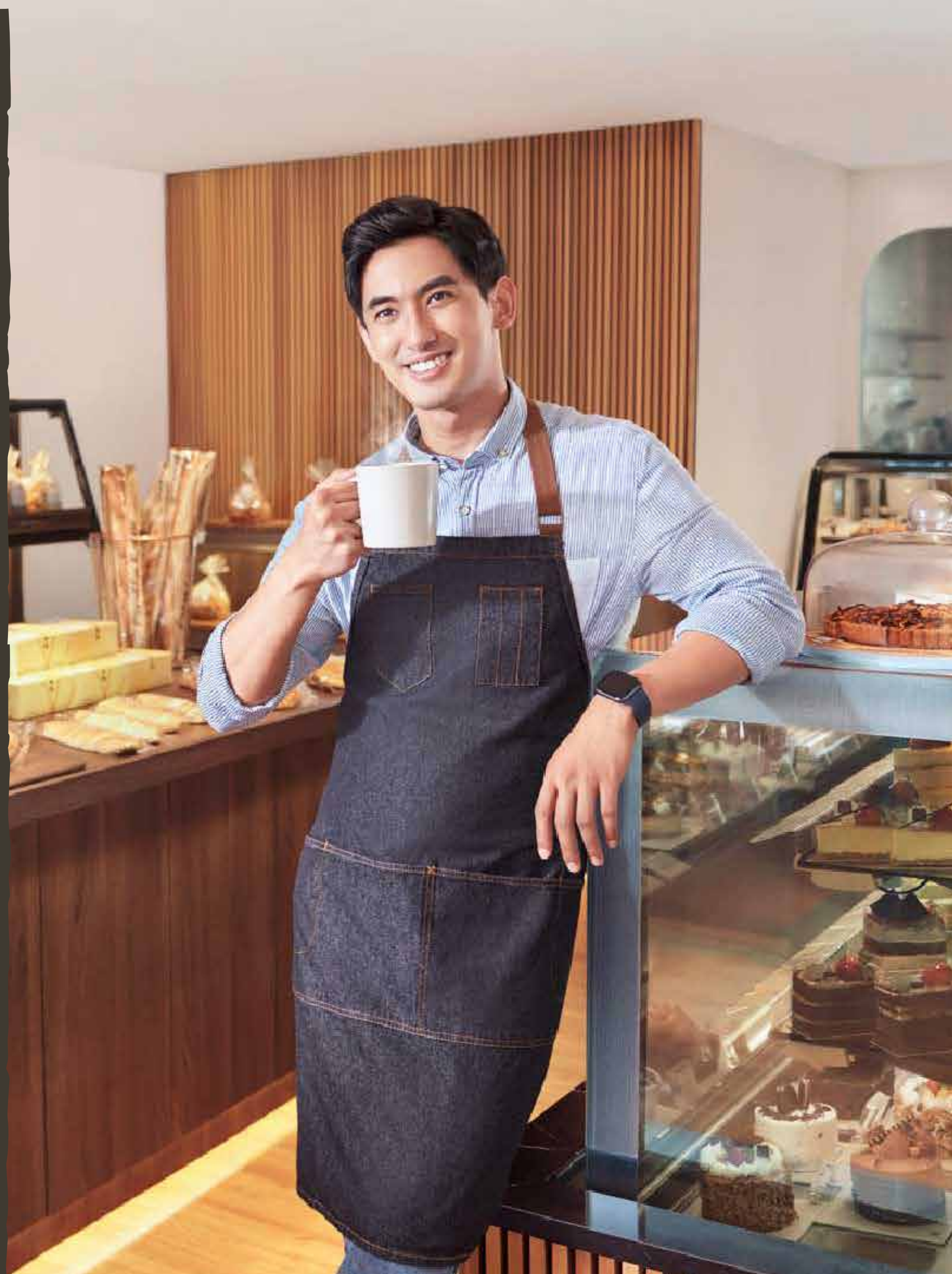
Keeping consumers' health at the heart of product development, we have launched a range of herbal blends with added vitamins: Pickwick herbal super blends. A delicious cup of tea made of the finest herbal ingredients, but with a little extra to enhance your radiant self.

SUPER FUELS THE EVERYDAY CHANGE MAKERS

SUPER is the pioneer of coffee mixes, driven by the vision to make coffee universally liked and accessible in tea-loving Asia. By combining a perfect balance of coffee, creamer and sugar, coffee was customised to suit the Asian palate and popularised throughout the region.

Today, SUPER is found in 25 markets globally and is present in the coffee, tea, cereal and soy category.

In 2021, SUPER launched a range of healthier beverage mixes ranging from a zero-sugar coffee, a low-sugar milk tea, and a plant-based wholegrain range with freeze-dried fruit.



OLDTOWN WHITE COFFEE

OLDTOWN IS THE HEART OF AUTHENTIC CULTURAL EXPERIENCES

In a fast-paced era, traditional culture and craftsmanship can gradually lose its relevance. OldTown seeks to appease an ultra-connected and curious generation by sharing our heritage and know-how in ways that are cool and progressive.

Riding the wave of the coffee & tea culture in Asia, OldTown expanded in 2021 with the opening of eight new restaurants and four express counters. Menus at these outlets feature local, all-time favourites as well as new, trendy creations that capture a crowd of all ages.

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.

Business Overview (continued)

OUR APPROACH

We believe that coffee & tea make the world go round, and every day, millions of people enjoy coffee & tea products supplied by JDE Peet's. Because customers and consumers want to access our products in ways that align with how they live, it is vital that we connect with them through as many channels as possible. This is why we sell our full product range through a go-to-market approach that covers the entire spectrum of sales channels.

Consumer packaged goods

HIGH QUALITY COFFEE & TEA EXPERIENCE AT HOME

Our consumer-packaged goods (CPG) business offers a complete 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
- ready-to-drink coffee beverages
- variety of loose leaf and packaged tea products.

Our CPG business focuses on hypermarkets, supermarkets, traditional trade markets and, in markets where they operate, buying groups.

Out-of-Home

UNIQUE COFFEE SOLUTIONS FOR EVERY OCCASION

Through our Out-of-Home coffee solutions we sell or rent a complete range of professional solutions and complementary coffee systems across the B2B sector, from offices, universities and hospitals to restaurants, airports and sports venues. These include:

- proprietary liquid coffee concentrate technology
- multi-serve coffee (roast & ground and whole beans)
- single-serve and double-shot coffee capsules
- pads and pods
- instant pure and instant mixes
- ready-to-drink coffee beverages
- variety of professional tea products

Strategic partnerships with Pret A Manger and The J.M. Smucker Co. will enable us to further explore this sales channel.

Coffee stores

INTRODUCING NEW PRODUCT OFFERINGS THROUGH COFFEE STORES

At year-end, we operated 505 coffee stores under leading brand names including Peet's, Intelligentsia, Stumptown, OldTown, and 12Oz in the United States, China, Malaysia, and Italy. Our coffee stores play an important role in serving consumers high-quality fresh coffee & tea, while enabling them to try new product offerings.

Online sales channels

CONVENIENCE, CHOICE AND WORLD CLASS INNOVATION

The sale of coffee & tea through online sales channels experienced another year of strong growth in 2021, driven by the pandemic. In recent years, we have invested heavily in this fast-developing channel, and we now offer a wide portfolio direct to consumers through branded webshops and leading third-party e-tailers.

Business Overview (continued)

OUR SUPPLY CHAIN

As a global business, we rely on a global supply chain. We source approximately 8% of the world's coffee and under 1% of the world's tea from more than 30 countries. Most of our non-coffee & tea, direct material supplier base is concentrated in packaging materials. Marketing and media make up the majority of our total spend on indirect materials and services.

Our coffee & tea products are primarily manufactured at our 43 manufacturing facilities across 24 countries.[3] Our manufacturing facilities are distributed globally, including operations in North and South America, Europe and Asia. This includes facilities for high-volume production, flexible production and new coffee & tea product and technology launches, as well as local manufacturing facilities that respond rapidly to local consumer preferences and tastes.

8%
OF THE WORLD'S COFFEE

<1%
OF THE WORLD'S TEA

43 FACILITIES
MANUFACTURING FACILITIES

24 COUNTRIES
WORLDWIDE

HIGH VOLUME PRODUCTION

FLEXIBLE PRODUCTION

LOCAL PRODUCTION

[3] *As at 31 December 2021; two manufacturing facilities closed during 2021*

Business Overview (continued)

OUR VALUE CHAIN - FROM BEAN TO CUP

Continues on next page →

AGRICULTURE

We source coffee, tea and other agricultural products from more than 30 countries. We also engage with many of our farmers through our Common Grounds responsible sourcing programme.

Common Grounds
Page 56

SUPPLIERS

We work with more than 900 direct material suppliers across 83 countries. They are important to sustain our business, and some play an important role in helping us achieve our sustainability goals.

PRODUCTION

We manufacture our coffee & tea products primarily at 43 manufacturing facilities in 24 countries, ensuring consistently high product quality while carefully managing the use of resources.

Minimised Footprint
Page 66

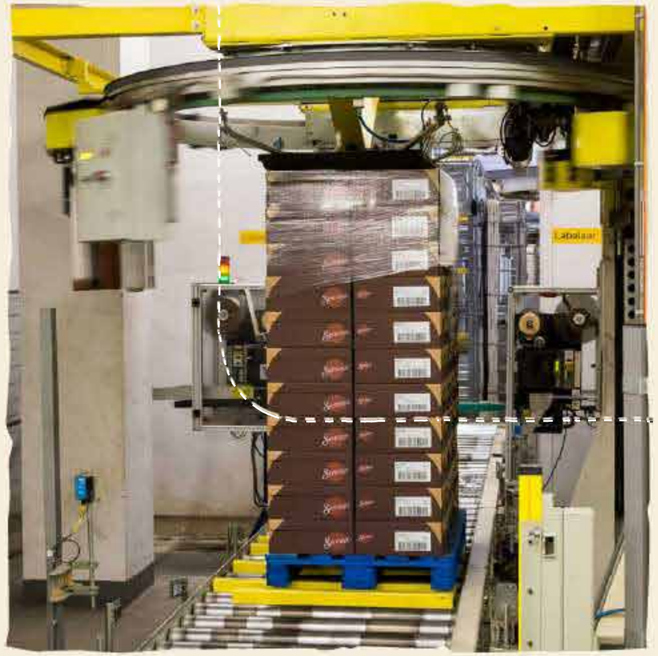
PACKAGING

The packaging of our products is critical to ensure great taste, freshness and safety. But we recognise that packaging becomes waste and that its lifecycle must be managed to limit the environmental impact.

Sustainable packaging
Page 68

DISTRIBUTION

We work with our third-party logistics partners to reliably distribute our coffee & tea products to customers across the world in a manner that ensures the products' freshness and quality and minimises our environmental footprint.



Business Overview (continued)

CHANNELS

We sell our full product range through a go-to-market approach that covers the entire spectrum of sales channels.

Our approach
Page 26

CPG customers

Our coffee & tea products are sold through hypermarkets, supermarkets and traditional trade markets.

Coffee stores

Our 505 coffee stores play an important role in serving consumers high-quality fresh coffee & tea and new product offerings.

Out-of-home customers

We offer a full range of professional solutions to, amongst others, offices hospitals, universities, hotels and restaurants.

Online sales

Increasingly, consumers are turning to our branded webshops and leading third-party tailers.

CONSUMERS

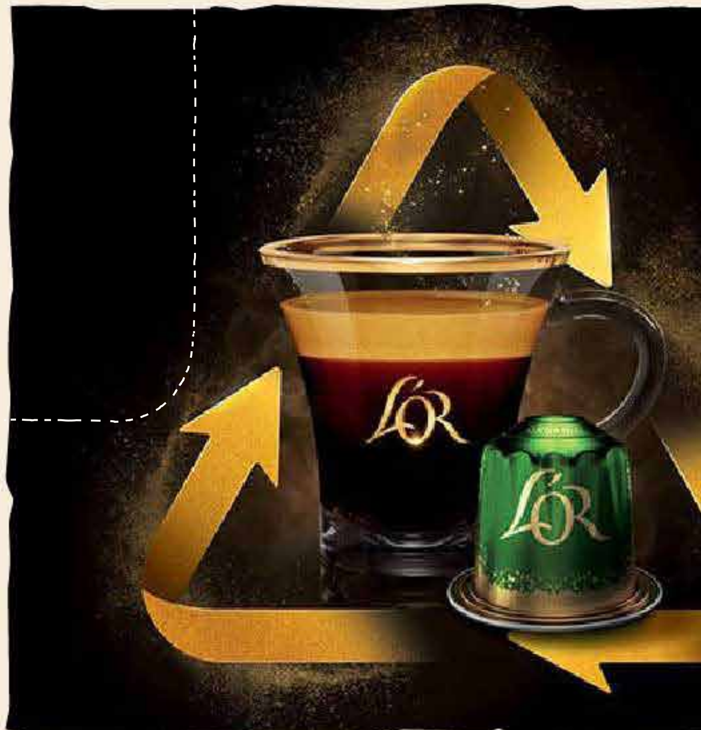
Our mission is to delight our consumers with every cup through our wide portfolio of brands and product choices accessible wherever the consumer is, in any format/taste they prefer, at different price points.

Our brand portfolio
Page 15

END OF LIFE

Our multiple partnerships allow consumers to more easily return their used coffee pods into recycling streams.

Engaging our stakeholders
Page 43



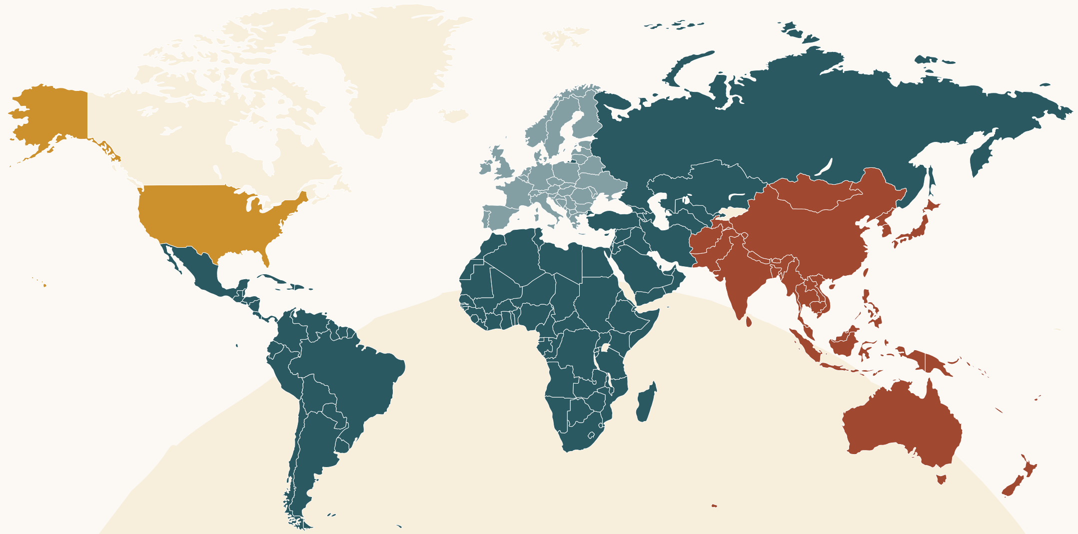
Business Overview (continued)

OUR BUSINESS STRUCTURE

While we are a global business with a global supply chain reaching over 100 markets, we can only succeed by working at a regional and local level. This is how we truly understand the needs of our customers and consumers, and meet or surpass their evolving expectations. Our business is organised across five commercial segments, taking into account coffee & tea cultures across different geographies:

100 MARKETS
GLOBAL REACH

5 SEGMENTS
CULTURAL & GEOGRAPHICAL

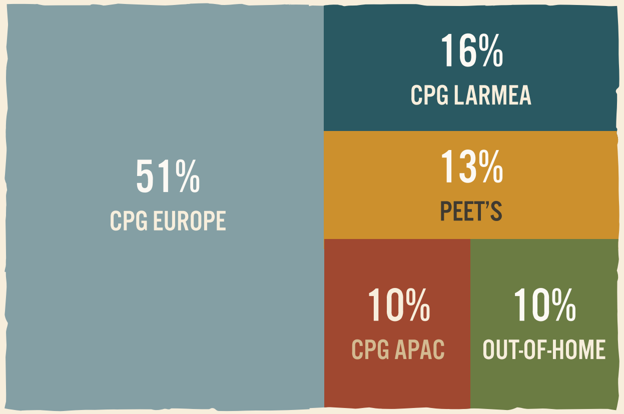


SALES BY SEGMENT

Commercial segments		2021	2020
CPG Europe	Europe	51%	52%
CPG LARMEA	Latin America, Eastern Europe, Middle East and Africa	16%	15%
Peet's	Predominantly United States	13%	13%
Out-of-Home	Europe	10%	10%
CPG APAC	Asia-Pacific	10%	10%

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.



OUR STRATEGY

We operate in categories that impact almost every market in the world, all of which have their own traditions, trends and tastes, making the coffee & tea categories fascinating, complex and fast-moving.

We believe it is vital that we respect this endless diversity by both responding to external trends and working to proactively shape consumer tastes and habits, where possible.

To achieve this, we have put in place a strategic framework designed to generate sustainable, inclusive, and profitable growth in the global coffee & tea categories in developed and emerging markets. We believe that such growth will help us create long-term value for the company and our stakeholders.

Our strategic 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 in everything we do
- **Growing together** by championing an inclusive ecosystem

Our Strategic Framework

SERVE MORE CUPS

Attract consumers relentlessly

Penetration

Premiumisation

Globalisation

MASTER EXECUTION

Fuel the growth from quality and discipline

Quality

Efficiency

Operational leverage

GROW TOGETHER

Champion an inclusive ecosystem

Talent

ESG

Partner of choice

Our Strategy (continued)

SERVING MORE CUPS

We are focussed on attracting new consumers by increasing penetration in fast-growing markets and subcategories, by premiumising across categories and geographies, and by increasing our global footprint organically or through partnerships and acquisitions.

To achieve this, our growth strategy targets four areas of opportunity:

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

The single-serve, whole beans and premium instant subcategories are the fastest-growing segments of the coffee category, but we have yet to exploit their full potential globally. This is why we are making substantial investments to expand our manufacturing capacity of aluminium capsules and freeze-dried instants. Such investments demonstrate our intent to pursue growth opportunities through various offerings and product innovations in both existing and new markets, at different price points and across multiple brands. We will achieve this by building on the strength of our current brand portfolio which enables us to be active in many different markets and to serve the entire spectrum of consumers.

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

Emerging markets have seen significant growth in recent years and we expect this trend to continue in a post-COVID environment. We believe that changing consumer trends and preferences in these markets, including an increase in the consumption of coffee & tea and the premiumisation of the coffee & tea categories, present significant growth opportunities. Our growth strategy includes the expansion of sales in existing and new markets. JDE Peet's has been active in Brazil, Eastern Europe and South Africa for many years, while in recent years we have expanded our footprint in the Asia Pacific region through the acquisitions of Super Group in Singapore and OldTown in Malaysia.

3: BUILDING DIRECT CONSUMER RELATIONS THROUGH OUR OWN DIRECT-TO-CONSUMER CHANNELS

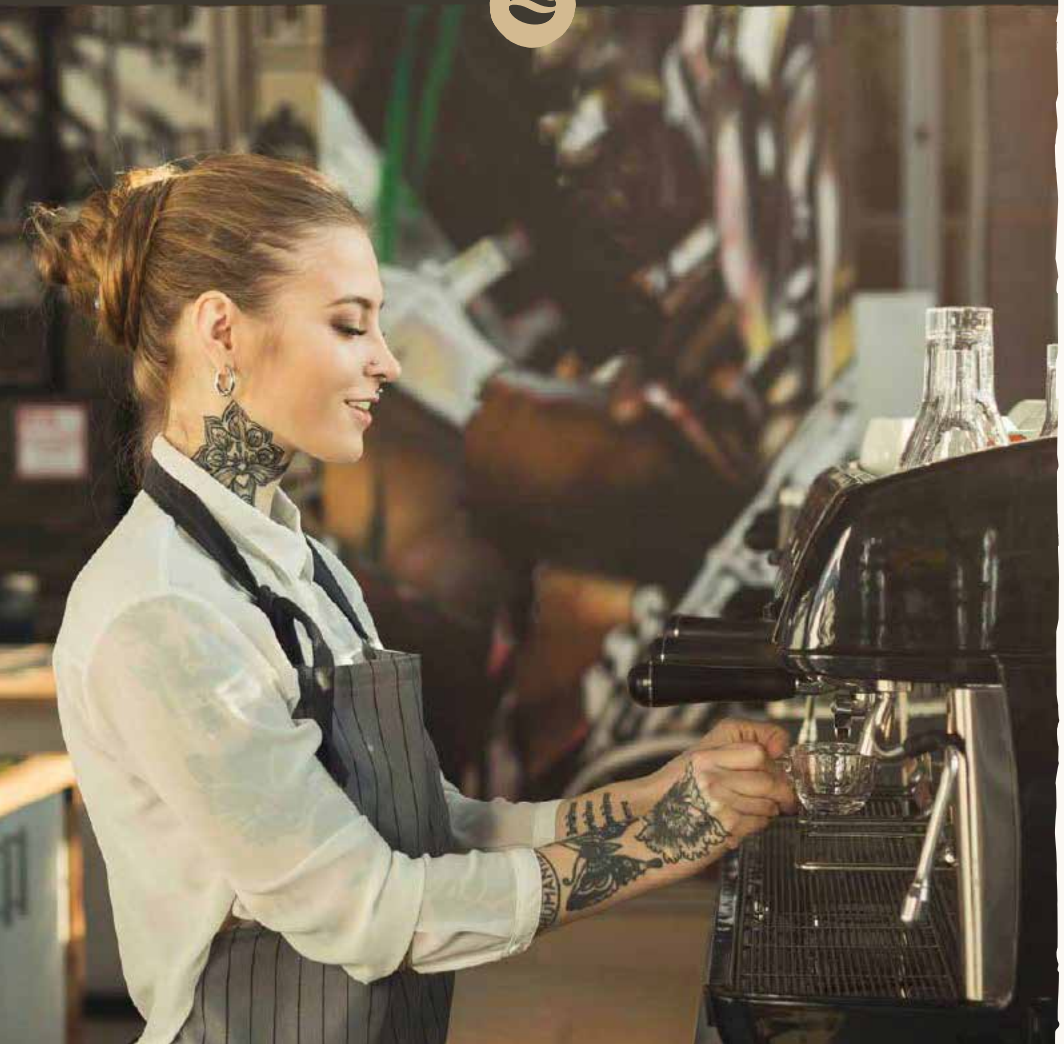
The ongoing pandemic continues to influence consumers' online purchasing behaviour, a trend we expect will continue to grow in the coming years. In many regions we have seen a substantial rise in the number of people working from home, and a subsequent increase in In-Home coffee & tea consumption. Consequently, we are serving more consumers through our proprietary 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.

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

We have a solid position across the Out-of-Home sales channel and are well positioned to capture new opportunities as the coffee category continues to evolve in the wake of the pandemic. We intend to seize these opportunities by offering full coffee & tea solutions to our 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 customer experiences and operational efficiencies through our IT platforms. In 2021, we formed new partnerships with Pret A Manger (Capsules and Espresso Stations) and The J.M. Smucker Co. (Liquid Coffee) to further expand our Out-of-Home footprint and brand portfolio reach.

MASTER EXECUTION

Master execution is the second pillar of our strategy and it will fuel our growth through quality, efficiency and discipline in-store and along our supply chain. Our aspiration is to provide sustainable and agile supply.



Our supply chain organisation is working to anticipate emerging challenges as global supply chains change faster than ever before. We optimise our manufacturing operations' network to adapt to consumer preferences, which results in ongoing capex investments in our manufacturing facilities and wider network to support our growth.

Current priorities for this strategic pillar include:

DELIVERING EXCELLENCE IN SERVICE ACROSS CHANNELS

Due to changing consumer trends, and shifts between different channels, JDE Peet's is constantly focussed on delivering excellent service in all channels. To be able to achieve excellent service in all markets and channels, we continuously focus on further strengthening and optimising our operational network. In addition, our supply chain and operations teams have a strong focus on ensuring business continuity.

MINIMISING THE ENVIRONMENTAL FOOTPRINT OF OUR OPERATIONS AND SUPPLY CHAINS.[4]

At JDE Peet's, we consider mastering execution in a responsible and minimised environmental footprint a key priority. We aim to source, operate and manage our supply chain in a sustainable way.

NOT COMPROMISING ON PRODUCT QUALITY

Our consumers appreciate our strong brands, relying on the consistent high quality that we deliver. At JDE Peet's we make a promise not to compromise on product quality. We also don't compromise on our performance and continue to operate with financial discipline to protect our margin and cash flows.

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4 *See 'Growing together' below*

Our Strategy (continued)

GROWING TOGETHER

The third pillar of our strategy champions an inclusive ecosystem, where all ideas, perspectives and backgrounds are considered. This extends from our internal talent to all of our partners along the value chain. Coffee & tea create possibilities for farmers and their families, our suppliers, customers, consumers and our employees. By working together, we believe that our entire ecosystem can benefit and create a better future for all.

Our 7 most material topics:[5]

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

Our sustainability strategy spans our entire value chain and focuses on those sustainability topics that are most material to our business and where we can have the greatest impact.

OUR PRIORITY TOPICS[6]

Responsible sourcing: As a pure-play coffee & tea company, the primary focus of our sustainability strategy is to contribute to prosperous, nature-positive agricultural value chains through responsible sourcing and supplier engagement. This focus is also reflected in our materiality assessment. Three of the seven topics that are most material to our external stakeholders and the company's business success - responsible supplier labour practices, supply chain transparency and sustainable agriculture - fall within this area, as do farmer livelihoods, which ranks highly in the second tier of material topics. We group these four topics under our commitment of working towards *100% responsibly sourced coffee, tea and palm oil by 2025*.

Climate action: Climate change mitigation is another of our most material topics and is also closely linked to biodiversity protection, which falls within the second tier of material topics. We are committed to climate action that reduces our environmental impact across our value chain. In addition, we adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and assess how climate change may impact our business. We recently formalised our commitment to climate action by setting a *science-based target to reduce absolute scope 1 & 2 GHG emissions by 25% and to reduce scope 3 value chain GHG emissions by 12.5% by 2030 versus a 2020 baseline.*

Sustainable packaging: We make every effort to tackle this material topic, address the waste challenge and provide customers and consumers with responsibly packaged products. That's why *by 2025, we will design all our packaging to be reusable, recyclable or compostable and increase the share of recycled content in our packaging.*

Diversity, equity & inclusion: We are committed to an environment in which the unique voice of every country, culture and individual is heard. Our commitment to *gender-balanced representation* is a priority within our overall sustainability strategy.

Ethics & governance: Each day across JDE Peet's, we strive to embody and live up to the values and principles-based culture which is at the core of our organisation. Our commitment to ethical behaviour is an indispensable part of our business performance.

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

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[5] *We conducted our last comprehensive materiality assessment in 2020. More details on this can be found on the JDE Peet's website. We intend to refresh our materiality assessment in the 2022/23 period.*

[6] *More details on the scope of our commitments and activities for each of our priority topics can be found in the 'Our Performance' section below.*

Our Strategy (continued)

THE 3 PILLARS OF OUR SUSTAINABILITY STRATEGY

The core of our sustainability strategy comprises three thematic pillars aimed at ensuring we source our raw materials responsibly, take good care of the environment and engage our own employees and communities, all underpinned by our commitment to operate responsibly across our operations and value chain.

COMMON GROUNDS

Fostering thriving agricultural supply chains

Material topic

Responsible Sourcing

Select KPI:

100% responsibly sourced green coffee, tea and palm oil by 2025

MINIMISED FOOTPRINT

Reducing our environmental impact step-by-step

Material topics

Climate Action

Sustainable Packaging

Select KPI:

25% reduction of our Scope 1&2 GHG emissions by 2030 vs. 2020 baseline

All of our packaging designed to be reusable, recyclable or compostable by 2025

CONNECTED PEOPLE

Engaging our employees and our communities

Material topic

Diversity, Equity & Inclusion

Select KPI:

Gender-balanced representation

GOOD GOVERNANCE, ETHICS & PARTNERSHIPS

THE UN SDGS

We are 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. Our focus on the impact we make along the entire value chain has led us to concentrate on the following SDGs:[7]

7 *Additional information on how we determine our contribution and on each SDG that we contribute to, can be found on the JDE Peet's website.*

Our Strategy (continued)

CASE STUDY

STUMPTOWN'S B CORP COMMITMENT

Since 1999, Stumptown Coffee Roasters has been serving up the highest quality coffees, roasted daily. In June 2018, it became a certified B Corp. That same year, Stumptown registered its business as a benefit corporation.

Established in Portland, Oregon, Stumptown has always been home to bike-commuting, kerbside composting people who care about sustainability and our communities, so going down the path of B Corp certification felt like a natural step. But what is a B Corporation, exactly? Run by B Lab, a B Corp is a certifiable commitment to consider all parties involved in a business.

B Corp measures social and environmental performance - it provides a framework to formally consider our employees, our communities, the environment and our governance. The certification builds on values Stumptown has long held dear, including an employee-driven culture, Direct Trade coffee sourcing, affordable access to health care, working to reduce its environmental footprint and simply doing things the Stumptown way.

The assessment isn't easy, however, and it takes time to complete. It reaches into all areas of a company, evaluating how the business is run and the impact it has on workers, the environment and the communities where it operates and where it sources coffee from around the world.

While the Stumptown team was extremely proud to be certified, the assessment process also highlighted many areas where Stumptown still fell short of its aspirations. The process taught the team that they needed to get better at setting goals, tracking progress and communicating what they're up to.

So, every three years Stumptown now completes the B Corp Impact Assessment to evaluate its operations and re-certify the business.

In 2021, Stumptown achieved B Corp re-certification and improved its qualifying score by almost 10 points - no small feat. The improvement was due primarily to better tracking and reporting around the company's environmental efforts.

Moving forward, Stumptown is expanding its verification of coffee supply chains, continuing to invest in Stumptown's talented employees and vital communities, and getting serious about aggressively tackling its greenhouse gas (GHG) emissions.
A commitment to being a B Corp means a commitment to constant improvement. Stumptown is on that path, and committed to engaging and sharing progress with stakeholders – consumers, employees, the producers who grow the beans and the communities where Stumptown roasts, brews and serves up the best coffee on the planet.

OUR VALUE CREATION STORY

What guides us
OUR PURPOSE

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

OUR PRIORITIES

Business performance

Financial performance

Product quality

Ethics & governance

Common Grounds

Responsible sourcing

Minimised Footprint

Climate action

Sustainable packaging

Connected People

Diversity, Equity & Inclusion

What we employ
INPUTS

Financial

EUR 21.6 bn total assets in 2021
EUR 255 mln capex in 2021

Infrastructure & Technology

43 manufacturing facilities globally

Operating across all coffee & tea technology platforms

Materials

8% of the world's coffee
<1% of the world's tea

Packaging which maintains the freshness and quality of coffee & tea

Portfolio of Brands

Owner of the largest portfolio of coffee & tea brands with products across multiple price points

78% of revenue from 43 markets with a #1 or #2 position in CPG and Out-of-Home

Go-to-Market

Distribution across all channels

Active in more than 100 markets around the world

Talent

A global team of 19,000+ employees, comprising more than 90 nationalities

What makes us special
ACTIVITIES

Driven by our passion for coffee & tea, our respect for the environment and our responsibility for people

We uniquely combine category focus and scale

Led by an experienced team of entrepreneurs and long-term shareholders

SERVE MORE CUPS
Attract consumers relentlessly

MASTER EXECUTION
Fuel the growth from quality and discipline

GROW TOGETHER
Champion an inclusive ecosystem

Offering the widest portfolio of coffee & tea products on the market across technologies and brands

Our Strategy
Page 31

Carrying out our growth priorities in a disciplined way

Through a differentiated consumer reach model that covers all channels

DISCIPLINE
SIMPLICITY
ACCOUNTABILITY
SOLIDARITY
ENTREPRENEURSHIP

Our Values
Page 14

The value we create
OUTPUTS

Financial

EUR 7 bn total sales

EUR 1.3 bn total adjusted EBIT

EUR 1.4 bn free cash flow

Products

4,500 cups of coffee & tea served every second

Wide portfolio of brands and product choices that is accessible wherever the consumers are, through whatever channels they buy, in any formats/tastes they prefer, at different price points

Customers & Consumers

Organic sales growth:
In-Home 5.0%
Away-from-Home: 11.5%

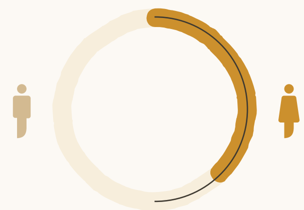
Talent

Employees engaged and inspired by development and growth opportunities

An inclusive, diverse work environment

A resilient team adapting to global changes

Our value creation story (continued)

Material topic	BUSINESS PERFORMANCE	COMMON GROUNDS	MINIMISED FOOTPRINT	CONNECTED PEOPLE
	Financial performance **Product quality** **Ethics & governance**	**Responsible sourcing**	**Climate action** **Sustainable packaging**	**Diversity, Equity & Inclusion**
2021 KPIs and progress vs. 2025/2030 targets On/ahead of track to achieve target Some progress towards target	6.1% ORGANIC SALES GROWTH TARGET: 3-5% 1.5% ORGANIC ADJUSTED EBIT GROWTH TARGET: MID-SINGLE-DIGIT EUR 1.4 BN FREE CASH FLOW	30% CERTIFIED/VERIFIED COFFEE TARGET: 100% RESPONSIBLY SOURCED BY 2025, THEREOF 40% CERTIFIED/VERIFIED 32% CERTIFIED/VERIFIED TEA TARGET: 100% RESPONSIBLY SOURCED BY 2025 72% RSPO-CERTIFIED PALM-BASED OILS TARGET: 100% BY 2025 470,000 SMALLHOLDER FARMERS REACHED TARGET: 500,000 BY 2025	3% SCOPE 1 & 2 GHG EMISSION REDUCTIONS VS. 2020 TARGET: 25% REDUCTION BY 2030 6% SCOPE 3 GHG EMISSION REDUCTIONS VS. 2020 TARGET: 12,5% REDUCTION BY 2030 88% PACKAGING DESIGNED TO BE REUSABLE, RECYCLABLE OR COMPOSTABLE TARGET: 100% BY 2025 40% RECYCLED CONTENT IN OUR PACKAGING TARGET: 35% BY 2025	 SHARE OF WOMEN ON THE GLOBAL LEADERSHIP TEAM TARGET: GENDER BALANCE REPRESENTATION
Key Related Risks	• Intense competition and strong buying powers from retailers • Changing distribution channels and consumer tastes • Volatile commodity pricing • Legal and regulatory requirements	• Insufficient supply of quality and sustainable coffee & tea • Failure to comply with ESG standards	• Discontinuity in our manufacturing and distribution facilities • Food safety and packaging compliance • Failure to comply with ESG standards	• Key talent risk
Stakeholders concerned	Shareholders and investors, customers and consumers, industry	Smallholder farmers, suppliers, industry, NGOs, governments	Customers and consumers, industry, governments	Employees
SDGs	8, 16	1, 10, 12, 13, 17	6, 12, 13	5, 8, 10

EXTERNAL TRENDS

In recent years, the coffee & tea categories have been in a state of change, largely due to a shift in consumer tastes and behaviours. However, the pandemic that has continued since 2020, has had a short-term impact, and accelerated a number of longer-term trends. Within this ever-changing situation, JDE Peet's has identified several key trends to which we are responding with a combination of innovation, expertise and agility.

A SUSTAINABLE CONSCIOUSNESS
CAFÉ CULTURE IS HERE TO STAY
E-COMMERCE AND COFFEE GO HAND-IN-HAND
HEALTHY OPPORTUNITIES
CONSUMERS ABANDON THE MIDDLE GROUND
EMERGING MARKETS, EMERGING GROWTH
BETTER DATA FOR A BETTER EXPERIENCE

A SUSTAINABLE CONSCIOUSNESS

Consumers are increasingly aware of the impact their choices have on the environment and the well-being of others, leading them to select options that are more sustainable. This can include ethically sourced and fair trade coffees & teas, environmentally friendly packaging, and products with a reduced carbon footprint or that are carbon neutral. At the same time, governments are progressively looking at policy initiatives to address these topics, particularly regarding greenhouse gas emissions.

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

CONSUMERS ABANDON THE MIDDLE GROUND

Consumer fragmentation is increasing across the coffee & tea categories, with trends such as growing numbers of consumers seeking premium products running parallel to more people seeking value product propositions. Caught in the middle is a declining, mid/mass market. The result is a divergence in pricing opportunities as both premium product propositions (such as traceable and organic beans) and value products (such as instant coffees with creamer) become more prominent.

Reinforcing this fragmentation is the rise of millennials as a dominant consumer class. This generation's tastes and expectations are distinctly different from their parents', with millennials consuming more coffee on-the-go and paying more 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.

External trends (continued)

CAFÉ CULTURE IS HERE TO STAY

The café culture has undergone a global expansion in recent years, which has not only increased the consumption of coffee & tea, but also created new consumer touch points. We are utilising these touch points to introduce consumers to new and different tastes, textures and concepts, expanding brand awareness and building stronger consumer relationships. This can lead to consumers purchasing additional products through different channels, such as 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 global prosperity continues to improve, 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 of the Away-from-Home business. There is every chance this shift will attract 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.

E-COMMERCE AND COFFEE GO HAND-IN-HAND

Selling coffee online started growing even before the pandemic, but an increased demand for anything online also means an increase in online coffee sales. E-commerce allows consumers to find speciality and premium coffee products that they might not otherwise have access to. With the pandemic prompting people to enjoy coffee at home as oppose to restaurants, e-commerce is able to fill the gap.

Through e-commerce we are increasing the number of cups we serve, bringing our coffee to everyone at home.

External trends (continued)

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, we are able to perform real-time mapping and identify shifts in consumer behaviour. We can then respond with more streamlined and efficient operations that deliver faster and more targeted innovation, resulting in greater consumer loyalty.

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

HEALTHY OPPORTUNITIES

There is growing consumer focus on a healthy lifestyle, which impacts the products they consume. Drinking coffee & tea in moderation is part of a balanced diet and healthy lifestyle.

Consumer trends increasingly favour new beverage segments that are viewed as being nutritious, with fats and sugar facing greater consumer and governmental scrutiny. In response, many countries have introduced a sugar tax.

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

ENGAGING OUR STAKEHOLDERS

We have a broad range of stakeholders, ranging from the farmers who grow the coffee & tea used in our products, to our customers and consumers, our employees, our shareholders and credit rating agencies. While each stakeholder interacts with JDE Peet's in a different way, they all bring a unique perspective to the company.

We identify stakeholders with expertise across our business and value chain and engage with them on many levels, both within our organisation and along our value chain. Having regular, ongoing interaction with all of them enables us to draw on their expertise to improve and set priorities for long-term value creation, and to better anticipate risks.

Forms of engagement include regular stakeholder dialogues, participation in events and meetings, 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, the Rainforest Alliance, World Coffee Research, the Ethical Tea Partnership, CEFLEX, RECOUP or the One Planet Business for Biodiversity (OP2B) coalition. These partnerships are central to our stakeholder engagement, helping us effectively address the broader industry and sustainability challenges which go beyond our immediate supply chain.

In the next section, we provide a more detailed outline of our engagement with the nine stakeholder groups we have identified as critical to our future success. Additional information on how we respond to stakeholders' needs and concerns on specific topics can be found in the 'Our performance' chapter.

1 CONSUMERS

MAIN INTERESTS IN 2021

While consumers continue to look for quality coffee & tea products across a range of formats and price points, they increasingly also look for more sustainable choices, and demand less packaging and waste. We believe that brands that demonstrate a meaningful purpose create brand loyalty, particularly among younger consumers.

HOW WE ENGAGE

We interact with our consumers across multiple platforms and channels. We need to be where our consumers are, which is why we consider the impact and role of each channel along the consumer decision journey to create meaningful interactions. Through our consumer carelines, we have around 300,000 interactions every year through calls, emails, letters, social media and web chats. We also engage with consumers through our brands' marketing campaigns, including awareness on sustainability topics and recycling opportunities. In addition, we also use standard industry sources of research and consumer insight data to inform our understanding of consumer trends. Doing so, we unleash the power of our consumers.

OUR RESPONSE

On packaging and waste, we further expanded our initiatives across a number of markets in 2021 to facilitate the recycling of our single-serve products. In addition, we established four Consumer Connection Communities (explained below) in France, Germany, Poland and the Netherlands.[8]

CASE EXAMPLE

Each of our four Consumer Connection Communities is an online and mobile group of about 1,500 engaged consumers. By interacting with them, we gain invaluable insights enabling us to further innovate and develop communications, strengthening our consumer offerings.

[8] *Australia to follow in 2022.*

Engaging our Stakeholders (continued)

2 CUSTOMERS

MAIN INTERESTS IN 2021

The constantly evolving regulatory framework as well as engagement from consumer associations are bringing environmental, good health and societal topics to the forefront of our retail partners and our e-commerce and out-of-home customers. This means as their suppliers, we are increasingly engaging with them on topics such as packaging sustainability (for example, the removal of hard-to-recycle materials and the removal of excess packaging) or customers' GHG emission reduction or carbon neutrality commitments.

HOW WE ENGAGE

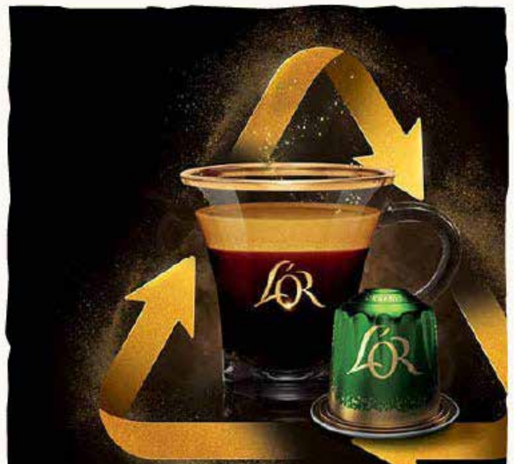
We actively manage our customer relationships through our key account teams. Our main engagement with our retailer customers is through annual Customer Planning Days where we align on plans for the year ahead. In addition, retailers increasingly host sustainability webinars to brief suppliers on their priorities.

OUR RESPONSE

In 2021, we continued to strengthen our corporate and brand-specific sustainability strategies to take up and address the concerns of our customers and their consumers on topics such as packaging and climate change. We work closely with a number of our customers across geographies on their sustainability initiatives. In partnership with customers, we also further expanded our recycling-initiatives for some of our single-serve offers, such as Podback in the UK and the Aluminium Capsule Recycling Alliance in France.

CASE EXAMPLE

JDE Peet's France, Nespresso France and Nestlé France have created the Alliance for Aluminium Capsule Recycling with the objective of recycling 100% of aluminium capsules on the French market. The Alliance works with customers to develop the collection of capsules in the selective sorting bins, increase the number of collection points and inform the general public about the correct sorting process so that each capsule is disposed of in the right place by consumers.



3 SMALLHOLDER FARMERS

MAIN INTERESTS IN 2021

Many smallholder farmers still earn low incomes, driven by a combination of low farm productivity and small farm sizes. The COVID-19 pandemic has only added to the economic pressure for many of them. In addition, climate-related changing weather patterns and natural hazards are already impacting farmers in many countries. As a result, sustainable agriculture and good agricultural practices continue to be important topics for the smallholder farmers supplying our coffee & tea, as are agricultural incomes and better opportunities for women and youth.

HOW WE ENGAGE

We engage with smallholder farmers through our Common Grounds responsible sourcing and supplier engagement programme, which provides farmer training and other support programmes, mostly through partners such as our direct suppliers or non-profit organisations. Since 2015, we have reached more than 470,000 smallholder farmers through Common Grounds, and we aim to have reached 500,000 by 2025. The farmer training programmes are designed in collaboration with our partners who align and work towards local priorities in a structured, action-oriented way to drive continuous improvement in the supply chain.

OUR RESPONSE

In 2021, the COVID-19 pandemic continued to impose restrictions on how we and our partners could engage with smallholder farmers. Nonetheless, we were able to grow the number of farmers we reached, including through 10 new projects. Farmer training programmes continued to be delivered in smaller groups by following careful social distancing procedures. Whenever possible, we used mobile phone-based solutions where the project agronomists would call or text farmers when farm visits and farmer trainings could not take place. In many of our projects we were quick to develop radio messages, posters and information bulletins to advise farmers and their communities on Health and Safety measurements.

CASE EXAMPLE

In addition to expanding coffee projects in our key origins, we also launched three new projects in our supply chains in Indonesia, Malaysia and the Philippines, which address key challenges faced by smallholder palm and coconut farmers.

Engaging our Stakeholders (continued)

4

SUPPLIERS & BUSINESS PARTNERS

MAIN INTERESTS IN 2021

2021 was a challenging year for our suppliers. The continued impacts of the COVID-19 pandemic, political turmoil in regions like Ethiopia, and logistics challenges and delays imposed severe strains on supply chains. Increased demand, reduced production and shipping bottlenecks have caused shortages for paper and cardboard, for example. Fuelled by climate change, drought and frost in Brazil impacted agricultural production. In addition, new government regulations and evolving consumer preferences place increasing emphasis on environmental and social sustainability.

HOW WE ENGAGE

We regularly engage with our suppliers through direct conversations, comprehensive supplier engagement sessions, as well as in collaborative industry forums. In addition to strategic partnerships with key suppliers, our Common Grounds programme engages with suppliers of agricultural raw materials and in project work to support smallholder farmers.

OUR RESPONSE IN 2021

In 2021, we partnered with suppliers to develop creative solutions to supply chain disruption, such as in our supply of green coffee. We stepped up engagement sessions with key suppliers and initiated several strategic partnership programmes with green coffee suppliers. In addition, we reached out to more than 7,000 suppliers to highlight the importance of responsible sourcing practices and our refined Supplier Code of Conduct. We also engaged with all our coffee suppliers on the next round of self-assessments against our Coffee Responsible Sourcing Principles.

CASE EXAMPLE

We held our first Supplier Innovation Day with some of our key packaging suppliers, focussing on sustainability.

5

EMPLOYEES

MAIN INTERESTS IN 2021

COVID-19 has continued to have a profound impact on the professional and personal lives of our employees. Through our engagement, we see those concerns such as career opportunities, well-being, purpose, sustainability and diversity, equity & inclusion remain important for our employees.

HOW WE ENGAGE

Employee engagement is a key enabler of our business success and we engage with our employees in multiple ways and through various channels, with a strong increase in the use of online collaboration tools. Our regular engagement survey keeps track of employee concerns and engagement, while ongoing meetings and town hall meetings keep employees up to date with key issues and developments. Our learning platform supports our employees' development plans, which are steered in conjunction with employees during three checkpoints throughout the year.

OUR RESPONSE IN 2021

In 2021, our engagement survey was fully digital for the first time, with more than 12,636 employees responding. We also invested heavily in technology solutions to allow a seamless connection between remote and on-site teams. Above all, the health and safety of our employees remained our guiding principle, applying a test, learn and evolve mindset for office-based work. We also launched a robust online mental fitness academy to support the well-being of our employees during the pandemic. More information on our engagement survey can be found in the 'Connected People' section.

CASE EXAMPLE

The UK team is at the forefront of JDE's HealthyYou (well being) agenda. In 2021, they made further steps again by integrating employee engagement feedback with the external best practices. For example, to foster healthy minds, they partnered with Mental Health First Aid England to train internal volunteers to become Mental Health First Aiders (MHFA) at work. Through this blended learning program, MHFAs from across factory, office and field teams are now qualified to provide a first line of support to their colleagues on mental health topics. To build healthy bodies, the team launched the wellbeing app WellSpace for all their people, enabling everyone to monitor and manage their own physical health indicators.

Engaging our Stakeholders (continued)

6

NGOS

MAIN INTERESTS IN 2021

NGOs continue to campaign and advocate for improved livelihoods of smallholder farmers, or a reduction in the impact on the environment, as well as for stronger climate action. COVID-19 has only heightened concerns around poverty and inequality, especially in our agricultural supply chains. At the same time, NGOs are important partners in our Common Grounds programme supporting or implementing many of our projects to support smallholder farmers on the ground.

HOW WE ENGAGE

The voices of NGOs form an important part of our materiality assessment process. In addition, we regularly engage with various NGOs on specific environmental or social topics and participate in their benchmarks and surveys. We also engage with those NGOs which implement some of our Common Grounds projects through project discussion and steering committee meetings.

OUR RESPONSE IN 2021

As in previous years, we participated in a number of NGO-led surveys and transparency benchmarks such as WWF's Palm Oil Scorecard. In 2021, we launched 10 new projects globally through our Common Grounds programme in partnership with suppliers, NGOs and others to address key sustainability challenges in the countries where we source our coffee, tea and other agricultural ingredients from.

CASE EXAMPLE

In Ethiopia, we are partnering with TechnoServe in an innovative Rejuvenation Incentive Fund (RIF). Rejuvenation by stumping coffee trees results in an up to threefold increase in production and is the most critical step to improve yields among Ethiopian smallholders. The fund compensates farmers for each tree stumped to reduce the barrier of short-term income loss while trees re-grow and aims to rejuvenate up to 2 million coffee trees.

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INDUSTRY

MAIN INTERESTS IN 2021

We are an active member of the European Coffee Federation (ECF), the representative organisation for the European coffee trade and industry, covering approximately 35% of the world's coffee traded volume. Engaging with the EU was a key objective in 2021, including on many topics related to the EU Green Deal. Together with its members, ECF produced two position papers on deforestation and due diligence. We welcome the initiatives to step up EU action to protect and restore the world's forest and support an open stakeholder dialogue – including with producing countries – in which we can understand and address the main drivers of deforestation, share our expertise and experience to find an appropriate and proportionate EU approach to reduce EU-driven deforestation, and to promote more sustainable business practices.

HOW WE ENGAGE

We participate in industry groups such as ECF, national trade associations in many countries and the Global Coffee Platform (GCP) to tackle complex challenges across the entire value chain. In addition, we collaborate with industry partners in a pre-competitive way to address supply chain challenges such as the responsible use of agro-inputs in coffee or the recycling of single-serve coffee pods. We are also proud to partner with World Coffee Research (WCR) who, as part of their new five-year strategy, is driving a step-change in global coffee agriculture with the launch of a new global breeding network and more investments in nurseries and strategic trial programmes.

OUR RESPONSE IN 2021

As long-term member of GCP, we continue to see the need for pre-competitive partnerships and joint effort across the industry to address systemic priority issues in the supply chain that go beyond a single supply chain approach. The GCP Collective Action Initiatives address these priority issues by involving farming communities, country sustainability platforms, the private sector, governments, research partners and NGOs. We are an active participant and funder of four of these initiatives in Brazil, Vietnam and Uganda, addressing the safe use of agrochemicals, social well-being and working conditions, and the renovation and rehabilitation of farms.

CASE EXAMPLE

We continue to partner with WCR in their International Multilocation Variety Trial - the first global study to assess how key coffee varieties respond to different climate conditions - and participate in their programme to involve industry cuppers in tasting coffee varieties from their breeding trials around the world.

Engaging our Stakeholders (continued)

8

GOVERNMENTS AND INTERNATIONAL ORGANISATIONS

MAIN INTERESTS IN 2021

The COVID-19 pandemic continued to drive new government regulations to protect employees and ensure safe environments in, for instance, our manufacturing facilities and our coffee stores. At the same time, climate change and environmental regulation remained high on the agenda of governments across the world. Expectations on social and environmental standards in the supply chain grew further, especially in the EU. Within the context of the coffee sector, farmer incomes remain a topic of concern.

HOW WE ENGAGE

We typically engage with governments indirectly through industry and trade associations, such as the ECF. In addition, we enter into public-private partnerships with organisations such as the United States Agency for International Development (USAID) and The Sustainable Trade Initiative (IDH) in the implementation of our Common Grounds projects. JDE Peet's is also one of the 13 signatories of the London Declaration of the International Coffee Organization (ICO) and an active member of the unique Coffee Public Private Task Force (CPPTF), which has an ambitious vision and roadmap for 2020-2030.

OUR RESPONSE IN 2021

We are committed to ensuring compliance with all applicable laws and regulations and continued to engage on new and emerging regulation through associations such as ECF. We also continued our commitment and participation in the CPPTF and its vision and roadmap. At the same time, we further expanded our project work with public and private partners.

CASE EXAMPLE

We committed to an increase in funding and support for the implementation of a new series of sustainability programmes throughout the Central American Coffee belt, in partnership with the Coffee Alliance and our long-standing partner USAID. The new support programmes will include technical expertise allowing increased productivity, adaptation to the effects of climate change, diversification of incomes, and improved access to markets and credit.

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SHAREHOLDERS, INVESTORS, FINANCIAL INSTITUTIONS AND TAX AUTHORITIES

MAIN INTERESTS IN 2021

In addition to regular interest in our strategy and performance, we have had interactions with, among others, (potential) shareholders, debt investors, equity research analysts, debt rating agencies and ESG rating agencies on a wide variety of topics throughout 2021. Key topics in 2021 included our growth drivers, the continued impact of COVID-19 on our business, the inflationary environment, as well as our responsible sourcing and climate strategies, reflecting the growing interest in our ESG agenda.

HOW WE ENGAGE

We engage directly with our shareholders through the Annual General Meeting of Shareholders. Further engagement with (potential) shareholders and other financial market participants includes semi-annual earnings calls, investor roadshows, (ESG) investor conferences, as well as individual investor and analyst calls. These events are hosted by one or more members of the Executive Committee, the Investor Relations team and/or the Sustainability team.

OUR RESPONSE IN 2021

In 2021, we hosted an AGM, two earnings calls, a Strategic Update Meeting and around 180 virtual investor meetings, thereby reaching around 300 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.

CASE EXAMPLE

We held a virtual Strategic Update Meeting on 31 March 2021 for (potential) shareholders, research equity analysts, debt investors and debt rating agencies. Other interested parties could follow this event live, or replay the event afterwards, by accessing a webcast on our corporate website. The meeting included presentations about our strategy, our financial structure and capital allocation policy, our Peet's business in the U.S. and sustainability. It also included two Q&A sessions during which participants could ask questions to the presenters.

JDE Peet's Strategic Update Meeting 2021

OUR PERFORMANCE

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

2021 marked the year where we refocused on our founding entrepreneurial values. We set out our new strategic framework, re-invested in our powerful portfolio, and reinforced our operational discipline, including taking the lead on pricing in the majority of our markets. As a result, our organic sales growth accelerated, the absolute margin per cup increased, so did the free cash flow generation.

In parallel, we stepped up our commitment to an inclusive growth model, with tracking and tangible progress on sustainability as well as a higher ambition going forward. We further strengthened our financial position and capital structure.

BUSINESS PERFORMANCE

FINANCIAL PERFORMANCE

2021 PERFORMANCE

Total sales increased by 6.1% on an organic basis. The In-Home business continued to deliver strong organic sales growth of 5.0% while sales in Away-from-Home increased by 11.5% as the positive effects of (partial) re-openings in most regions more than offset the negative effects of new waves of lockdown measures, most notably in the second half of the year.

Total organic sales growth reflects a volume/mix effect of 3.5% and 2.5% in price. Changes in scope and other changes increased sales by 0.2% while foreign exchange had a negative impact of 1.0%. Total reported sales increased by 5.3% to EUR 7,001 million.

Adjusted EBIT increased organically by 1.5% to EUR 1,304 million driven by a 5.4% organic increase in adjusted gross profit which was partially offset by reinvestments in marketing, innovations and other strategic growth capabilities which included an organic increase in marketing spend of 27%, or EUR 87 million. Including the effects of foreign exchange and scope changes, adjusted EBIT increased by 2.0%.

Underlying profit - excluding all adjusting items net of tax - increased by 14.2% to EUR 899 million. It includes an underlying tax rate of 25% and was supported by lower interest expenses as a result of deleveraging and lower average cost of debt, as well as a reduction of other finance expenses.

Net leverage improved to 2.7x net debt to adjusted EBITDA from 3.2x at the end of 2020.

In EUR million, unless otherwise stated:

	2021	2020	Change
Sales	7,001	6,651	5.3%
Organic change			6.1%
Operating profit	1,108	933	18.8%
Financial income and expenses	(125)	(246)	(49.2)%
Income tax expense	(220)	(320)	(31.3)%
Net income	762	367	107.6%
Adjusted EBIT	1,304	1,278	2.0%
Organic change			1.5%
as a % of sales	18.6%	19.2%	(60)bps
Adjusted EBITDA	1,591	1,575	1.0%
as a % of sales	22.7%	23.7%	(100)bps
Reported earnings per share (EUR)	1.53	0.80	90.6%
Underlying earnings per share (EUR)	1.79	1.57	13.7%
Net debt	4,254	5,089	(16.4)%
Operating working capital	(1,478)	(1,104)	33.9%
Free cash flow	1,368	877	56.0%
Net leverage ratio	2.7x	3.2x	(50)bps

Business Performance (continued)

SEGMENT REVIEW

CPG EUROPE

In EUR million, unless otherwise stated

	2021	2020	Change	Organic change
Sales	3,573	3,475	2.8%	2.6%
Adjusted EBIT	1,089	1,096	(0.7)%	(0.9)%

Organic growth of 2.6% was driven by volume/mix growth of 2.2% and 0.4% price as a result of the continued focus on premium offerings, despite the challenging year-over-year comparisons as lockdown measures gradually eased in many markets. This growth performance was broad-based across markets with particularly strong contribution coming from countries like Germany, France, Poland and Denmark. Reported sales increased by 2.8% to EUR 3,573 million, including a net positive effect of 0.2% from foreign exchange and changes in scope. Adjusted EBIT decreased organically by 0.9% to EUR 1,089 million in FY 21, as operational leverage and efficiencies were partly re-invested in A&P and other growth opportunities. Based on a 2-year CAGR, the organic adjusted EBIT growth was 6.8%.

CPG LARMEA

In EUR million, unless otherwise stated

	2021	2020	Change	Organic change
Sales	1,091	985	10.8%	17.0%
Adjusted EBIT	204	219	(7.0)%	(4.7)%

Organic growth of 17.0% was driven by volume/mix growth of 4.4% and 12.5% price. The positive volume/mix effect was broad-based across geographies and driven by continued growth in Single Serve and Premium Instants offerings. Price was driven by disciplined price increases across virtually all markets. Reported sales increased by 10.8% to EUR 1,091 million, including a foreign exchange impact of (6.0)% mainly driven by the depreciation of the Brazilian real, the Russian ruble and the Turkish lira. Adjusted EBIT decreased organically by (4.7)% to EUR 204 million in FY 21, driven by higher A&P spend and other operating expenses and the timing of price increases related to input cost inflation. Based on a 2-year CAGR, the organic adjusted EBIT growth was 7.7%.

PEET'S

In EUR million, unless otherwise stated

	2021	2020	Change	Organic change
Sales	903	838	7.8%	12.3%
Adjusted EBIT	118	98	20.3%	20.8%

As the US started to re-open in the course of 2021, consumption patterns started to gradually shift back to the Away-from-Home environment, and the coffee retail stores in particular benefited from increased consumer traffic. Peet's' CPG business continued to deliver solid single-digit organic sales growth, resulting in a 2-year CAGR of 19%. Peet's' Away-from-Home channels have witnessed a meaningful rebound in FY 21 driven by a mid-twenties growth in same-store-sales in its coffee retail stores as well as in its other Away-from-Home channels. Organic growth was driven by volume/mix growth of 8.9% and 3.4% price. Reported sales increased by 7.8% to EUR 903 million, which included a foreign exchange impact of (4.0)% and a scope effect of (0.6)% related to the divestiture of non-core assets in 2020. Adjusted EBIT increased organically by 20.8% to EUR 118 million in FY 21, including incremental investments to increase household penetration in CPG. Based on a 2-year CAGR, the organic adjusted EBIT growth was 18.9%.

OUT-OF-HOME

In EUR million unless otherwise stated

	2021	2020	Change	Organic change
Sales	723	666	15.4%	12.8%
Adjusted EBIT	90	4	>100%	>100%

The organic sales increase was driven by volume/mix growth of 12.6% and 0.1% price, reflecting the underlying gradual lifting of lockdown measures in the Out-of-Home markets, notably in the second half of the year. Reported sales increased by 15.4% to EUR 723 million, including a foreign exchange impact of 0.9% and a positive effect of 1.8% related to scope and other changes. As a result of the significant pick-up in activity in the course of FY 21, and structural measures taken during the pandemic to improve the cost structure of the business, the Out-of-Home segment witnessed a significant improvement in profitability by generating adjusted EBIT of EUR 90 million, compared to EUR 3 million in FY 20. Based on a 2-year CAGR, the organic adjusted EBIT declined by 29.3%, reflecting the impact of the pandemic.

CPG APAC

In EUR million, unless otherwise stated

	2021	2020	Change	Organic change
Sales	684	699	(2.2)%	(5.1)%
Adjusted EBIT	109	155	(29.8)%	(31.2)%

Organic sales declined by 5.1%, consisting of volume/mix of (5.3)% and price of +0.2%. The decline in organic sales growth is mainly reflecting a more challenging Away-from-Home environment throughout most of the year, as many markets were confronted with stricter lockdown measures than in the preceding year. As a result, organic sales performance in various markets in South-East Asia were in decline, while China delivered strong double-digit performance. Reported sales decreased by 2.2% to EUR 684 million, which included a positive scope effect of 2.2% and a positive foreign exchange impact of 0.7%. Adjusted EBIT decreased organically by 31.2% to EUR 109 million, driven by lower operational leverage and significantly higher A&P spend and other investments in growth. Based on a 2-year CAGR, the organic adjusted EBIT growth was (4.5%).

UNDERLYING PROFIT FOR THE PERIOD

In EUR million unless otherwise stated

	2021	2020
Operating profit	1,108	933
Adjusting items:		
- Transformation activities and corporate actions	(40)	(156)
- ERP system implementation	(15)	(28)
- Share-based payment expense	(32)	(33)
- Mark-to-market results	(5)	1
- Amortisation of acquired intangible assets and M&A/Deal costs	(104)	(129)
Adjusted EBIT	**1,304**	**1,278**
Net financial income/(expenses)	(97)	(246)
Adjusted taxes	(302)	(240)
Adjustments for NCI shareholders	(6)	(5)
Underlying profit for the period	**899**	**787**

An overview of the adjusting items can be found in 'note 2.1 - *Consolidated Financial Statements*' section.

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. JDE Peet'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 in '*note 2.1 - Consolidated Financial Statements*' section in this Annual Report. Further information on the definitions of these Non-IFRS Measures can be found under the '*Glossary*' section in this Annual Report. Although the non-IFRS financial measures presented are not measures of financial performance or liquidity under IFRS, JDE Peet's uses these measures to monitor the underlying performance of its business and operations. These measures have not been audited or reviewed by our external auditor.

In EUR million, unless otherwise stated:

	Reported sales	Adjusting items	Reported sales	FX impact	Scope & other	Organic sales
Sales	7,001	-	7,001	68	(14)	7,055

	Operating profit	Adjusting items	Adjusted EBIT	FX impact	Scope & other	Organic adjusted EBIT
Operating profit to adj. EBIT	1,108	196	1,304	5	(1)	1,308

	Operating profit	Adjusting items	Adjusted EBIT	Adjusted D&A		Adjusted EBITDA
Operating profit to adj. EBITDA	1,108	196	1,304	287		1,591

	2021
Adjusted EBIT	1,304
ERP system implementation	(15)
Transformation activities and corporate actions	(40)
Share-based payment expense	(32)
Mark-to-market results	(5)
Amortisation of acquired intangible assets and M&A/Deal costs	(104)
Operating profit	**1,108**

OBSERVING THE HIGHEST STANDARDS OF ETHICS AND COMPLIANCE

Across JDE Peet's, we strive every day to live up to and embody the values and principles-based culture at the core of our Codes of Conduct. These codes underline our commitment to ethical behaviour and compliance with laws and regulations in the countries in which we operate. They also reflect 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 such as Anti-Bribery, Data Privacy, Competition Law, Conflict of Interest, Sanctions & Export compliance, Insider Trading, Record Management, Accounting, Tax and other 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.[9] None of us should face discrimination on the basis of our origin, nationality, ethnic background, gender, 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 for disrespectful behaviour in general, including humiliating, insulting, intimidating, or isolating others. All of these behaviours are unacceptable. We will investigate such cases, and employees and other stakeholders will never suffer repercussions for reporting any such alleged behaviour.

EMPLOYEE AND SUPPLIER STANDARDS

Ethics & good governance are foundational to our corporate culture and form some of the most material issues on our materiality map. We set high standards for the behaviours of our employees. We also apply the same standards to the suppliers with whom we do business. 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 require the same of our suppliers, with a focus on the salient issues further described in our Human Rights Policy, Supplier Code of Conduct and Origin Issue Assessments.

In 2021, we refined our JDE Supplier Code of Conduct with a clear commitment to comply with the OECD Guidelines for Multinational Enterprises, in addition to our commitment to the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work. We reached out to more than 7,000 suppliers to highlight the importance of responsible sourcing practices and are applying various verification methods (from supplier self-assessments[10] to quality conversations integrated into our commercial reviews with suppliers) and recently became a member of Sedex, a platform that helps companies to manage and improve working conditions along global supply chains.

RISK-BASED COMPLIANCE STRATEGY

Risks related to ethics and compliance form an integral part of our Enterprise Risk Management (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 2021: Anti-Bribery and Sanctions compliance, Competition Law and Data Privacy. Actions we took to mitigate these risks can be found under our 'Risk Management' section.

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 applicable laws. Reports made are treated confidentially and are promptly investigated. We do not tolerate any retaliation against anyone who files a report.

In 2021, we published the translations of our Speak Up Policy into all languages relevant across our value chain in order to render the policy accessible to more stakeholders and we launched a new JDE Peet's landing page to enable employees, suppliers or other stakeholders to more easily raise concerns, and we launched a new global case management system to more effectively address and manage any concerns raised.

COURSES AND TRAINING

We regularly conduct compliance e-learning courses for employees on topics such as 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). For those employees without such access, for example employees in manufacturing units, we offer shared laptops or conduct in-person trainings.

9 *See also the 'Valuing diversity' section under 'Connected People' later in this chapter.*
10 *See also under the 'Common Grounds' section below*

In 2021, we launched a new e-learning module with a focus on third party due diligence and anti-bribery with a global attendance rate of 89% and a new data privacy e-learning with an attendance rate of 90%.

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.

RESPECTING HUMAN RIGHTS

We care about our fellow employees in an environment where we are each entitled to a safe and healthy workplace. We also believe in promoting human rights throughout our organisation, adhering to all wage and hour laws in the locations in which we operate. We do not use or condone unlawful child or forced labour. We also expect our suppliers to uphold these same standards in the work they do for JDE Peet's. To underline our commitment to human rights, we have summarised the principles we adhere to and the processes we follow in a new Human Rights Policy. We are also a signatory of the UN Global Compact.

Our procedures to identify, manage, and prevent adverse human rights impacts are based on a variety of processes and verification methods, for example including in-depth conversations with high-risk suppliers during our regular commercial reviews. As an additional tool, we have recently joined Sedex and started to map our supplier base against their core principles. We will address any supplier-specific human rights issues through open and direct communication with the relevant supplier and, if deemed appropriate, termination of the relationship with the supplier.

For our agricultural supply chains, and coffee in particular, where we see the most material potential for adverse human rights impacts, we have developed a cycle of continuous improvement. Developed with the Rainforest Alliance in 2018, our Common Grounds responsible sourcing and supplier engagement programme 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. Independent Origin Issue Assessments, a desk-based 'early warning system', identifies potential issues related to coffee production in a country for each of our 23 Responsible Coffee Sourcing Principles, which is complemented by supplier self-assessments against the same principles. After identifying and prioritising challenges, we work in partnership with our suppliers, NGOs and governments to address such challenges, including those faced by smallholder farmers.[11]

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 such as sanctions screening, credit checks and anti-bribery questionnaires. In 2021, we refined our Anti-Bribery, Anti-corruption, Trade Sanctions & Anti-Money Laundering Policy with more specific guidance on sanctions compliance, government official definitions and a revision of our gifts, entertainment & hospitality rules.

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. In 2021, we conducted a full revision of our global sales playbooks and related guidance, to better support our continued competition law compliance.

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

DATA PRIVACY

We deploy data privacy policies, so called Binding Corporate Rules, procedures on areas including data subject access requests, data breach response and other processes, procedures and tools fostering data privacy at JDE Peet's. In 2021, we focused on data privacy fundamentals, such as Registers of Processing Activities, Data Privacy Impact Assessments, consumer consent management, and deployed the aforementioned global e-learning with a 90% attendance rate.

No fines have been issued against JDE Peet's for data privacy violations.

RESPONSIBLE TAX

We care about doing business in a responsible way to create a better future and believe that a responsible approach to tax is an integral part of our approach. In line with our Code of Conduct, JDE Peet's always aims to be a responsible taxpayer. This means that we seek to pay 'fair taxes' by paying the right amount of taxes in the countries and communities where we create value through our commercial business activities, complying with the letter and spirit of the law and taking into account the medium- to long-term interests of our stakeholders.

Our Global Tax Policy outlines our Tax Strategy and our Guiding Tax Principles and forms the basis for our Tax Control Framework. The effectiveness of our tax strategy depends on the quality of its implementation and execution. Therefore, roles and responsibilities with respect to the execution of our Global Tax Policy are addressed in our Tax Control Framework. Key risks regarding the execution of our Global Tax Policy have been identified and, where necessary, controls have been put in place to mitigate the relevant risks. JDE Peet's' Group Tax department monitors whether the controls are executed and have worked efficiently. An example of a control is that, on a (bi-)annual basis, local teams confirm to Group Tax that their operations are compliant with the Global Tax Policy.

[11] *See also under the 'Common Grounds' section below*

Business Performance (continued)

At least once per year, Group Tax reports to the Audit Committee on tax risks and adherence to our Global Tax Policy. Group Tax maintains an adequate staff of qualified and trained tax professionals and has global responsibility for our tax positions. Proper governance and procedures are in place to ensure that Group Tax is involved in all significant business developments, investments and transactions and that tax consequences are considered as part of every major business decision.

We continuously seek to develop and improve our tax control framework, supported by further investments in tax technology to improve data management and thus the overall quality of direct and indirect tax compliance, control and reporting. We currently have various technology initiatives underway, within our direct as well as indirect tax disciplines, to optimise and upgrade our tax processes and we have drafted a global tax technology strategy and roadmap to track and trace data improvement projects and monitor future digital tax developments.

COMPLIANCE GOVERNANCE

Our Global Compliance Council (GCC) is responsible for defining the compliance strategy, policy or control updates needed, global trainings to be deployed, and the overall recurring global compliance plan. These elements are based on the ERM findings and additional data points such as 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 Chief Legal and Corporate Affairs Officer and the Internal Audit Director as standing members. The GCC issues a quarterly report to the Audit Committee of the Board on key issues pertaining to 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 (LCCs) with the General Manager, the HR Director and the Finance Director as standing members. The LCCs are responsible for cascading global compliance policies and controls throughout 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.

CONTROLS & 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 controls and competition law controls. A network of Internal Controls Specialists issues reports to the LCCs on the respective compliance controls maturity for follow up and mitigation actions.

On a quarterly basis, the local and regional General Managers and Finance Directors issue a letter of representation wherein they confirm compliance of their business units with the codes, applicable policies and laws. There is an emphasis on compliance with accounting laws and standards, anti-bribery, competition laws and with data privacy policies and regulations. In 2021, we deployed a refined version of our Letter of Representation with revised questions on sanctions compliance, anti-fraud, labour and environmental compliance.

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.

Business Performance (continued)

DELIGHTING AND PROTECTING OUR CONSUMERS WITH EVERY CUP

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 high-quality, safe products. This applies to our entire portfolio, and to all our systems and services.

Our research and development teams work closely with our marketing teams to identify trends. They then develop new products and modify existing products for all our product lines, enabling us to quickly and efficiently respond to changing consumer needs and taste profiles. In addition to embedding consumer satisfaction in innovation processes, our Quality & Food-compliance teams ensure product and appliance quality and food-safety from "farm to cup". This involves close collaboration with procurement, manufacturing and supply chain and is based on applicable regulation and standards as well as our Quality Policies. Our continuous improvement approach has led to increasing consumer satisfaction while protecting consumer safety.

OBSERVING ALL STANDARDS

To maintain consistent high quality, our JDE Quality Management System (QMS) has been developed to apply the ISO 22000:2018 food safety management standard, 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 approach identifies, evaluates and controls hazards that are significant for food safety. Our HACCP plans and systems are verified by external certification bodies against FSSC 22000, an internationally recognised Global Food Safety Initiative (GFSI) benchmark standard. In 2021, 25 of our manufacturing facilities were certified against the FSSC 22000 food management standard. Three additional facilities were ISO 22000 certified. Our Peet's manufacturing facility in Alameda, CA, in the US, is audited annually against Good Manufacturing Practices (GMP). Additionally, 20 of our manufacturing facilities are certified to the environmental standard ISO 14001:2015.

In 2021, several major digital projects successfully went live. We implemented a new specification system which enables end-to-end transparent data management. We digitalised our Supplier Quality Management System using a tool that strengthens collaboration and information exchange with suppliers, delivering real-time access to supplier quality performance across our supply chain. We have also investigated some critical business processes, such as Product Label creation, for the opportunity to automate. As part of our continuous improvement programme, we have implemented automatic controls for assuring right-first-time material consumption and more efficient traceability in our strategic sites. In 2022, we will continue to develop our capabilities and the connectivity between systems, moving towards a more preventive and predictive quality approach.

In 2021, 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 2021.

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. Our JDE Healthy Indulgence Programme keeps 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 the use of sugar and saturated fat in our products by 2025, and towards ensuring compliance of all products to the JDE Peet's Healthy Nutrition programme by 2025. We are exploring healthy hydration options, developing products with a healthy nutrition profile and adding benefits like increased minerals or vitamins. Where applicable, we provide transparent nutrition information and front-of-pack label information like Nutrigrade in Singapore to support consumers in making informed choices.

PRODUCT LABELLING

Our QMS requires and ensures that we meet all product labelling legal requirements in every market we operate in. All our products are assessed for compliance with national and regional product labelling requirements, including claims and certification requirements such as the Rainforest Alliance.

There were no events or penalties that resulted in significant fines or non-monetary sanctions for non-compliance with laws and regulations in 2021 concerning product and service information and labelling. And there were no events, fines or penalties to report in relation to marketing communications in 2021.

FOOD-COMPLIANCE SCOUTING

In addition to the operational management of day-to-day quality and food compliance, the Quality & Food Compliance team also looks for emerging hazards in order to assess these risks and define appropriate mitigation programmes to improve our QMS. This includes extensive pre-competitive initiatives through our participation in multiple trade-associations in key regions. Likewise, upcoming changes in food regulation, including composition, safety, labelling and sustainability are closely monitored in order to enable timely anticipation.

COMMON GROUNDS

THE YEAR IN REVIEW

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 in which farmers face daunting environmental and economic challenges, from droughts and floods to volatile market price fluctuations. These issues often contribute to precarious working and living conditions, as well as environmentally harmful practices.

At JDE Peet's, we recognise the opportunity and responsibility we have to make a difference in the lives of farmers and farming communities. Through our Common Grounds responsible sourcing and supplier engagement programme, we are committed to a sustained supply of coffee & tea from a diversity of origins that supports farming communities' vision of prosperity and contributes to healthy ecosystems. Common Grounds is designed to map our supply chain, identify priority risks and set up continuous improvement strategies and programmes that improve the social, economic and environmental conditions in the countries that we source from. The primary focus is on coffee & tea, but our engagement also extends to other agricultural ingredients such as palm oil.

OUR GOALS

Common Grounds encompasses two ambitious sustainability goals. First, to work towards 100% responsibly sourced coffee, tea and palm oil by 2025. Second, to reach 500,000 smallholder farmers by 2025 through investments in improvement projects and capacity building. We work to achieve these sustainability goals through a combination of supplier engagement, risk assessment, actions to mitigate and continuous monitoring, evaluation and learning.

Our vision for thriving agricultural supply chains

A SUSTAINED SUPPLY OF COFFEE, TEA AND PALM OIL FROM A DIVERSITY OF ORIGINS THAT SUPPORTS FARMING COMMUNITIES' VISION OF PROSPERITY AND CONTRIBUTES TO HEALTHY ECOSYSTEMS

SUSTAINABILITY OF LAND

A "nature positive" future that preserves and restores the landscapes we source from

- Climate Change
- Soil
- Water

EQUALITY OF PEOPLE

Equal opportunities and decent working conditions for all that are involved in the production systems

- Gender and Youth Inclusivity
- Child Labour
- Working Conditions

PROSPERITY OF FARMERS

An environment in which farming communities achieve their visions of prosperity

- Farm Management
- Yield Improvement
- Income Diversification

Common Grounds (continued)

MAIN CHALLENGES

2021 was a turbulent year for our suppliers, and smallholder farmers in particular. The COVID-19 pandemic continued to impact producers and communities. In several countries, schools remained closed for the second year running, impacting the education of children in many rural communities where education is already fragile.

The year was further compounded by challenging weather conditions in some regions, including drought and frost in Brazil, which strongly impacted the country's coffee crop. Global logistics disruptions added to the supply chain challenges. Rising energy costs and an increase in the price of fertilisers contributed to coffee prices that reached a multi-year high by the end of the year.

PROGRESS IN 2021

Despite the challenging environment, we were able to increase the share of coffee, tea and palm oil that had a second- or third-party sustainability certification or verification. In total, 30% of our coffee carried a sustainability certification or verification in 2021, as did 32% of our tea and 72% of our palm-based oils.[12] We also completed an independent baseline assessment of tea production in Turkey, for tea sold under our Ofçay brand, which will act as the foundation for our roadmap in Turkey to also achieve 100% responsible sourcing by 2025 there. We grew the number of smallholder farmers we have reached since 2015 to 470,000 across 50+ active projects in 18 countries. In addition, we initiated the third round of supplier self-assessments, expanding the reach to 21 countries from which we source our green coffee and achieving a 98% response rate. As we continue to strengthen our supplier engagement, we have developed long-term strategic partnerships with several key suppliers of green coffee.

OUTLOOK FOR 2022

We will continue to strengthen our responsible sourcing journey across our key commodities. In Turkey, we are now building the context-specific roadmap that will get us to 100% responsibly sourced tea by 2025. We are also committed to achieving 100% RSPO-certified palm oil in 2022, well ahead of our 2025 target. We continue to build strategic partnerships and farmer programmes across our priority sourcing origins covering coffee, tea and palm oil smallholder farmers. We are also strengthening our monitoring and evaluation processes to be able to report on progress and achieved outcomes of the farmer-centric interventions on the ground.

PURCHASES WITH 2ND OR 3RD-PARTY SUSTAINABILITY CERTIFICATION OR VERIFICATION

COFFEE	TEA	PALM OIL
30%	32%	72%
+1% ▲	+10% ▲	+41% ▲

[12] See section 'Summary KPIs' at the end of this chapter for further details and definitions.

Common Grounds (continued)

OUR COMMON GROUNDS APPROACH: SOURCING OUR RAW MATERIALS RESPONSIBLY

Coffee is the main source of income for millions of smallholder farmers, who come from diverse backgrounds and face both specific challenges and opportunities. Currently 12.5 million farms, that produce 70-80% of the world's coffee, have an average farm size of only four hectares. Almost 95% of farms are smaller than five hectares, and over 80% of all coffee farms are smaller than two hectares.

We recognise the investments farmers are making in committing to sustainable production via certification or verification programmes. That's why coffee, tea and palm oil that carry a second- or third-party certification or verification form an important pillar in our responsible sourcing strategy.

However, the reality is that many smallholder farmers are not part of formal cooperatives, and are currently beyond the reach of sustainability certification, which require farmers to be organised in formal structures. Moreover, many sustainability challenges are complex and go beyond what an individual producer or cooperative can address. Challenges such as adaptation and mitigation to climate change, deforestation, gender imbalances, labour issues, access to quality technical assistance and affordable finance, require systemic change and concerted efforts from members along the entire supply chain.

Through our actions and investments, we believe that the best way to improve coffee & tea sustainability is to drive continuous developments through local action in partnership with farmers, cooperatives, exporters, traders, roasters, civil society, and governments, and to regularly review and verify impact.

The Common Grounds programme, which we developed in partnership with the Rainforest Alliance in 2018, works with our suppliers and other stakeholders to identify the most important social and environmental issues wherever we source our coffee, tea and agricultural ingredients such as palm oil. We then engage on these issues through open, direct communication with our suppliers, collaborative action (such as GCP Collective Action Initiatives) and projects on the ground.

CASE STUDY

ADDRESSING HUMAN RIGHTS CHALLENGES THROUGH COMMON GROUNDS

Our corporate values mandate that we operate in sustainable coffee & tea sectors in which human rights are respected. We do not condone unlawful child labour in our own operations or supply chains. We also recognise that child labour remains a risk in some of the countries which produce coffee & tea. In addition to focusing on our own key suppliers, we also believe that we - and other industry stakeholders - should increase efforts to drive change across the entire coffee & tea value chain in the countries we source the raw materials used in our products. Our belief is grounded in our conviction that industry-wide initiatives, rather than actions which focus solely on specific suppliers, are the most effective means of eradicating child labour in the relevant countries.

We believe that the best way to address human rights challenges, and child labour specifically, is to engage local partners to identify the often-complex root causes which lead to the use of child labour, and design strategies in the local context that prevent and remediate the use of child labour. Through our Common Grounds programme and its risk mapping process, we assess priority sustainability and human rights challenges on an origin-by-origin basis. The Origin Issue Assessments by the Rainforest Alliance identified child labour as a priority issue in both Honduras and Uganda. We have set up programmes to respond to these challenges on an industry-wide basis in Honduras and Uganda, as in Vietnam.

In Uganda, the root causes of child labour include poverty, absence of schools or inadequate schools and infrastructure, demotivated and a lack of teachers, illiteracy of parents or guardians and a lack of parent and caretaker awareness. Engagement on the topic is particularly important now as Ugandan schools were closed for two years until January 2022 as a result of the COVID-19 pandemic. Our project with local supplier Kyagalanyi Coffee Ltd, the Rainforest Alliance, Community Empowerment for Rural Development CEFORD, a local NGO, and the Netherlands Enterprise Agency (RVO) aims to create an enabling environment for coffee-growing areas that are free from child labour. In a first step, the specific nature and extent of child labour in these areas is being assessed in more detail to then deploy concrete actions to affect change at the community, coffee farm and supply-chain levels.

In Honduras, we are in the second phase of a partnership with the Asociación de Exportadores de Café de Honduras (ADECAFEH) and World Vision in the project 'Prevention of Child Labour During the Coffee Harvest'. The project partners with local community stakeholders and child protection experts to provide childcare and development centres focusing on education, sensitisation and child protection, providing parents with the reassurance that their children are in safe hands and away from the farms while the parents harvest coffee during the day.

In Vietnam, children from certain ethnic minority families sometimes drop out of school at an early age due to early marriage (especially in the case of girls), poverty and a limited ability to speak Vietnamese. We have partnered with Vinh Hiep Coffee Company, Simexco Daklak Ltd, the Rainforest Alliance and RVO to work with a local research partner to further increase the understanding of local risk factors, root causes and power dimensions between the different actors in the coffee sector. The project will then develop a context-specific approach to prevent, remediate and monitor child labour through awareness raising, capacity building and income generation, amongst others.

Common Grounds (continued)

COFFEE: CONTINUOUS IMPROVEMENT IN THE SUPPLY CHAIN

In 2021, we increased our certified or verified coffee purchases to 30% globally. We stepped up engagement with key suppliers, initiated several strategic partnership programmes with green coffee suppliers and launched our third round of supplier self-assessments.

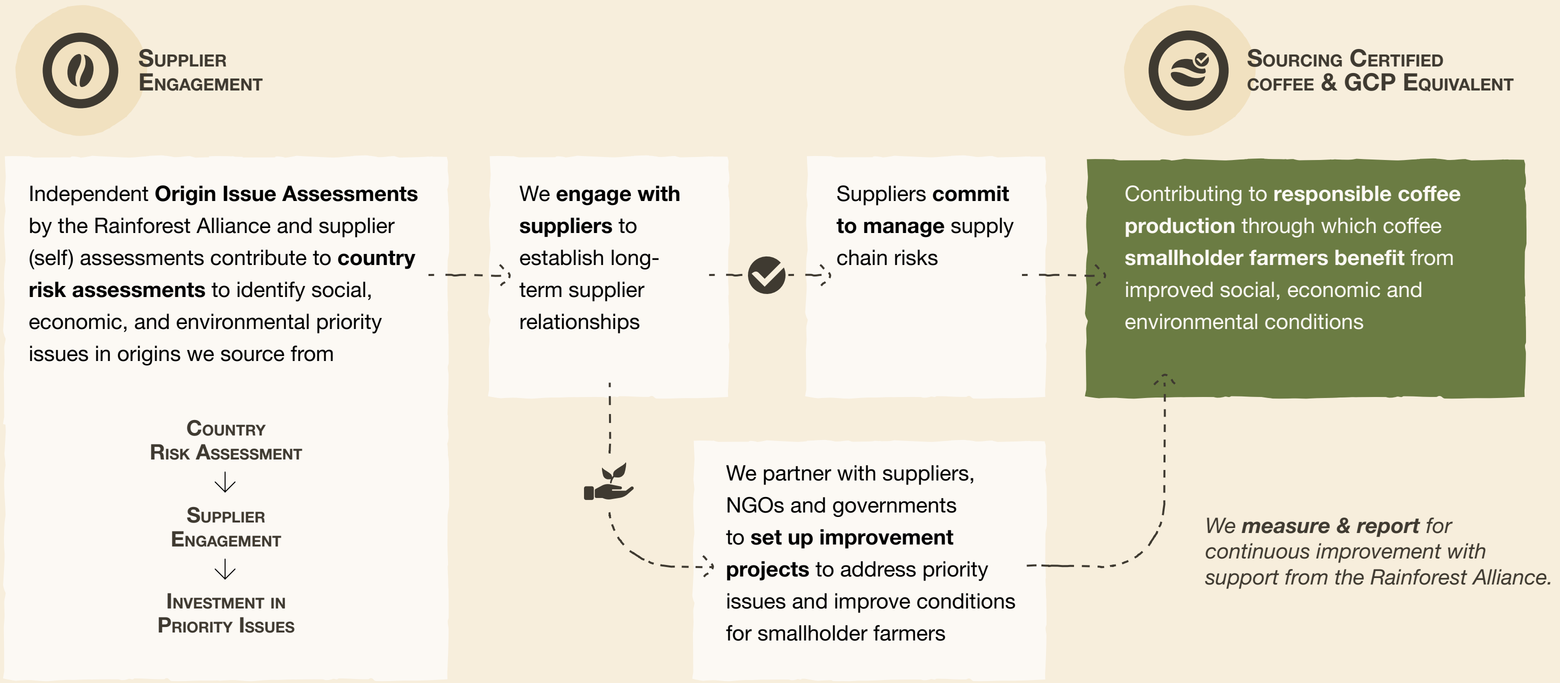
Our approach to sourcing 100% of our green coffee responsibly by 2025 centres on continuous improvement in the supply chain. Consumer-facing sustainability certification or verification that is based on 2nd-party or 3rd-party assurance forms an important pillar of this approach. This includes, for example, the Rainforest Alliance, Fairtrade and 4C certification, as well as new and emerging sustainability standards recognised by the Global Coffee Platform (GCP) Equivalence Mechanism. We increased our green coffee purchases under those sustainability schemes to 30% in 2021.

As many smallholder farmers today do not have viable access to sustainability certification and many sustainability challenges require systemic change that goes beyond the individual producer or cooperative, we also invest in collaborative action and continuous improvement on our suppliers' sustainability journey beyond sustainability assurance. We engage with our suppliers on continuous improvement in the coffee supply chain, regardless of whether the green coffee we purchase is certified or not. Accordingly, we expect our green coffee suppliers to demonstrate sufficient alignment with our Responsible Coffee Sourcing Principles and a commitment to engage with coffee farmers to address priority issues and improve conditions on the ground.

This engagement is underpinned by independent Origin Issue Assessments to identify the priority sustainability challenges in origin countries. They now cover our 11 most important sourcing countries. We also updated and refined our Responsible Coffee Sourcing Principles and launched the third round of supplier self-assessments in 2021. These covered more than 90 suppliers across 21 coffee origins, with a 98% response rate. This process has equipped us and our suppliers with a much deeper understanding of the most pressing sustainability challenges in each origin country, which we then work to address collaboratively.[13]

In addition, we also stepped-up engagement sessions with key suppliers and deepened strategic partnership programmes. Launched in 2020, these nine strategic partnership programmes are set up to achieve shared win/win objectives with our suppliers in the specific context of the respective coffee origins, directly contributing to our purpose of unleashing the possibilities of coffee & tea to create a better future. For example, they contribute to developing and strengthening verified supply chains, deepening our footprint in Africa and expanding our sourcing in the region, increasing origin diversification, unlocking USPs and linking them to our brands.

COMMON GROUNDS PATHWAY TO CHANGE

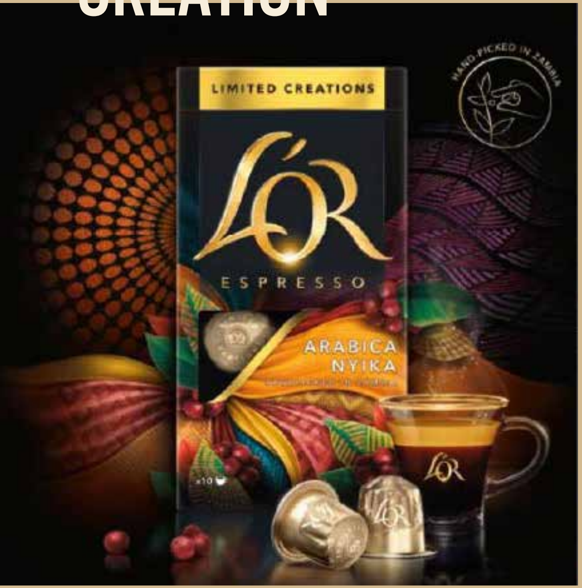


[13] *Additional details can be found in the 'Smallholder engagement' section below*

Common Grounds (continued)

CASE STUDY

THE L'OR ARABICA NYIKA LIMITED CREATION



OUR STRATEGIC PARTNERSHIP WITH OFI, OLAM FOOD INGREDIENTS, IN ZAMBIA

Grown in the rich volcanic soils of the Kasama highlands of Zambia, our L'OR Arabica Nyika coffee helps revive a rare, hand-picked variety of Arabica coffee in partnership with ofi.

Coffee was first planted in Zambia in 1972 on one of the estates that is now owned by our partner ofi. At its peak in the early 2000s, Zambia produced approximately 7,000 tonnes of coffee. But the coffee crisis hit coffee production hard and low coffee prices forced producers to switch to other crops. As a result, production had dropped to only a few hundred tonnes by 2015 .

In 2012, ofi acquired and revived coffee cultivation on three estates and established an additional two farms in northern Zambia. Since then, their investment has made them Zambia's largest coffee producer and employer, contributing to a rejuvenation of the country's coffee sector.

Demonstrating our commitment to origin diversity, our new partnership supports sustainable coffee production in a country not widely known for coffee. 4,000 ha of the estates' 7,200 ha have been maintained intact as forest or other conservation areas. In addition, we support ofi's afforestation programme which restores violated buffer zones to protect river systems and resources around the estates.

More than 500,000 tree seeds and seedlings have already been planted to restore open areas, fill gaps in conservation areas and provide shade to the coffee trees. The estates also play a crucial socio-economic role locally, providing access to education, health care and employment, with programmes specifically targeting women and youth.

We are proud to bring this partnership – and with it this exotic, rare coffee creation – to our consumers. We knew the coffee was a perfect match for our premium portfolio, as exemplified in our L'OR Arabica Nyika Limited Creation aluminium capsules.

"Alongside our focus on improving coffee production and quality, ofi's investment in the communities beyond our Zambia estates comes from the belief that great coffee is rooted in something deeper than rich soils. Our partnership with JDE allows us to build on our efforts to support the livelihoods and landscapes we depend on to supply coffee lovers with sustainably grown, traceable coffee."

— Aranyak Sanyal, VP & Head coffee estates SEAF, ofi

"This partnership is an excellent example of what can be achieved together. Working with ofi, we support coffee origin diversification, contribute to the health and well-being of local communities, and safeguard local ecosystems, thereby strengthening the supply chain from beginning to end."

— Judith de Boer, Global Green Coffee Strategic Partnership Programme Lead

Common Grounds (continued)

COLLECT

COLLABORATE

IMPACT

REPEAT

CASE STUDY

RESPONSIBLE SOURCING AT PEET'S - HOW 100% IS JUST THE BEGINNING

In 2021, our Peet's brand achieved a major milestone, sourcing 100% of its coffee responsibly, verified by an independent NGO. But the breadth of the accomplishment - applying comprehensive sustainability standards to all the coffee roasted by Peet's, rather than a certified few - is just the beginning.

Peet's is at the forefront of a transformation within the industry: sourcing coffee in a way that positively impacts coffee communities. It is about coffee companies not only taking responsibility for their own footprint, but about working on challenges together.

With most of the world's coffee farmers producing on two hectares or less, and unaffiliated with cooperatives or other organisations, they are currently not part of any certification system. Which means millions of farmers' economic, social, and environmental challenges are not being accounted for.

Today, Enveritas, a non-profit organisation that works to end poverty among smallholder coffee growers, and is recognised by the GCP Equivalence Mechanism, is aiming to solve this issue geospatially. By selecting a statistically significant number of locations, and visiting those sites, they can collect an accurate measure of the most meaningful challenges against their sustainability standards faced by farmers in a specific region, whether it's 200 or 2,000. Peet's then works together with partners - farmers, the collectors, millers and exporters from that area, international traders, NGOs, governments, and other roasting companies - to address the issues that matter most.[14]

Peet's goal is to help develop a sourcing system that collects data, understands the key issues facing smallholder farmers, and then works to resolve them with suppliers and other players in the coffee industry. In the end, sourcing with impact is the only way forward.

In 2021, Enveritas conducted more than 20,000 on-farm surveys within Peet's' sourcing footprint during harvest season, including interviews with both farmers and farm workers. This will be repeated annually with no cost to the farmer.

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[14] *Enveritas also independently evaluates Peet's' improvement programmes.*

Common Grounds (continued)

TEA: OUR RESPONSIBLE SOURCING JOURNEY

32% of our tea volume[15] was responsibly sourced through a 3rd party certification or verification in 2021. We remain committed to our goal of sourcing all our tea responsibly by 2025.

As in previous years, all our tea purchases for our Bell Tea, Pickwick and Hornimans brands in 2021 carried a sustainability certification or verification. In Turkey, where the availability of tea with a third-party certification or verification is limited, we have initiated the responsible sourcing journey for tea sold under the Ofçay brand by commissioning APCO Worldwide to conduct an independent baseline assessment in the tea producing regions. This assessment involved farmer and worker interviews and focus groups as well as engaging with local stakeholders mapping current practices against social, environmental and economic criteria. It serves as the foundation of our roadmap to also achieve 100% responsible sourcing in Turkey by 2025.

In addition, we continued our support of tea farmers and their workers in 2021 across four projects in four 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) and GIZ to promote decent livelihoods for tea producers and workers in Malawi and Rwanda, and with UNICEF and ETP in Improving Lives of Women and Children in Assam's Tea Communities in India.

PALM-BASED OILS: TOWARDS 100% RESPONSIBLE SOURCING

We significantly increased the share of RSPO-certified palm oil in 2021 to 72% and are committed to reach 100% in 2022, three years ahead of our initial commitment.

While most of our products do not contain any palm oil or palm kernel oil, we recognise the adverse environmental and social impacts that the productions of palm-based oils can have. That's why we have developed our Palm Oil Responsible Sourcing Principles and are committed to source all our direct purchases of palm-based oils, which amount to approximately 10,000 tons, through Roundtable on Sustainable Palm Oil (RSPO) certification.

As of July 2021, all our direct purchases of palm-based oils were RSPO-certified, leading to an average of 72% certified palm oil for full year 2021, up from 31% in 2020. We aim to cover 100% of our direct purchases with RSPO certification in 2022. In addition, through our Common Grounds program, we partnered with Wild Asia to promote a sustainable palm oil programme in Sabah, Malaysia. In partnership with our supplier Cargill and IDH, the Sustainable Trade Initiative, we are supporting independent smallholder farmers to move towards sustainable palm oil production in Indonesia.

SMALLHOLDER ENGAGEMENT: FURTHER OUTREACH AND EXPANSION

Our smallholder farmers engagement programme is designed to address the primary sustainability challenges and improve the livelihoods of smallholder farmers.

We saw that smallholder farmer engagement continued to be challenging in 2021, particularly where COVID-19 restrictions remained in place, which impacted both our and our partners' ability to implement programmes with farmers on the ground. Despite this, we were able to launch 10 new projects globally, focusing on topics such as adaptation and mitigation measures to address climate change, improving coffee quality and income earning opportunities and improving working and labour conditions. In total, we supported 54 active coffee, tea and palm oil projects across 18 countries in 2021. This has also increased our cumulative farmer reach since 2015 to more than 470,000 farmers, keeping us well on track to reach our goal of 500,000 smallholder farmers by 2025.

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 as many of the challenges and opportunities we face can best be tackled when we come together with common interests and local action.

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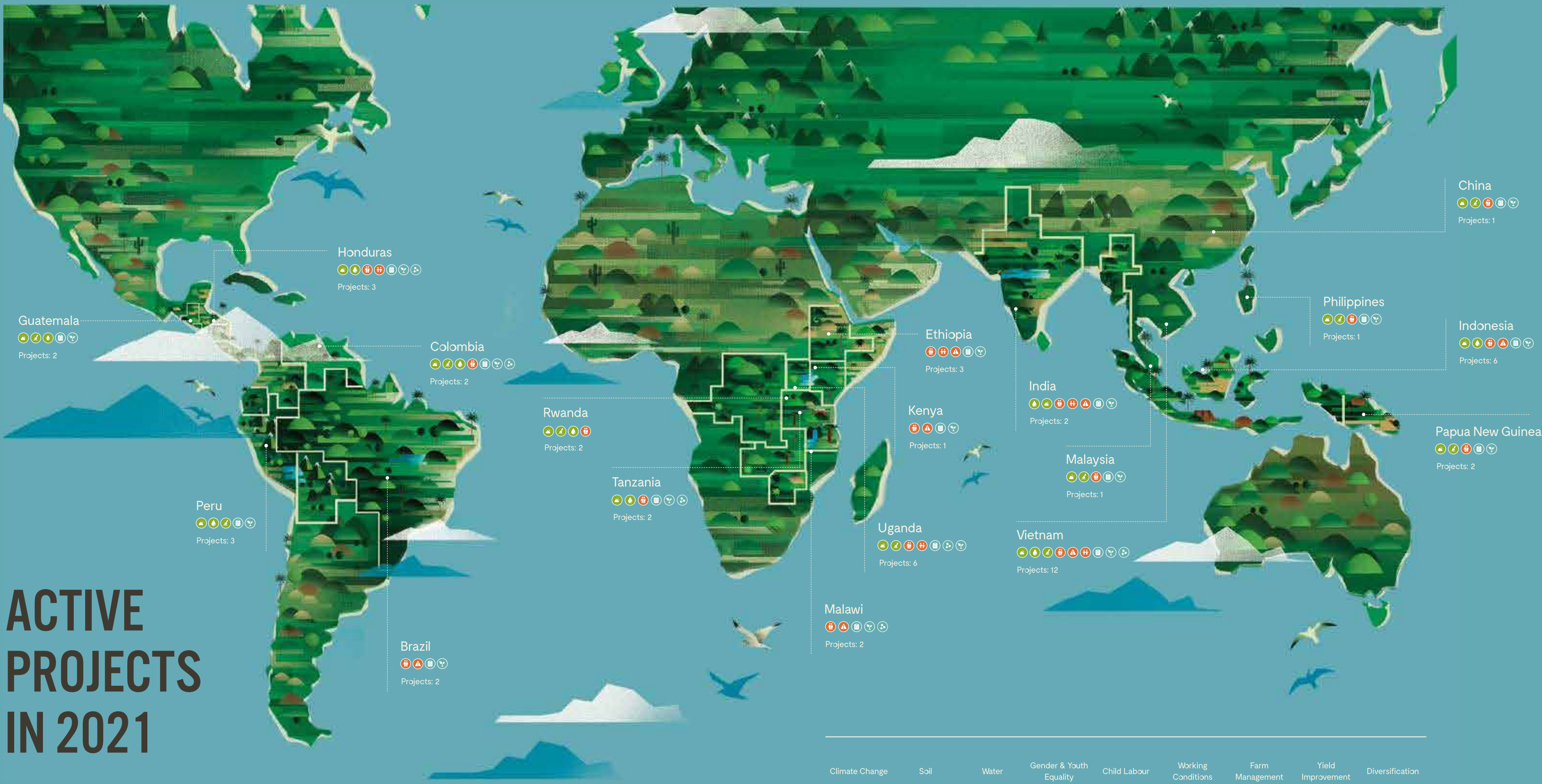
[15] *Including camellia sinensis and rooibos*

Common Grounds (continued)



ACTIVE PROJECTS IN 2021

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
470,000

Projects
50+

Countries
18

Common Grounds (continued)

COMMON GROUNDS - SUMMARY KPIS

PURCHASES WITH 2ND OR 3RD-PARTY SUSTAINABILITY CERTIFICATION OR VERIFICATION

30% +1% ▲ COFFEE

32% +10% ▲ TEA

72% +41% ▲ PALM OIL

50+ PROJECTS +10 ▲ ACTIVE PROJECTS WITH SMALLHOLDER FARMERS

18 COUNTRIES WORLDWIDE

470,000 +85,000 ▲ SMALLHOLDER FARMERS REACHED DIRECTLY SINCE 2015

Third-party certified/verified purchases	2021	2020	2019
Coffee[16]	30%	29%	21%
Tea[17]	32%	22%	100%
Palm oil[18]	72%	31%	11%

Coffee Responsible Sourcing Process (Issue Engagement Pathway)	2021	2020	2019
Countries covered by Origin Issue Assessment	11	9	9
Supplier self-assessments distributed	223	152	54
Origin countries covered	21	15	n/a
Response rate	98%	95%	n/a

Smallholder farmer engagement	2021	2020	2019
Smallholder farmers reached[19]	470,000	380,000	300,00
No. of active projects	50+	40+	30
Active projects in no. of countries	18	18	15

16 *Includes 4C certification, Enveritas, Fairtrade, the Rainforest Alliance and other schemes recognised by the GCP Equivalence Mechanism. This KPI is included in a Loan Facilities Agreement and linked to the applicable interest rate. Performance against the target is reported annually to the banks and subject to a limited review by our external auditors.*

17 *Camellia sinensis and rooibos; includes the Ethical Tea Partnership, Fairtrade and the Rainforest Alliance; 2019 data excluding tea sold under our Ofçay brand.*

18 *Roundtable for Sustainable Palm Oil (RSPO) Mass Balance. This KPI is included in a Loan Facilities Agreement and linked to the applicable interest rate. Performance against the target is reported annually to the banks and subject to a limited review by our external auditors.*

19 *Cumulatively since 2015. A subset of this KPI is included in a Loan Facilities Agreement and linked to the applicable interest rate. Performance against the target is reported annually to the banks and subject to a limited review by our external auditors. Numbers for 2019 and 2020 have been updated since previous reports.*

MINIMISED FOOTPRINT

THE YEAR IN REVIEW

We produce our coffee & tea across 43 manufacturing facilities globally,[20] a network that has grown significantly as a result of acquisitions in recent years. As an organisation, we are committed to minimising our environmental footprint across this network while providing quality products that meet the needs and preferences of our customers and consumers. We also take into account our environmental footprint along the full value chain, for instance through the introduction of more sustainable packaging.

OUR GOALS

Through our Global Environmental Management System, we pursue continuous sustainability improvements by optimising our use of energy, water and other resources while reducing waste across our manufacturing activities. To help achieve this, 20 of our manufacturing facilities are certified against ISO 14001, including all our manufacturing facilities within the European Union. Our Peet's roastery in the US is LEED Gold (Leadership in Energy and Environmental Design) certified.

Our key targets under our Minimised Footprint pillar relate to the sustainability of our packaging as well as a new science-based target to reduce our GHG emissions. Thus, by 2025 we will:

- Save 15,000 tons of packaging materials used[21]
- Design 100% of our packaging to be reusable, recyclable or compostable[22]
- Use 35% recycled content in our packaging[23]

By 2030, we are committed to:

- Reduce absolute scope 1 & 2 GHG emissions 25% from a 2020 base year, and
- Reduce absolute value chain scope 3 GHG emissions 12.5% from a 2020 base year.

In addition, we are committed to reducing the water intensity of our manufacturing operations by 2% annually and are working to achieve landfill-free status across all our manufacturing facilities globally by 2025.

MAIN CHALLENGES

With the pandemic continuing in 2021, we worked hard to safeguard our employees' health & safety by responding quickly and flexibly across our global manufacturing network to local COVID-19 regulations. Global supply chain disruptions posed further challenges to our operations. Under these challenging circumstances, we continued our efforts to minimise our environmental footprint. However, not all projects were able to proceed as planned and we encountered delays in some of our efforts, such as the introduction of recycle-ready roast and ground and whole beans packaging.

PROGRESS IN 2021[24]

We were able to achieve important milestones in 2021:

- We increased the share of packaging designed to be reusable, recyclable or compostable to 88% and achieved 40% recycled content in our packaging, both achieving and exceeding our 2025 target of 35% early.
- We reduced our total GHG emissions across scopes 1, 2 & 3 emissions by 5% from a 2020 base year. We decreased scope 1 & 2 emissions by 3%, while we achieved a 6% reduction in scope 3 emissions.
- Our European manufacturing network reached zero-waste-to-landfill status and we were able to reduce overall manufacturing waste by 15%.

OUTLOOK FOR 2022

We have established a clear set of targets to work towards minimising the footprint of our operations and value chain. At the same time, we will continue to refine our approach, integrate new parts of our company into the strategy and targets (where applicable), and evolve our sustainability journey, working closely with our customers, suppliers and other stakeholders.

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20 *As at 31 December 2021; two manufacturing facilities closed during 2021*
21 *Relative to our 2019 packaging volumes, excluding business growth*
22 *By weight; countries with immature recycling/composting infrastructure are excluded; for these countries, our primary focus is on material reduction*
23 *By weight; where regulation allows*
24 *For further details on progress and KPIs, see the following sections and the 'Summary KPI' section below*

Minimised Footprint (continued)

TAKING CLIMATE ACTION

There was a strong focus on climate action in 2021, as the IPCC's[25] latest report issued a stark warning of the consequences of not responding to climate change. The effects of climate change were apparent across the globe, ranging from extreme heatwaves to flooding. At COP26 in Glasgow in December, global leaders re-emphasised their commitment to tackling the issue.

Climate change affects everyone, from the farmers who supply our raw materials to the consumers who enjoy our products. That's why we have set new science-based targets to reduce GHG emissions in our own operations and along our value chain.

Having signed up to the Science Based Targets Initiative (SBTi) in March 2021, we announced new science-based GHG emission reduction targets in February 2022, in line with the Paris Agreement commitment to limit warming to well-below 2°C and the SBTi's well-below 2°C trajectory. By 2030, we commit to:

- Reduce absolute scope 1 & 2 GHG emissions by 25% from our 2020 base year emissions of 540,389 tCO2e, and
- Reduce absolute value chain scope 3 GHG emissions by 12.5% from our 2020 base year emissions of 6,484,239 tCO2e.[26]

END-TO-END APPROACH TO REDUCE GHG EMISSIONS

Our sustainability approach is focused on delivering lasting change by prioritising where we have the greatest impact. We believe that we can best achieve this by working with our partners along the supply chain. We are therefore taking an end-to-end approach in our efforts to reduce emissions that spans the entire value chain with a focus on the following priorities:

Minimising the footprint of our own operations:

a. Further increasing the resource efficiency across our global manufacturing footprint.

b. Continuing to grow the share of renewable electricity in our business operations.

c. Replacing fossil fuels[27] with “green” alternatives wherever feasible, such as using spent coffee grounds as fuel in our operations.

Addressing the footprint of our value chain

d. Working towards 100% responsibly sourced coffee, tea, and palm oil by 2025 through our Common Grounds programme, while also directly reaching 500,000 smallholder farmers to strengthen their sustainable and climate-smart agricultural practices.

e. Increasing the sustainability of our packaging by working to reduce the packaging we need, by designing our packaging to be reusable, recyclable or compostable and by increasing the share of recycled content in our packaging materials.

f. Working with our partners on low-carbon logistics options for our inbound and outbound transport.

2021 PROGRESS

In addition to formalising our commitment to climate action, we made good progress in reducing our GHG emissions. Our scope 1 & 2 emissions in 2021 were 3% lower compared to our 2020 baseline.

We substantially increased the share of renewable energy to 15% of our total energy use, and a number of our EU manufacturing facilities now use electricity only from renewable sources. In addition, we reduced our manufacturing energy intensity across some key categories. However, our overall energy intensity per tonne of production increased slightly as a result of volume shifts.

In our scope 3 value chain emissions, which make up more than 90% of our total GHG footprint, we achieved a reduction of 6%. We have made great progress in converting road to rail and reduced our transportation and distribution footprint by more than 15%. Overall, the emissions associated with coffee cultivation are the most important source of our scope 3 emissions as well as the biggest contributor to the reduction. However, some of these changes relate to temporary sourcing changes. Also, data availability and accuracy in this area are still limited and will likely lead to future revisions.

While we already engage smallholder farmers on climate-smart agricultural practices that strengthen their resilience while reducing on-farm emissions, we are actively working with industry partners to address this data challenge. This includes projects and studies to better understand the carbon footprint of coffee cultivation and its drivers in specific origins, such as a collaborative initiative to establish carbon footprint baselines in two key Southeast Asian Robusta coffee origins: Central Highlands, Vietnam and Lampung, Indonesia which we launched in collaboration with USAID Green Invest Asia, Nestlé and a consortium of participating supplier-partners. It also covers work to achieve greater alignment and consistency among the industry, such as within the European Coffee Federation or the Sustainable Coffee Challenge's Collective Action Network on climate and nature.

OUR OUTLOOK

Our new science-based targets mark an important milestone in our decarbonisation journey and set out a clear direction for our initiatives in 2022 and beyond. But we also recognise the need to accelerate the transition to a low-carbon economy. We thus commit to review and assess within the next five years how our ambition could be increased further, aiming towards net-zero GHG emissions for JDE Peet's across the full value chain by 2050.

[25] *The Intergovernmental Panel on Climate Change*

[26] *Including direct use phase emissions only under scope 3.11 - use of sold products*

[27] *For example, natural gas, coal, diesel, gasoline*

Minimised Footprint (continued)

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 packaging becomes waste and that its lifecycle must be managed to limit the environmental impact.

We continue to work hard to reduce the amount of packaging material without compromising on the product quality. In 2021, we were able to save more than 1,400 tons of packaging versus our 2019 baseline[28], for example by reducing the weight of some of our instant coffee glass jars.

Where packaging is absolutely required, we aim to provide consumers with responsibly packaged products and optimised end-of-life solutions. In 2021, we were able to slightly increase the share of our packaging designed to be reusable, recyclable or compostable to 88%. We have initiated our journey to convert our Pickwick tea bags to industrially compostable materials and are on track to convert the entire portfolio in 2022. Various programmes are also underway to increasingly convert multi-material laminate packaging across our portfolio to recycle-ready materials in line with Ceflex guidelines. The transition to this innovative packaging is challenging, however, and we did not make as much progress as we had planned.

We reached 40% recycled content in 2021, both achieving and exceeding our 2025 target of 35%. However, this was partially driven by an expansion of scope to also include tertiary packaging. As a result, we are currently reassessing this target and expect to update it in 2022. We still need to take into account that food contact regulation often limits the use of recycled content for packaging which is in direct food contact, requiring new solutions such as chemical recycling which are not yet commercially available at sufficient scale.

In 2021, Jacobs Douwe Egberts UK and Nestlé, the two biggest players in the UK coffee industry, covering brands including Tassimo, L'OR, Nespresso and Nescafé Dolce Gusto, joined forces to create Podback: a first of its kind recycling programme for coffee pods. Podback, a not-for-profit organisation, is the UK's first cross-industry collaboration of its kind within the coffee sector, providing several easy ways for UK consumers to recycle their coffee pods, similar to initiatives we have in place in markets such as France and Spain.

In the first year of its launch, Podback made significant steps to collect and recycle aluminium and plastic coffee pods. Over 10,000 households have now registered for coffee pods collections, four local authorities joined the scheme to begin household collections in 2021 and two additional authorities joined in January 2022, and additional local authorities will be announced in early 2022. Our first major UK retailer, Ocado, also joined in 2021.

The intention of our efforts is clear: to minimise the impact of our packaging on the planet. In 2022, we will therefore continue to invest in eco-design measures including packaging reductions, materials designed to be recyclable, reusable or compostable, and materials that have a high share of recycled content. We expect to make strong progress across all three areas and will also continue to evolve our sustainable packaging strategy to reflect the different needs and priorities of our markets and to integrate the latest thinking and solutions in our approach.

ELIMINATING WASTE

We have set a target 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 2021, all 15 manufacturing facilities of our European manufacturing network reached zero-waste-to-landfill status, in addition to five manufacturing facilities outside Europe that were also landfill-free. Globally, we decreased waste to landfill by almost 80% between 2020 and 2021. Less than 1% of total waste from manufacturing facilities went to landfill or incineration without energy recovery.

We also achieved a 15% reduction in our global volume of manufacturing waste versus 2020 and managed to prevent 89% of our total waste going to disposal.

MANAGING OUR WATER USE

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

In 2021, we achieved a 2.1% reduction of water withdrawals per tonne of production, in line with our annual reduction target. In absolute terms, this translates into savings of 50,000 cubic meters of water. We made good progress in the production of some of our categories, such as roast and ground, whole beans, liquid and freeze-dried instant coffee, where we exceeded our target. These were offset, however, by less progress in other areas.

We remain committed to a careful use of this precious resource and will continue to reduce the water intensity of our production in 2022. We will place particular emphasis on the production of instant coffee, our most water-intensive category, and those manufacturing locations with high baseline and projected future water stress.

[28] *Excluding growth*

Minimised Footprint (continued)

MINIMISED FOOTPRINT - SUMMARY KPIS

Environmental Management System	2021	2020	2019
Total number of manufacturing facilities[29]	43	44	43
Manufacturing facilities certified against ISO	20	18	19

GHG emissions	2021[30]	2020	2019
Total scope 1& 2 emissions (market based, tCO2e)	522,662	540,389	537,704
Total scope 1, 2 & 3 emissions (market based, tCO2e)	6,649,970	7,024,628	6,865,102
Total GHG intensity (in tCO2e/t of production)[31]	7.6	8.2	7.9
Scope 1: Direct emissions (tCO2e)	377,769	378,987	377,974
Scope 2: Indirect emissions, purchased energy			
- Location based	170,487	181,355	179,972
- Market based	145,094	161,402	159,730
Scope 3: Indirect emissions, value chain [32]	6,127,308	6,484,239	6,327,398
- Scope 3.1: Purchased goods & services	5,560,396	5,913,261	5,779,958
- Scope 3.4 & 3.9: Transportation &	221,632	261,956	212,414
- All other scope 3 categories	345,280	309,022	335,026
Scope 1 & 2 emissions reductions from a 2020 [33]	3%		
Scope 3 emissions reductions from a 2020 base	6%		

Energy	2021	2020	2019
Total energy consumption within the organisation (in PJ)	9.2	9.0	9.2
Total energy intensity (in GJ/t of production)[34]	10.6	10.5	10.7
Total direct fuel consumption within the organisation (in	7.5	7.4	7.6
Direct non-renewable fuel consumption (in PJ)	6.3	6.4	6.3
- From natural gas	90%	90%	89%
- From coal	4%	5%	6%
- From other energy sources	6%	5%	5%
Direct renewable fuel consumption (in PJ)[35]	1.2	1.0	1.3
Direct renewable fuel consumption (in %)	15%	13%	16%
Total electricity purchases (in PJ)	1.3	1.3	1.3
- Thereof from tracked renewable sources (in %)	17%	3%	<1%
Total third-party heat & steam purchases (in PJ)	0.4	0.4	0.3

29 *As at 31 December; environmental data of two facilities that closed during 2021 is included up until their closure in the KPIs below.*

30 *2021 data include some changes that also impact our baseline, such as updated IEA emission factors. The overall impact is currently small. We will integrate these changes into adjusted baseline emissions for 2020 if/when they have a material impact on the baseline.*

31 *The methodology to calculate production volumes for one category has been updated; as a result, intensity figures are not comparable to previous reports.*

32 *Including direct use phase emissions only under scope 3.11 - Use of sold products.*

33 *This KPI is included in a Loan Facilities Agreement and linked to the applicable interest rate. Performance against the target is reported annually to the banks and subject to a limited review by our external auditors.*

34 *See footnote 30.*

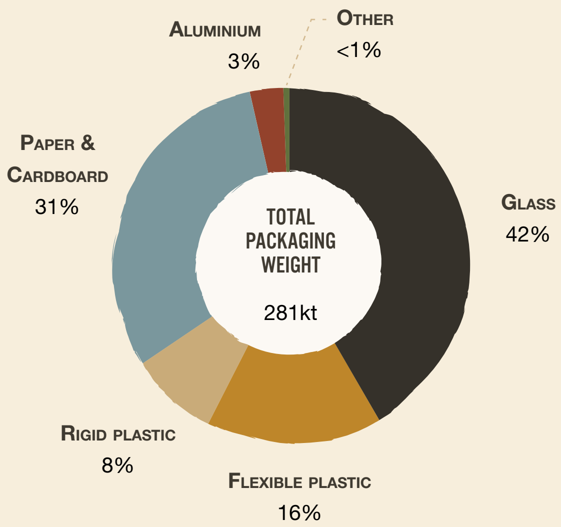
35 *Predominantly from spent coffee grounds, a waste product in our manufacturing operations.*

Minimised Footprint (continued)

Packaging	2021	2020	2019
Total packaging volume (in kt)	281	271	
- Glass	42%	42%	
- Paper & cardboard	31%	31%	
- Flexible plastic	16%	17%	
- Rigid plastic	8%	8%	
- Aluminium	3%	2%	
- Other	<1%	<1%	
Progress against our sustainable packaging 2025 targets			
Save 15,000 tonnes of packaging materials used[36]	1,432	89	n/a
Design 100% of our packaging to be reusable, recyclable or compostable[37]	88%	87%	87%
Use 35% recycled content in our packaging[38]	40%	33%	n/a

Manufacturing waste	2021	2020	2019
Zero waste-to-landfill sites	20	17	17
Waste to landfill	<1%	3%	3%
Waste diverted from disposal (%)	89%	89%	90%
Total waste generated (metric tonnes)	113,824	134,541	118,889
% Non-hazardous waste	99.3%	99.8%	99.6%
% Hazardous waste	0.7%	0.2%	0.4%
Waste intensity (t/t of production)[39]	0.13	0.16	0.14

Water in manufacturing[40]	2021	2020	2019
Total withdrawal (million cubic meters)	7.1	7.2	7.8
% withdrawal, municipal	77%	77%	75%
% withdrawal, groundwater	23%	23%	25%
% withdrawal, surface water	<0.01%	0.01%	0.05%
Manufacturing facilities in water-stressed areas	13	15	15
Withdrawal in water-stressed areas (million cubic meters)	2.3	2.5	2.6
% withdrawal, municipal	98%	99%	99%
% withdrawal, groundwater	2%	1%	1%
% withdrawal, surface water	—	—	—
Water intensity (cubic meter per tonne of production)[41]	8.2	8.3	9.0



[36] *Relative to our 2019 packaging volumes, excluding business growth.*

[37] *By weight; countries with immature recycling/composting infrastructure are excluded; for these countries, our primary focus is on material reduction.*

[38] *By weight; where regulation allows.*

[39] *See footnote 30.*

[40] *Data includes a slight upward adjustment of water withdrawals (~1%) for 2019 and 2020 as a result of improved data quality.*

[41] *See footnote 30*

DISCIPLINE

We stay focused on what matters and build our mastery when we do the right things in the right way

SIMPLICITY

We choose the most straightforward paths to achieve our desired outcomes

ACCOUNTABILITY

We take responsibility for our actions and ownership of our results

SOLIDARITY

Together we make a bigger difference, building trust and unity around shared interests

ENTREPRENEURSHIP

Ensures we win the freedom to create and pursue more opportunities by staying agile, moving fast and resisting unnecessary bureaucracy

DISCIPLINE

SIMPLICITY

ACCOUNTABILITY

SOLIDARITY

ENTREPRENEURSHIP

Our Values

WE PLAY OUR PART

CONNECTED PEOPLE

OUR PEOPLE: UNITED BY OUR PURPOSE, MISSION AND VALUES

In 2021, we restated our company's purpose, vision and values. They guide the behaviours of our more than 19,000 employees worldwide.

Our Purpose

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

Our Vision

A coffee & tea for every cup

Our Belief

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

Our Values

Discipline | Simplicity | Accountability | Solidarity | Entrepreneurship

Our employees don't blend in – **our employees stand out**. Passionate and determined, our employees all have the chance to make an impact in the world of coffee & tea through their work.

Open, inclusive and agile, we champion collaboration and entrepreneurial spirit; creating opportunities to help our employees grow in their careers.

Committed to playing at their best, our employees constantly think bigger and move faster, rising to the challenges that matter most and celebrating the wins that count.

Connected people (continued)

DISCIPLINE AND PASSION

"Virtually my entire working life has been spent with coffee and I don't regret a day of it! Coffee is a unique product, grown between the two tropics - Cancer and Capricorn. And I have been lucky enough to visit many of these countries, and work in some of them.

My team and I are responsible for quality assurance, which means we have to sample and roast the green beans, before tasting and grading the coffees to ensure they meet JDE Peet's' rigorous quality standards. Coffee that doesn't reach the required standard won't be delivered to our plants.

Making this happen requires teamwork, expertise, discipline, and highly-trained sensory skills. Because no harvest is the same and the supply chain can sometimes be challenging.

Even after so many years, I still look forward to tasting coffee. I still find it magical that the roasting process can produce such an array of scents and tastes – all that from this little bean.

What we do is truly global. We work closely with the coffee-producing countries and with our roasting plants. Yet no matter whether we are working with Brazil or Utrecht, Ho-Chi Minh City or Berlin, everyone at quality assurance shares the same passion: to get the best out of the bean that farmers have patiently nurtured and to give our consumers the coffee they love. We never forget that every bean deserves respect, as it's come a long way."

— Jaap Dieleman, Global Green Coffee Quality Director

DISCIPLINE

SOLIDARITY AND ENTREPRENEURSHIP

"My journey with JDE Peet's began in France in 2010, when I started working in marketing on the Maison du Café, Senseo, and L'OR brands. Since then, my passion for coffee has been nurtured and encouraged by my mentor, a coffee expert at our Andrézieux-Bouthéon factory. While managing my brands, I wanted to know and understand everything I could about coffee. So from just a few questions, we developed a strong relationship, and he taught me a lot.

At the same time, I started to explore the world of coffee outside the factory—I met other roasters, baristas, exporters, and began talking about coffee and tasting coffee. From this, and as I developed my tasting skills, I started to get invited to judge coffee competitions. But at a certain point I realised it was not enough, and I wanted to know more. I decided to leave. I wanted to start at the beginning. The origins of our coffee.

With the blessing and support of one of the company's directors, my project started in Colombia, where I learned Spanish and lived on farms, working or volunteering for farmers and cooperatives. Then over the course of a year I moved to Peru, Brazil, Vietnam and Indonesia, each time wi a different project, a differen approach, and different stori

When I was given the opportunity to return to JDE Peet's as an R&D coffee expert, I took it. Today, the key to my job is being able to taste the story behind any cup of coffee. I use this to support research projects, innovations, or recipes.

So, why do I work in coffee? Because I love it. And why do I work for JDE Peet's? Because I want to positively influence the future of the coffee industry, from farm to cup, and make sure fairness and sustainability are part of our coffee journey. Because as a big coffee player, small things can have a huge impact."

— Philippe Casas, R&D Coffee Innovation Expert

SOLIDARITY ENTREPRENEURSHIP

Connected people (continued)

LEARNING AND SIMPLICITY

"After 15 years in the coffee industry, with the majority of that time spent in education-based roles, it sometimes feels as though I must have trained every last barista out there! Of course, this is hardly the case, and with every new barista that walks through the door of our Training Labs, I get to tap into the experience of my own initial coffee trainings. Those formative interactions brought me to an industry filled with possibilities and connection and eventually led me to Stumptown.

Stumptown has been an incredible place to continue sparking that desire for exploration and connection. The coffee sourcing team works to nurture and maintain relationships with producers around the world. The roasters work with the quality assurance team to craft and capture the most balanced expression of the beautiful coffees we source. And, our cafe teams continually look for opportunities to introduce their regular customers to new coffees.

For me, these are just a few examples of our day-to-day work at Stumptown that add up to memorable coffee experiences, shared in so many different ways.

Every day, our Education team at Stumptown helps new and seasoned baristas make these same discoveries. We have the opportunity to translate the complexity of all of the incredible work that goes into producing a delicious shot of espresso into something accessible, repeatable, and enjoyable! By acting as an ambassador of all things representing Stumptown, it's exciting to think of the possibilities that are opened up for a newly-trained barista as they embark on their own coffee journey and career."

— Emily Rosenberg, Director Coffee Education, Stumptown Coffee Roasters

SOLIDARITY AND DEVELOPMENT

"My JDE Peet's journey began four years ago when I took on the role of Global Portfolio Specialist in the Global Information Services department. I can imagine that many who have been with JDE Peet's for years can boast of professional growth, changing roles, and the excellent benefits that the company provides. And I'm no exception.

When I started, the Global Portfolio Specialist role allowed me to familiarise myself with the company's intricate organisational structure—its many departments, markets, and IT tools. When my interest began to turn to the domains of marketing and eCommerce, I received support from the management team, which led to a number of part-time assignments in Retail Marketing.

Thanks to my first assignment as a Digital Marketing Campaign Manager, I learned about the company's many brands and their positioning in different countries. After that, I enjoyed a fascinating journey assessing the maturity of the eCommerce platform, which led me to my current position as a technical product owner in the eCommerce department.

Yet professional growth is only part of the contribution JDE Peet's has made to my life. As a native of Ukraine, moving to another country meant a period of adaptation for me, building new social ties and getting used to the traditions and way of life in the Netherlands. This process was made so much easier because of where I work. Simply because our company is quite diverse, and I could easily speak to people at the barista! I became good friends with many amazing people from different counties, which has not only really helped me adapt to the Netherlands, but also enriched my experience of working in the company."

— Taisiia Hurova, eCommerce Technical Product Owner

Connected people (continued)

PURPOSE AND ENTREPRENEURSHIP

"I remember the breakthrough moment I experienced in 2020 when I managed finally to define and articulate my personal purpose: to create spaces for people around me, and for myself, to feel safe, to be authentic and vulnerable.

Very quickly it became clear: my next step was to find a way to transform my passion into action within the company, by entering the world of Diversity, Equity & Inclusion (DE&I).

Tapping into my inner entrepreneur, I began to learn as much as I could about the topic while building and sharing proposals, with the aim of eventually helping to shape our DE&I direction and decision-making.

As the saying goes, "opportunity dances with those already on the dance floor", and much faster than expected I was given the chance to lead our global DE&I agenda.

I am extremely grateful to those who helped make it happen. Their vote of confidence in my ideas and aims truly proved to me that JDE Peet's is an organisation where anything is possible. An organisation that embraces and values people for being themselves without the fear of being judged or misunderstood and for what they bring. An organisation that has enabled me to push the boundaries of what I can accomplish."

— Loris Vivien, Global Diversity, Equity and Inclusion Project Manager

ACCOUNTABILITY

"In my time working for Intelligentsia, I can say that I've worn many hats. And I'm sure lots of people say that and exaggerate, but I feel confident that I've gained more skills than I ever thought would be possible working in coffee. I got into this business because it's just in my blood; I grew up working in pizza shops and full-service bistros, washing dishes and bussing tables, and doing whatever was needed to get guests to crack a smile or come back every week is the best feeling. When I came on as a barista in 2017 at our Watertown bar, I thought I understood what it meant to have the discipline and training to be a professional. I thought I would cruise through training and work on the bar every day, toss out 100 or so drinks a day and go home. The expectations laid down for me: taking orders perfectly at the register, using " takeaway" instead of "to-go", learning how to gently explain coffee profiles to guests who only ever had one type of coffee in their life was daunting. But every day that I walk into my bar, I find 4-5 of my teammates challenging me with scenarios.

I become a Glitter Cat barista in 2019 and competed in the United States Coffee Championships Brewer's Cup, placed 14th overall in 2020. I have spoken on several panels, interviews, and articles about working in the coffee industry as a black woman and how to improve the visual representation meeting with producers, roasters, competition baristas, and coffee professionals from all over the world. Since I've taken on the role as Retail Manager for Boston in 2020 during COVID, I feel like every skill I gained early on, from daily problem solving on the floor to menu planning to bar training an entire new generation of baristas, has all gone back to one value: retaining the discipline and focus needed to run a successful business. I feel like Intelligentsia has given me those tools and has challenged me to pass them on to my team. I'm grateful for the opportunities to lead an empathetic, caring, hard working team today, and I hope to continue to work as a leader for Intelligentsia for the future."

— Kristina Jackson, Retail Coffeebar Manager – Watertown & Boston

Connected people (continued)

ENGAGING OUR EMPLOYEES

Engagement means involvement, enthusiasm and commitment of employees to their work and workplace. Engagement helps us be fully immersed, feel energised, stay focused and enjoy our responsibilities.

At JDE Peet's, we believe that engagement is a continuous journey and the outcome of small, everyday actions and daily interactions. Engagement is the way we connect, listen, appreciate and support.

We are focussed on fostering an engaging working environment and a strong culture of engagement and we plan to continue measuring engagement levels across the organisation on a recurring basis.

We saw strong employee participation in our 2021 engagement survey, at 88%. The survey, which is carried out in partnership with Gallup, included questions on engagement, overall satisfaction and managers' accountability to drive engagement.

Engagement levels were the same as those in the most recent pre-COVID-19 survey, which highlights both employees' resilience and our efforts to create an environment where our people feel connected with the company.

The survey results showed an active engaged to disengaged employee ratio of 4.1:1, above the Gallup FMCG database score of 3.8:1. Further results showed resilience despite turbulent times, with a grand mean at 3.97.The survey also showed that men and women are equally engaged.

We have a highly engaged Leadership Team leading by example (with a Grand Mean at 4.47) and we are especially proud of our countries that have achieved engagement levels placing them in the top quartile among FMCG peers.

We have focused on our people's health and safety during the pandemic, rolling out several global initiatives in the areas of well-being and providing additional support to local initiatives, with the aim of ensuring everyone feels connected, supported and cared about.

Our managers focus on engagement and every team is committed to taking action to address their specific engagement challenges. We work to continuously develop our managers, people and HR engagement champions to build our capabilities and enable best-practice sharing across our markets.

Connected people (continued)

VALUING DIVERSITY

A coffee & tea for *every* cup

At JDE Peet's we aim to create a better future in which we authentically serve, reflect and embrace everyone. Diversity, Equity & Inclusion (DE&I) is embedded in our JDE Peet's values and in all that we do. This means we do not tolerate discrimination on the basis of our origin, nationality, ethnic background, gender, sexual orientation, marital status, religion, political affiliation, age, disability, works council membership, or any other trait protected by law.

By living our values, we make sure that we are an organisation free of barriers, where each employee takes responsibility for progress on our commitments and where we stand together in our differences.

A diverse, equitable and inclusive organisation enables us to realise our vision. We believe that broadening the diversity of our people and creating an environment where their unique voices are heard, enables us to serve our increasingly diverse consumer base, both now and in the future.

At JDE Peet's, DE&I is recognised as a key business enabler, as it contributes to each pillar of our strategy:

- Serve more cups, by increasing our ability to attract and retain consumers and capture new markets.
- Master execution, by leveraging diversity of thought to further improve our decision making and problem solving.
- Grow together, by attracting, engaging and retaining the best talent, regardless of who they are.

In order to live our commitment throughout our organisation, our strategic framework focuses on:

- Workforce: our people reflecting the diversity of our consumer base and talent pool.
- Workplace: JDE Peet's being recognised for its inclusive culture where everyone feels like they truly belong.
- Marketplace: our brands authentically serving the needs of all our consumers.
- Supply chain: our supply chain actively contributing to creating an inclusive ecosystem.

Advancing DE&I with intention

We took a number of significant steps in 2021 which highlight that DE&I is a business priority for the company. For example, we now have a dedicated DE&I manager in place, with sponsorship from global leadership team members.

Additionally, we have launched a market activation toolkit that gives change makers, who are business leaders and champions across the company, a pragmatic and systemic approach on next steps, actions and behaviours linked to DE&I within our markets.

Progress is evaluated by a DE&I board, which is composed of change makers from each market who are responsible for driving the DE&I agenda locally. The DE&I board enables us to create traction, share best-practices and create synergies between markets.

When looking at diversity, we aim to reach gender balance across management positions as we believe there should be no barriers for women to grow into leadership positions within the company. We also aim for a mix of nationalities at our head office in Amsterdam, which is representative of our global footprint.

We created diversity dashboards to track progress and create accountability, as we understand that measuring helps keep us accountable.

As at 31 December 2021, more than 36% of our senior management and 43% of our total workforce were women, with more than 93 nationalities represented. In addition to tracking gender representation globally, each market is also responsible for defining what diversity looks like

Connected people (continued)

in their local context and to track representation accordingly. More information on how we manage diversity within our Board can be found in the 'Diversity' section in the 'Corporate governance' chapter.

We have started to plant the seeds of DE&I from a structural point of view within our People Processes in order to ensure they are instrumental in enabling us to reach our ambitions.

- To reduce bias and ensure a competency-based interview approach in our talent acquisition process, we have implemented interview guides as well as online assessments and business cases assignments.
- Within our talent review process, we are now tracking gender in succession and employee talent dashboards to ensure this information is considered when reviewing our talents. Together with a professor in social and data science, we also conducted an assessment of the way we carry out talent reviews within our executive committee, resulting in lasting changes towards less biased and fairer evaluations of our senior talent.
- Additionally, by crossing the results of our engagement survey with demographics such as gender, we were able to conclude that there was no significant difference in terms of engagement depending on gender.

Lastly, we have conducted an audit on three of our key people processes to help further embed DE&I in a systemic way in 2022.

From a behavioural perspective, we know that our leaders play a crucial role in fostering an inclusive culture at JDE Peet's, which is why we have engaged our local, regional and functional leaders through a webinar and workshop on inclusive leadership. This workshop was organised ahead of the end-of-year reviews, an important moment of truth for our people, to ensure that leaders would apply their learnings right away. We have also engaged with our management teams to take action to ensure systemic and sustainable progress within their scope. At Peet's, we offered anti-racism training and allyship workshops for directors and above. We will expand those education opportunities to our workforce in 2022.

Our inclusive culture capability programme also included the implementation of 50+ online DE&I courses within our Learning & Development platform.

In order to drive the DE&I agenda and raise awareness on topics which are globally relevant, we rolled out a global activation strategy across three events in 2021: International Women's Day, Cultural Diversity Day and DE&I Week.

For instance, for International Women's Day at Peet's, we celebrated the contributions of women around the world with our 100% Women Produced Anniversary Blend. This way we wanted to give back to the women producers at origin to support their farms, families, and futures.

At Peet's, we also celebrated Black History Month in February by providing opportunities to engage and educate. Most importantly we hosted a panel discussion with Phyllis Johnson of BD Imports and Jeanine Niyonzima of JNP Coffee, two trailblazing women in the coffee industry who told their story of their journey leading through adversity. This unique collaboration led to a community partnership we are proud of, with the launch of our 2022 Jubilant Blend.

Lastly, the DE&I Week, a new event that we intend to run annually, enabled us to focus on inclusion in an intersectional way for all our employees. This helped us in 2021 achieve the largest number of activations thus far across our markets, a success which we owe to all our passionate DE&I Champions.

While we are proud of our 2021 achievements, we have not yet fully achieved our ambition. For instance, we know we need to do more to engage each and every employee on this journey regardless of function, job type or location so that we can apply a DE&I lens to everything we do. Our journey will continue in 2022, where we aim to make consistent and sustainable progress in all our markets, leveraging what has been delivered in 2021.

> Helping to create a JDE Peet's where every employee brings their whole self to work every day is what inspired me to step up and become a DE&I board member. This experience has made me even more proud to play my part in realising the personal and business growth possibility of a truly inclusive and unique JDE Peet's culture.
>
> *— Andy Adams, Sales Director Retail UK, DE&I Board member UK*

> Everyone can become an ally and be the pillar of strength for someone else because it's all about the simple, sincere and consistent actions that matter most. I truly believe that the sky's the limit when we are our true selves!
>
> *— Fiona Tan, GM Retail Malaysia*

> When I was invited to lead the DE&I agenda for Brazil, I was able to quickly connect the challenge to my personal purpose, as I understand that we are all different and we just need development opportunities to awaken our potential. I'm so proud of what we have achieved so far here in Brazil, it has been such a rewarding experience!
>
> *— Ana Ferrarezi, Talent Management Coordinator LATAM, DE&I Champion Brazil*

Connected people (continued)

GROWING OUR TALENT

On 31 December 2021, we had 19,621 employees. Over the course of 2021, 30.4% of our people were new hires and our turnover rate was 32.4%.[42] This rate is driven in particular by the high employee turnover at our coffee stores population in the US caused by a combination of factors such as restructuring and labour shortages. (The turnover rate in coffee stores in the US alone is approximately 60%).

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 alongside the 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)

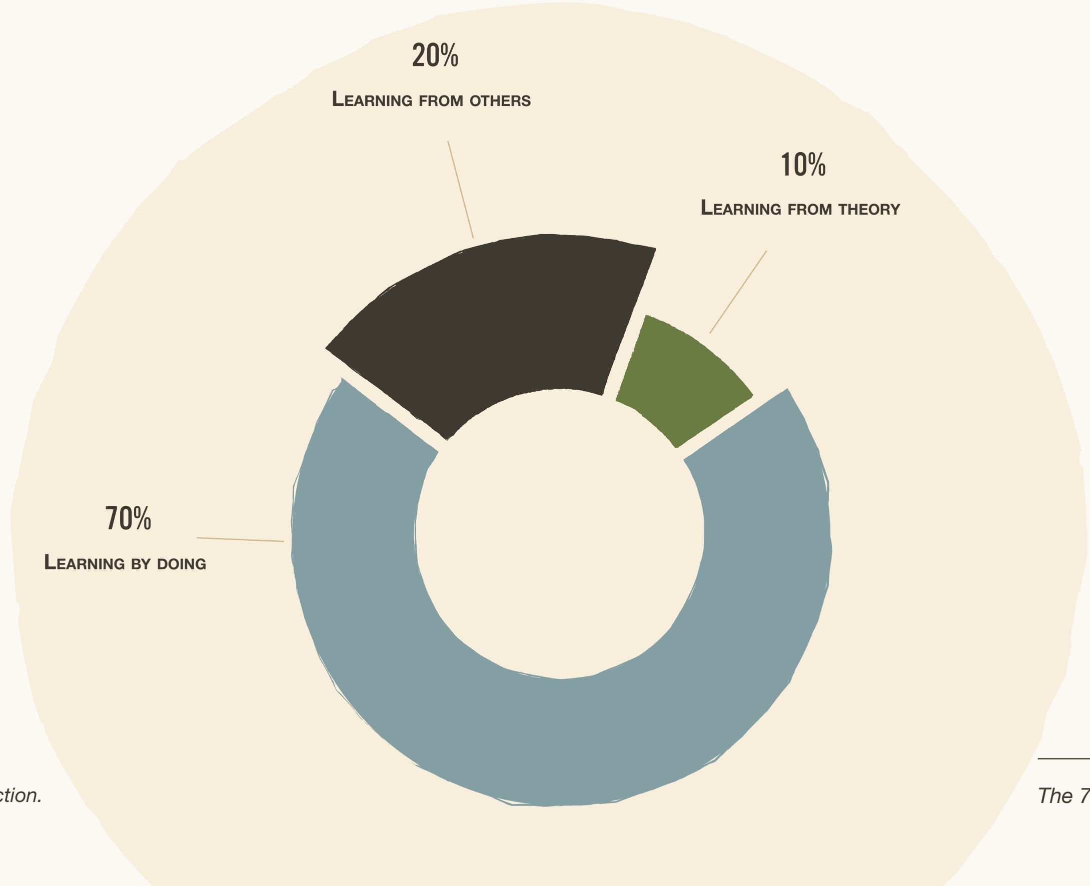
The learning and development strategy for our people is strongly connected to our career development philosophy. People and their line managers discuss and review the development plans in three checkpoints throughout the year: Final Appraisal, Objective Setting and Mid-Year Review. In addition, we encourage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

We have a customised approach to training and we provide targeted initiatives for different populations: Senior Leaders, Future Leaders, First Time Managers, Front-Line Managers, and so on.

Our Learning Management System is our one-stop-shop for learning and is structured around four pillars: functional capabilities, core capabilities, team leadership and organisational culture.

By the fourth quarter, 9,217 JDE Peet's employees had access to our online learning platform, and employees had spent an average of 12 hours on e-learnings, videos, webinars, sessions and tests (including mandatory trainings).

We encourage our people to provide feedback on the learning content. We currently have 18,000 courses rated in the platform, with almost 90% of all ratings 4 or 5 out of 5. Whenever possible and safe, we offer in-person training sessions for all our people, focusing particularly on those groups without access to our virtual tools and the learning platform.



The 70:20:10 model

[42] *More information can be found in the 'About this report' section.*

Connected people (continued)

THE IMPACT OF COVID-19 ON OUR WORKPLACE

COVID-19 continued to influence our professional and personal lives in 2021. We are proud of our factory teams who continued to innovate and develop iconic coffee & tea products for customers and consumers around the world, while our field sales and technical teams ensured accessibility and availability of high-quality coffee & tea offerings despite the complex supply chain challenges. We worked with local authorities to ensure all our people have accurate information on available local vaccination programmes and, where legislation permits, have also set up voluntary vaccination clinics at some of our sites.

At JDE Peet's, we continue to believe in the important role physical connection plays in building our culture and, where safety and government measures have allowed, we were quick to reopen our sites including offices. However, we also recognise that the COVID-19 pandemic has changed the way we communicate, collaborate and connect as teams and as a company.

In 2021, we invested heavily in a range of technology solutions such as MS Teams and Office 365, to allow a seamless connection between remote and on-site teams, while new mobile booking applications such as Travel2Go and Condeco ensure employees can quickly and safely book a range of services, including travel, meeting rooms and work stations. We have adopted a 'test, learn and evolve' mindset for our office-based teams around the world which accommodates the needs of our diverse international workplace and the changing societal preferences in some countries for working on-site versus remotely.

While remote working brings flexibility benefits for many, we are also acutely aware of the increasing mental health factors that the blurring of private and professional lines can create. In 2021, we therefore launched a robust mental fitness academy including educational tools that will ensure our teams continue to find the right balance, a positive mindset and maintain a healthy lifestyle regardless of where they are working.

Above all, safety remains our guiding principle regarding our workplaces and we continue to subscribe to the World Health Organisation's view that vaccinations play an important role in protecting people from the virus. We will continue to update our health and safety guidelines and communication programmes as research develops and will continue to work with local authorities to ensure a safe place to work for all our teams around the world.

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!

Within our manufacturing facilities, we continued to focus on the health and safety of our employees in 2021. With the COVID-19 pandemic ongoing, we maintained additional health and safety standards throughout the year, such as daily temperature checks; 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. On top of that, we supported our manufacturing facilities with vaccination campaigns and testing solutions.

We also retained our strong focus on occupational health and safety across our manufacturing facilities and invested significantly in capability building. We had a much stronger presence again on the floor in 2021 for our health and safety assessment. To enable ongoing Safety, Health & Environment (SHE) audits for regions we couldn't visit during the pandemic, we carried out remote assessments using digital cameras and microphones. We organised several workshops on safety leadership culture, which we extended beyond our safety leaders to also include the leadership teams of our manufacturing facilities and other support functions. This commitment will stay with us in 2022 as we believe that safety leadership culture is imperative to deliver and sustain our SHE commitments.

Our Total Recordable Incidents Rate in 2021 was 0.56. 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 2021, 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 2022 and will continue our steadfast commitment to ensuring our employees' health and safety.

COMPLYING WITH LABOUR LAWS AND REGULATIONS

Consistent with our focus on employee health and safety, we strongly believe that all employees are entitled to the full protection of the laws and regulations governing their employment with us. More information can be found in the 'Observing the highest standards of ethics and compliance' section. We adhere to all applicable local laws and regulations regarding association and collective bargaining. In many locations, we have works councils in place. Approximately 34% (2020: 33%) of our people are covered by collective bargaining agreements. They include employees in, among others, the Netherlands, Belgium, Brazil, the Czech Republic, France, Germany, New Zealand, Norway, Poland, Spain, Sweden, and the United Kingdom.

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

Connected people (continued)

ENGAGING OUR COMMUNITIES

Coffee & tea are at the heart of life, providing warmth and connection for moments big and small, during the good times and the bad. JDE Peet's is a proud member of local communities around the world and 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 the social glue, giving back to the communities in which we live and work.

In 2021, we continued our long-standing support of foodbanks around the world including major collaborations throughout Europe while building new partnerships across emerging markets as active members of the local community. Since the creation of JDE Peet's, we have donated more than 50 million cups of coffee or tea to those in need.

CASE STUDY

THE IMPACT OF CLIMATE CHANGE

JACOBS, DOUWE EGBERTS AND PILÃO CREATE MOMENTS OF LIGHT FOR DISPERSED COMMUNITY MEMBERS DURING MAJOR FLOODING IN GERMANY, BELGIUM AND BRAZIL

Around the world, we continue to see dramatic increases in climate change and are acutely aware of its impact on local communities. JDE Peet's is committed to reducing its impact on the climate and has developed a robust climate strategy.[43] In addition, through our brands we strive to support local communities who are directly impacted by climate change-related disasters such as flooding.

In August 2021, significant sudden rainfall in the German, Dutch and Belgian border region saw the tragic loss of life/housing in neighbouring villages. Through our Jacobs and Douwe Egberts brands we donated more than EUR 580,000 to charities including the Red Cross and the German relief alliance "Aktion Deutschland Hilft" in addition to more than 12,500 packs of coffee to local foodbanks and collection points. In line with our culture of solidarity, local employees also participated in various volunteering initiatives linked to supporting the re-establishment of local communities impacted by the rising waters.

In December 2021, record rainfall then devastated cities in the Bahia state area of Brazil, impacting 600,000 people and leaving more than 90,000 residents homeless. In response, 90,000 cups of Pilão coffee were donated to local foodbank collection points in Salvador city, providing a moment of respite and togetherness for local community members as they began to assess and rebuild as the waters subsided.

[43] See also 'Climate action' in the 'Minimised Footprint' section of this chapter

Connected people (continued)

CONNECTED PEOPLE - SUMMARY KPIS

Our workforce as at 31 December	2021	2020	2019
No. of employees	19,621	19,331	20,867
% Permanent	93.3%	93.0%	92.8%
% Temporary	6.7%	7.0%	7.2%
% Full-time	79.6%	81.3%	91.9%
% Part-time	20.4%	18.7%	8.1%
No. of external contractors	3,275	3,098	3,097
New hires in the year	30.4%	16.8%	
Turnover rate	32.4%	25.2%	

Share of woman as at 31 December	2021	2020	2019
Non-executive Directors	23.1%	23.1%	N/A[44]
Executive Committee	27.3%	36.4%	30.0%
Global Leadership Team	36.7%	35.5%	33.8%
Employees	43.0%	41.7%	38.9%

Nationalities as at 31 December	2021	2020
Non-executive Directors	10	10
Executive Committee	8	8
Global Leadership Team	34	35
Employees	93	89

Engagement	2021
Engagement survey participation rate	88%
Actively engaged to disengaged employees	4.1:1

Talent	2021
Average training hours[45]	12
Courses rated 4 or 5 out of a maximum score of 5	88%

Collective bargaining	2021	2020
People covered by collective bargaining agreements	34%	33%

Occupational health & safety	2021	2020	2019
Total Recordable Incidents Rate (TRIR)[46]	0.56	0.61	0.60
Workplace fatalities	0	0	0
Manufacturing facilities with ISO 45001 certification[47]	17	17	18

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

[45] *Encompassing e-learnings, videos, webinars, sessions and tests (including mandatory trainings) of the 9,217 JDE Peet's employees with access to our online learning platform, as per 23 November 2021.*

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

[47] *OHSAS 18001 in 2019*

OUTLOOK

OUTLOOK 2022

JDE Peet's expects the business environment in 2022 to remain volatile as input cost inflation and some effects of COVID-19 might persist. Within this context, the company expects to deliver double-digit organic sales growth, with disciplined pricing for inflation, while aiming for a stable level of gross profit compared to last year. The company will continue to invest in its people and strategic growth opportunities, while keeping a tight focus on other cost items, and expects to deliver Free Cash Flow of at least EUR 1 billion.

MEDIUM- TO LONG-TERM TARGETS

For the medium- to long-term, JDE Peet's continues to target organic sales growth of 3 to 5% and mid-single-digit organic adjusted EBIT growth with quality margins, and a free cash flow conversion of approximately 70%.

GOVERNANCE

CORPORATE GOVERNANCE

This section gives an overview of our corporate governance structure and its functioning. It is based on the relevant provisions of Dutch law in effect as at 31 December 2021, 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. and registered with the Chamber of Commerce (*Kamer van Koophandel*) under number 73160377. 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. The company is listed on Euronext Amsterdam with a total outstanding and issued capital of 501,951,089 ordinary shares as at 31 December 2021.

As at the end of financial year 2021, the Dutch law provisions 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.

GOVERNANCE STRUCTURE

The company has established a so-called one-tier board structure, made up of one executive Director and 13 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 the executive Director, form and function as the Executive Committee of the company.

BOARD

Pursuant to the company's Articles of Association, the Board comprises of one or more executive Directors and one or more non-executive Directors. The non-executive Directors determine the total number of Directors including the number of executive Directors on the one hand and non-executive Directors on the other hand. The Board is presided by the Chairman, which title is only granted to a non-executive Director.

As at 31 December 2021, 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 Mondelez and seven non-executive Directors are non-independent in the sense that they are representatives of JAB or Mondelez. 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

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 and the relationships with shareholders as well as provide strategic guidance and specialist advise. In doing so, the non-executive Directors focus on the effectiveness of the company's internal risk management and control systems, including the 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 social responsibility and compliance with laws and regulations.

The Board's responsibilities include, among other things, setting the company's management agenda and strategy, developing a view on long-term value creation by the company, enhancing the performance of the company, and identifying, analysing and managing the risks associated with the company's strategy and activities including environmental, social and governance issues (ESG), which includes climate-related risks and opportunities.

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 can 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 International Holdings Netherlands B.V. (MIHN) (as assignee of Mondelez Coffee HoldCo B.V. (MCHBV)) is entitled to nominate a specific number of non-executive Directors for appointment. More information about MIHN's 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 in total. 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.

Corporate Governance (continued)

COMPOSITION OF THE BOARD

This section includes information on the company's executive and non-executive Directors. As at 31 December 2021, the Board comprises of one executive Director and 13 non-executive Directors. In financial year 2021, there were no changes in the composition of the Board.

EXECUTIVE DIRECTOR

Fabien Simon

French (1971)

Executive Director and CEO

2020 first appointment

Prior to becoming CEO, Fabien Simon was a Partner at JAB and a non-executive Director of the Company. He was responsible for leading the successful IPO on the Euronext Amsterdam stock exchange in May 2020. Mr. Simon also currently serves as Chairman of National Veterinary employees. Between August 2014 and January 2019, he was the Chief Financial Officer of JDE, during which time he led its M&A strategy and multiple large-scale integrations. Prior to joining JDE, Mr. Simon spent 13 years at Mars, Incorporated, holding leadership roles, including Asia Pacific Corporate Staff, Vice President and Chief Financial Officer of Petcare Europe. Mr. Simon 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. Mr. Goudet started his professional career in 1990 at Mars, Incorporated. After six years, Mr. Goudet 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, Mr. Goudet 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. Mr. Harf 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 Anheuser-Busch InBev SA/NV, Deputy Chair of Reckitt Benckiser and Chief Executive Officer of Coty. Prior to joining JAB, Mr. Harf 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 is the Vice Chairman and a Senior Partner at JAB, having joined JAB in 2010. He has also held various other executive officer roles at several JAB Holding entities. Mr. Creus is currently a member of the board of directors of Coty. Previously, Mr. Creus 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, Mr. Hennequin 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. Mr. Hennequin was subsequently appointed as the first non-American to serve as president of McDonald's Europe. In 2009, Mr. Hennequin 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. Mr. Hennequin 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) and also serves on the board of Espresso House.

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. BDT, through its affiliates, is a stockholder of JDE Peet's and Keurig Dr Pepper. Prior to joining BDT in 2010, Ms. Hovde 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, Anheuser-Busch InBev SA/NV. At Anheuser-Busch InBev SA/NV, Mr. MacFarlane held various senior roles throughout his career and, from 2003, he held his first General Management role as Managing Director, Ireland. He was appointed President of AB InBev UK and Ireland in 2008 and in 2011 joined the Global Executive Board, serving as President, Central and Eastern Europe based in Moscow. Mr. MacFarlane most recently served as Anheuser-Busch InBev's President, Europe and Middle East from 2014 to 2019. He is currently a director of NOMAD Foods Europe Limited.

Gerhard Pleuhs

German, American (1956)

Non-executive Director, member of the Remuneration, Selection and Appointment Committee and Board Sustainability Contact

Non-independent

2020 first appointment

Gerhard Pleuhs was the Executive Vice President Corporate and Legal Affairs and General Counsel for Mondelez International. In this role, he oversaw Mondelez International's communications, sustainability and public and government affairs teams as well as the legal, corporate secretarial, compliance and security functions. Mr. Pleuhs joined the legal 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 legal department at a country, region and corporate level, including responsibility and oversight for the legal departments in developed and emerging markets. In 2012, Mr. Pleuhs became Kraft Foods Group, Inc.'s (Kraft Foods) Executive Vice President and General Counsel, a role in which he continued for Mondelez International until his retirement.

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, Ms. Richards 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

American, Spanish and Colombian (1977)

Non-executive Director

Independent

2020 first appointment

Mr. Santo Domingo is the Senior Managing Director at Quadrant Capital Advisors, Inc. in New York City. He is a member of the board of directors of Anheuser-Busch InBev (AB InBev) and until 2016 was a member of the board of SABMiller plc, where he was also Vice-Chairman of SABMiller plc for Latin America. Mr. Santo Domingo is Chairman of the board of Bavaria S.A. in Colombia. He is Chairman of the board of Valorem, a company which owns a diverse portfolio of industrial and media assets in Latin America. Mr. Santo Domingo is also a director of Contour, ContourGlobal plc, a diversified international power generation company, Life Time Inc., an owner and operator of fitness centers in the United States and Canada, Florida Crystals, the world's largest sugar refiner, Advanced Merger Partners, Inc., a special purpose acquisition company affiliated with Houlihan Lokey, Inc., Caracol TV, Colombia's leading broadcaster, El Espectador, a leading Colombian newspaper and Cine Colombia, Colombia's leading film distribution and movie theatre company.

In the non-profit sector, Mr. Santo Domingo is Chair of the Wildlife Conservation Society and Fundación Mario Santo Domingo. He is also a member of the board of the Metropolitan Museum of Art, DKMS, a foundation dedicated to combatting leukemia and blood disorders, WNET, Mount Sinai Health System and Fundación Pies Descalzos, a foundation focused on impoverished children in Colombia.

Mr. Santo Domingo is a graduate of Harvard College and a member of Harvard University's Global Advisory Council (GAC).

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. She also sits on the board of directors of Keurig Dr Pepper.

Luc Vandevelde

Belgian (1951)

Non-executive Director, Lead Independent Director, 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 Leisure & Entertainment and Cinemas. Mr. Vandevelde 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. Mr. Vandevelde 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, he became Chief Executive Officer 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, Treasurer at Mondelez International since September 2021. Mr. Urdaneta joined Mondelez International in 2005 and has held various leadership positions within that company, including Senior Vice President Corporate Controller and Chief Accounting Officer, Vice President Finance Asia Pacific and Senior Finance Director Integrated Supply Chain. Prior to joining Mondelez International, Mr. Urdaneta was the Director Financial Planning and Analysis at Ryder System, Inc. He also sits on the board of directors of Keurig Dr Pepper.

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 at 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.

Corporate Governance (continued)

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. The Board has two committees of non-executive Directors to assist the Board in discharging its duties. These are the Audit Committee and the 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, MIHN is represented by one of its designees in all committees. In addition, the Board appointed a Sustainability Board Contact to stay alert to current and emerging ESG trends and any potential risks related to sustainability and related issues to provide strategic guidance and advice to the company.

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 is 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.

SUSTAINABILITY BOARD CONTACT

The Board regularly, but at least two times per year, (i) oversees the implementation of the sustainability and climate change strategies and policies, (ii) reviews the progress on ESG-related matters, including climate-related issues on the company's sustainability dashboard as well as responsible sourcing, packaging, water, waste, health and safety, and diversity, equity and inclusion, amongst others, and (iii) monitors the company's progress against ESG- and climate-related goals and targets.

To turn its further attention to ESG, the Board has appointed a Sustainability Board Contact as focal point for oversight of ESG-related matters, and to advise the Executive Committee, which is supported by the company's Sustainability team. Led by Global Director Quality & Sustainability, the Sustainability team works with a cross-functional leadership group composed of subject-matter experts from across the company, including areas such as procurement, manufacturing, research and development, marketing, human resources, and compliance to execute and measure the company's ESG and climate-change strategy.

TERM OF APPOINTMENT

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

Non-executive Directors are also appointed for a period of four years. After the initial period, non-executive Directors may then be reappointed once for a period of four years. A non-executive Director may then subsequently be reappointed again for a period of two years, which appointment may be extended by a term of not more than two years. However, following the company's IPO in 2020, 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 appointment terms of the company's non-executive Directors are summarised in the 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

Just as the company is striving for an inclusive culture throughout various parts of the organisation, the company also recognises the benefits of having a diverse Board and Executive Committee. The company has therefore adopted a Diversity Policy which is designed to address diversity (including, amongst others, gender diversity) at the Board and Executive Committee level and is available on the company's website.

Diversity considerations are taken into account when compiling the profiles for the Executive Committee members as well as part of their selection procedures. The company uses the diversity lens as a practice for all people processes, including designing and considering profiles of potential suitable candidates (such as gender, nationality and so on) for the succession of the members of the Executive Committee. This means that at the moment the company plans the succession of the Executive Committee members, diversity consideration plays a role in the overall appointment decision making.

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 2021, out of 13 non-executive Directors, 10 are men (approximately 77%) and 3 are women (approximately 23%). With respect to gender diversity representation at the Executive Committee, refer to "summary KPI's" in the "Connected People" section. The Board's objective is, and continues to be, to improve gender diversity by achieving at least 30% women representation in the Board and Executive Committee. This objective will be pursued when selecting new candidates for the Board and Executive Committee in accordance with the above described procedure for filling these vacancies.

Furthermore, the Board acknowledges the Dutch Gender Diversity Act (*Wet inzake Evenwichtige Man/Vrouwverhouding*), and will evaluate and adapt its Diversity Policy as relevant to meet the requirements of this new Act.

CONFLICTS 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 having a conflict of interest or an interest which may have the appearance of a conflict of interest must declare the nature and extent of the interest to the other Directors. Subsequently, the 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 interest). 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. Each financial year, the company requests the Directors to complete an extensive questionnaire which includes the disclosure of (potential) conflict of interest. Where situations of (potential) conflict of interest were reported, the relevant procedures to deal with conflict of interest as set out in the company's Articles of Association and Board Rules were complied with.

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 the company. In addition to the CEO, the Executive Committee consists of 11 other members, namely: the company's CFO, the 5 segment Presidents, the Chief Marketing Officer, the Chief Research, Development & Sourcing Officer, the Chief Human Resources Officer, the Chief Supply Officer and the Chief Legal and Corporate Affairs Officer (who also acts as the Company Secretary).

The CEO is entrusted with the (day-to-day) management of the company. 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.

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. The company held its first annual General Meeting of Shareholders virtually on 17 June 2021. The relevant documents related to this General Meeting of Shareholders can be found on the company's website.

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 Chairman or the Lead Independent Director 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/her 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

Corporate Governance (continued)

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. 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 IPO 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 2021, 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 in *'note 7.2 - Consolidated Financial Statements'*, 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. The Related Party Transaction Policy is available on the company's website. The Related Party Transaction Policy requires each Director to notify the Chair of the Board and the Chief Legal Officer 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 Chief Legal Officer.

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 MIHN is entitled to designate at least one Director, the Related Party Transaction Policy shall not be amended or terminated without Mondelez 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 2021, the issued share capital of the company comprised of 501,951,089 ordinary shares. Only ordinary shares were issued as at 31 December 2021.

All issued ordinary shares are fully paid up. The company did not issue any convertible securities, exchangeable securities or securities with warrants in the company.

As at 31 December 2021, no ordinary shares were 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 carries 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 11.4 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 in the '*Anti-takeover measures*' section in this chapter.

More information on the company's share capital can be found in *'note 5.1 - Consolidated Financial Statements'*.

MAJOR SHAREHOLDERS

As at 31 December 2021, Acorn Holdings B.V. and MIHN were the two largest direct shareholders of the company, holding 55.10% and 22.77% respectively of the issued and outstanding share capital of the company. As at 31 December 2021, the free float represents 22.13% of the company's issued and outstanding share capital. More details about major shareholders can be found in the *'Investor Relations'* section.

INVESTOR RIGHTS AGREEMENT

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

MIHN is entitled to have two non-executive Directors on the Board. If MIHN, and its group's beneficial ownership, falls below 8% but remains above 5% of the ordinary shares, MIHN will have the right to nominate only one non-executive Director to the company's Board. If MIHN, and its group's beneficial ownership, falls below 5% of the ordinary shares, then MIHN 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, MIHN is entitled to be represented by one of its designees in all Board committees. In addition, for so long as MIHN is entitled to have two seats on the Board, MIHN 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, or alternatively by a majority of no less than two-thirds of the votes validly cast if less than 50% 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 17 June 2021, 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. This authorisation is limited to a maximum of 10% of the ordinary shares issued and outstanding for general purposes with the possibility to restrict or exclude pre-emptive rights. The General Meeting also authorised the Board, with effect as of 17 June 2021, to issue ordinary shares in connection with a rights issue only, for a maximum of 40% of the issued share capital on 17 June 2021 and for a maximum term of 18 months, provided that the pre-emptive rights are fully observed in line with market practice.

In addition, on 31 May 2020, the General Meeting 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 company's Long Term Incentive Plan and certain 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 17 March 2021, the Board further subdelegated this authority to the company's CEO, on behalf of the whole Board and within the limits of designation by the General Meeting set out above, and only in respect of the company's March 2021 employee trading window.

For the further share issuance for this purpose, on 13 September 2021, the Board subdelegated this authority to the Chair of the Board, the Chair of the Audit Committee and the Lead Independent Director, on behalf of the whole Board and within the limits of designation by the General Meeting set out above, and only in respect of the company's share incentive plans.

In 2021, the company issued in aggregate 1,577,647 ordinary shares to certain employees under the Long Term Incentive Plan and other share incentive plans, which represent 0.31% of the total issued and outstanding share capital of the company as at 31 December 2021.

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,in the '*Anti-takeover measures*' section.

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 pursuant to a resolution of the Board. In the event of the issuance of shares pursuant to a resolution of the Board, the General Meeting 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 17 June 2021, 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 as of 17 June 2021 for general purposes as described in more detail above, under the '*Issuance of shares*' section. This authority of the Board expires after a period of 18 months.

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, which authorisation is valid for a maximum period of 18 months.

On 17 June 2021, the General Meeting authorised the Board for a period of 18 months to acquire the company's own ordinary shares, up to a maximum of 10% of the aggregate number of ordinary shares issued as of 17 June 2021, 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 group company employees under share incentive plans, provided such shares are quoted on the price list of a stock exchange.

As at 31 December 2021, the company has not held treasury shares and has not commenced a 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, the company's financing agreement and notes issued, contain clauses that, as is customary for such transactions, entitle the lenders and noteholders, respectively, to claim early repayment of the amounts borrowed by the company or termination in certain events related to 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, which means that the company may decide whether it will adhere to certain sections of the Code, but if it decides not to, it must explain why.

The company endorses the Dutch Corporate Governance Code. However, given the company's shareholder structure and the presence of JAB and MIHN 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 2021:

- 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 Mondelez. To ensure a good corporate governance and independence of the Board, the company has a Lead Independent Director. The primary role of the Lead Independent Director is 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 in the 'Report of the non-executive Directors' section.
- 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 MIHN'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 a Lead Independent Director to preserve independence of the Board. More details about the responsibilities of the Lead Independent Director can be found in the 'Report of the non-executive Directors' section.
- Best practice provision 5.1.3 and 2.1.9: independence of the Chair of the Board: Olivier Goudet is the Chair of the Board. Mr. Goudet is not "independent" within the meaning of best practice provision 2.1.8 of Dutch Corporate Governance Code. The company believes that Mr. Goudet's 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 in the 'Report of the non-executive Directors' section.
- 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. Following the company's IPO in 2020, 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 in the 'Term of appointment' section.
- 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.

- Best practice provision 3.1.2 (iv): the company is not compliant with best practice provision 3.1.2 (vi) that requires that shares awarded to directors should be held for at least five years after they are awarded. As disclosed in the company's 2021 remuneration report, the executive Director has received the grant in restricted share units (the RSUs) under the company's long-term incentive plan which vest in three years after the RSU grant. The company changed the vesting period for all RSUs grants (including to the executive Director) to three years to be in line with market practice. Furthermore, the company sees no reason to require the executive Director to hold the shares for five years, since the executive Director has invested in the Executive Ownership program to foster a long-term commitment as explained in the remuneration report, and therefore already has a strong incentive to pursue the long-term interests of the company.

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 in the '*Compliance with the Dutch Corporate Governance Code*' section.
- 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 in the '*Risk Management*' section.
- 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 in the '*General Meeting*' section.
- 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 in the '*Corporate Governance*' section as well as in the section '*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 in the '*Diversity*' section in the '*Corporate Governance*' chapter.
- 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 in '*Shares and Shareholders*' and '*Investor Relations*'.

REPORT OF THE NON-EXECUTIVE DIRECTORS

INTRODUCTION

This report provides further information on the way we performed our duties in 2021.

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

MEETINGS AND ACTIVITIES OF THE BOARD

ATTENDANCE

The Board held seven regular meetings in 2021. One additional Board meeting was scheduled to discuss and approve the acquisition of Campos Coffee, a specialty coffee leader in Australia. Due to the COVID-19 pandemic and related travel restrictions, all meetings of the Board in 2021 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 held regular one-to-one meetings to discuss progress and key topics. Board members had contact with various levels of management to ensure that they remained well-informed about the company's operations.

The non-executive Directors attended all Board meetings in 2021, except for a limited number of occasions, and for valid reasons. An overview of the individual attendance of our non-executive Directors, at the meetings of the Board and of its committees, is set out below. 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	8/8		
Peter Harf	7/8		5/5
Joachim Creus	8/8		
Justine Tan	8/8		
Frank Engelen	8/8	6/6	
Luc Vandevelde	8/8	6/6	5/5
Nelson Urdaneta	8/8	6/6	
Genevieve Hovde	7/8	6/6	
Gerhard Pleuhs	8/8		5/5
Alejandro Santo Domingo	7/8		
Denis Hennequin	8/8		5/5
Stuart MacFarlane	8/8	6/6	
Aileen Richards	8/8		5/5

Report of the non-executive Directors (continued)

BOARD EVALUATION

Each year, the Board formally assesses its performance, including with respect to its composition, diversity and how effectively its members work together, with the aim of helping to improve the effectiveness of the functioning of both the Board and the Committees.

As the company was publicly listed in May 2020, the Board performed its first internal evaluation at the end of 2021. To facilitate this evaluation, an anonymous questionnaire was distributed to all non-executive Directors, followed by an open discussion led by the Chairman during the non-executive Directors' session. The discussion covered topics such as the composition and expertise of the Board and its Committees, access to information, frequency and quality of the meetings, leadership developments and quality and timeliness of the meeting materials. The responses provided by the non-executive Directors, as well as the discussion, indicated that the Board is well managed, properly fulfilling its duties and responsibilities, and that appropriate processes are in place to ensure that the Board is providing necessary oversight over the company. As the outcome of the evaluation, the Board will seek to increase the percentage of independent Directors over time, with the ultimate goal of having independent directors constitute the majority of the Board as the company's free float increases. The Board also resolved to increase gender diversity over time in accordance with applicable legislation.

The company aims at least once every three years to have an independent third-party facilitate the evaluation consisting of individual interviews with the Directors followed by a Board discussion, covering both the outcome of the evaluation and the proposed actions to enhance the effectiveness of the Board.

INDUCTION PROGRAMME

Shortly after the company's IPO in May 2020, those directors new to the company participated in an induction programme to give them an overview of key topics within the company. No onboarding programme was necessary in the financial year 2021, as there were no director changes.

BOARD FOCUS

Regular items covered during our Board meetings in 2021 included updates and highlights from the Audit and the Remuneration, Selection and Appointment Committees as well as the review of business performance and financials and treasury topics. The Board was presented with and approved the company's interim financial results for 2021 and discussed and reviewed the company's Annual Operating Plan for 2022 and its Value Creation Plan for the period 2021 to 2026. We also received an in-depth update on the company's marketing philosophy and strategy, and we were actively involved in the process of reviewing other strategic and growth projects for the company, including M&A, capital investment projects and divestments.

One of the key topics for us throughout 2021 was the company's sustainability strategy, which the company has further evolved and refined, and the ESG-related risks and opportunities for the company. We reviewed the three strategic pillars - Common Grounds, Minimised Footprint, and Connected People - on which the company's sustainability strategy is based, and the accomplishments made by the company under each of these pillars.

We discussed the company's proposed climate strategy and encouraged management to set ambitious, science-based climate change targets and to diligently track and monitor the progress made for each target. We subsequently approved the proposed commitments of reducing the company's GHG emissions from both its own operations and its supply chain by 2030.

We also approved the required investments to realise our sustainability strategy and set clear direction to it in the company's Value Creation Plan. To bring the Board closer to ESG matters, we nominated Gerhard Pleuhs as the primary ESG contact on the Board to interact with management. We also expressed support for the company to deploy an update to our ESG-related policies.

Further, we reviewed the company's pricing strategy given the unprecedented high inflation levels the company has been exposed to. We also conducted a deep-dive review of the company's strategy and growth ambition for China.

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 believe that the Board composition is a critical success factor in enabling Board members to 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 MIHN being major shareholders), seven out of thirteen of our non-executive Directors were representatives of our major shareholders, JAB and MIHN, as at 31 December 2021. These seven Directors are not considered independent within the meaning of best practice provision 2.1.8 of the Dutch Corporate Governance Code. Five of these non-executive Directors (Olivier Goudet, Peter Harf, Joachim Creus, Frank Engelen and Justine Tan) are representatives of JAB, whereas two of these non-executive Directors (Nelson Urdaneta and Gerhard Pleuhs) are representatives of MIHN.

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 critical 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 in 2020. 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 a dispute among 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 making further progress on the independence of the Board as the company's free float increases.

BOARD COMMITTEES

AUDIT COMMITTEE

We held six meetings of the Audit Committee in 2021, all of which took place virtually due to the COVID-19 pandemic. The attendance rate was 100%. Throughout the year, the Audit Committee's Chair also had several private interactions and sessions with the company's CFO, Group Controller, Group Internal Auditor and the external independent auditor.

In 2021, 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 Audit Committee's Chair shared the highlights of each Audit Committee meeting with the full Board during the Board meetings, together with the Committee's recommendations on the topics to be approved by the full Board. All Board members also had access to all meeting materials (including the minutes of the Audit Committee meetings). In addition, the company's CEO, CFO, Chief Legal and Corporate Affairs Officer and Company Secretary, as well as the company's senior management responsible for the company's control and internal audit, attended all Audit Committee's meetings, as did representatives of the company's external auditor.

As at 31 December 2021, the Audit Committee was composed of the following 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 MIHN, respectively. The members of the Audit Committee as a whole have the relevant experience and competencies relating to financial matters, all of them have the required competency in accounting and auditing of financial statements, and are therefore Audit Committee Financial Experts within the meaning of best practice principle 2.1.4 of the Dutch Corporate Governance Code.

Throughout the year, we closely monitored the business performance of the company. In this respect, the company's CFO provided the Audit Committee with the latest updates on the company's financials at each meeting. We also reviewed the company's 2021 half-year results prior to publication, together with the associated financial statements. In 2021, we discussed, on several occasions, the company's capital structure and debt management, including the re-financing strategy of the company's debt and access to bond markets, which were subsequently approved by the Board.

During every Audit Committee's meeting, we received an update on the company's internal control systems, including IT control procedures, additional progress needed on access control management, and risk management processes, also the completion of design and implementation of the controls at Peet's were discussed. Other reoccurring internal group control topics included the goodwill impairment review of the Out-of-Home segment.

We were furthermore provided with in-depth updates on matters such as internal audit, compliance, whistleblower alert line reports, litigation, tax and hedging strategies related to the procurement of green coffee. We also paid specific attention to Enterprise Risk Management in 2021, including the assessment of cyber risks, supply chain business continuity risks as well as ESG related risks, such as climate and supplier due diligence. We reviewed and endorsed the proposed Internal Audit Plan for 2022, which was subsequently approved by the Board. We also assessed the functioning of the Internal Audit function and concluded that the Committee is satisfied with its effectiveness.

In 2021, we assessed and provided our recommendation to the Board for the engagement of Deloitte and its re-appointment as the company's external auditor for financial years 2021 and 2022, which was approved by the company's shareholders at the 2021 AGM. Discussions were also held with the company's independent external auditor regarding the company's audit plan, management letter, audit report, its scope and materiality, condensed consolidated interim and year-end consolidated financial statements for 2021. Together with the external auditor, we reviewed the key audit matters identified by the external auditor, financial reporting procedures and internal controls.

REMUNERATION, SELECTION AND APPOINTMENT COMMITTEE

We held five meetings of the Remuneration, Selection and Appointment Committee in 2021, all of which took place virtually due to the COVID-19 pandemic. The attendance rate of the members of this Committee was 100%.

In 2021, the Chair of the Board participated in all meetings of the Remuneration, Selection and Appointment Committee. The company's Chief Human Resources Officer was also present at all meetings. The Committee's Chair shared the highlights of each Committee meeting with the full Board at the Board meetings and presented the Committee's recommendations on the topics to be approved by the Board.

As at 31 December 2021, the Remuneration, Selection and Appointment Committee comprised the following five non-executive Directors: Peter Harf (Chair), 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 MIHN, respectively.

During the meetings of the Remuneration, Selection and Appointment Committee, we evaluated the performance and remuneration of the Executive Committee members. In particular, we assessed the composition of, and succession planning for, the Executive Committee and approved the composition changes for CPG President Europe and Chief Legal and Corporate Affairs Officer, as well as the new appointment of the Chief Supply Officer, and their remuneration packages. Furthermore, we recommended to the Board to approve the grants to the company's Directors under the company's Long Term Incentive Plan in accordance with the Directors' Remuneration Policy, which was subsequently approved by the Board. We also approved the proposed recommendations for adjustments to the Short-Term Incentive and Long-Term Incentive plans for the Executive Committee and Global Leadership Team members to better align with the company's reward philosophy.

Throughout the year, we received updates on outcomes of the company's leadership talent review and succession planning process. Together with management, we reflected on the company's employee engagement survey results. In 2021, we were especially focused on Diversity, Equity & Inclusion topics. We reviewed the company's Diversity, Equity & Inclusion strategic framework and initiatives. We were also updated on gender diversity considerations relating to the company's workforce and the Board.

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

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 the risk profile and risk appetite. Risk is an essential element when opportunities are assessed, and 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, which is supported by local and regional councils.

INTERNAL CONTROLS

The internal control 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 reputation and assets.

In 2021, we continued on our journey to strengthen our control environment. The most important steps taken were:

- Further formalisation and harmonisation of our Entity Level Controls.
- Onboarding of recently acquired businesses to our standard Internal Controls Framework.
- Implementation and formalisation of Peet's internal controls framework after the ERP implementation.
- In-depth quality reviews and training to further strengthen the overall internal control environment.

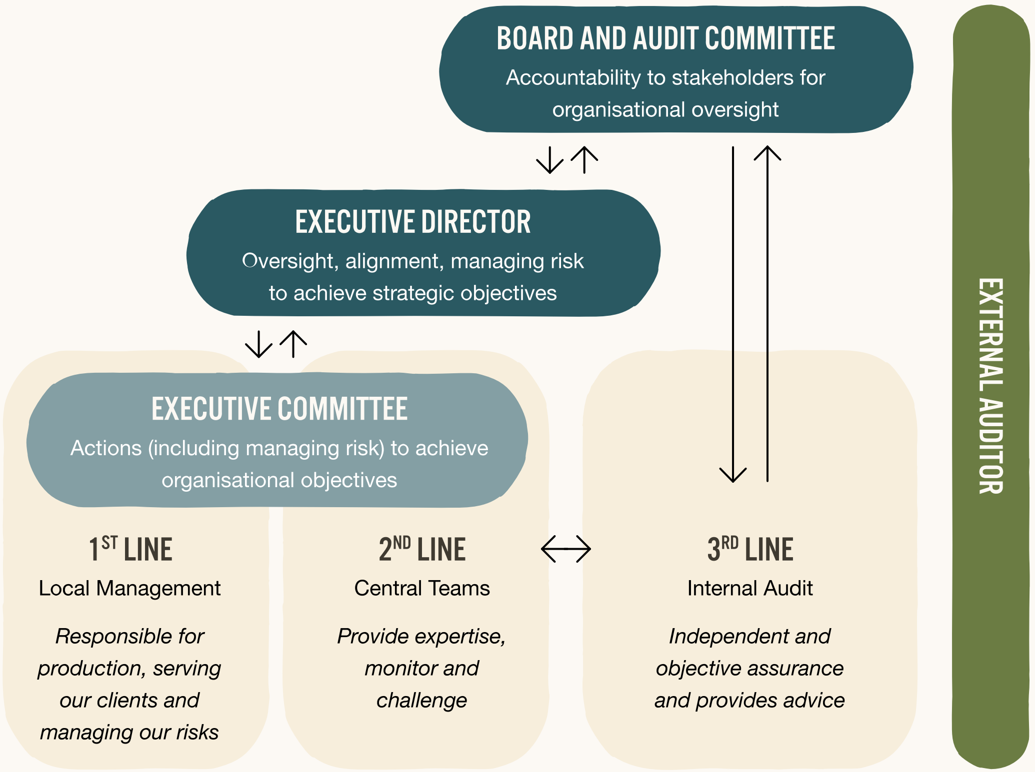
Risk Management (continued)

INTERNAL CONTROL STRUCTURE

The company applies the 'three lines of defence' 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 Internal Controls, compliance with policies and ensuring procedures are adhered to.

The second line of defence represents several central teams that are responsible for maintaining, continuously improving and monitoring the quality of the company's Internal Control and risk management processes. These teams consist of the Global Compliance Council, Legal team, Internal Control team, Tax team, Accounting and Reporting team and Global IT team. They support and challenge our first line teams in the regions and countries in identifying and mitigating financial reporting, legal and other compliance risks. 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 through, amongst others, quality checks on the performed controls.



Our Internal Control Structure and 'three lines of defence' model

The JDE Peet's Internal Audit team operates as a third line of defence. The Internal Audit team acts as an independent team providing assurance and advice on any matters related to our risk management and Internal Control processes. It reports its conclusions directly to the Executive Committee and Audit Committee of the Board. Internal Audit aligns with the Internal Control 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 Internal Control framework.

OUR RISK MANAGEMENT AND CONTROL MEASURES

STANDARDISATION

JDE Peet's has taken the decision to standardise Internal Control processes throughout the organisation. This enables better quality processes and better Internal Control 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 originates from the JDE organisation, which operates according to the 'Combined Business Model' (CBM) blueprint. Within the CBM, JDE 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. In 2021, the OldTown CPG business in South-East Asia was onboarded to the CBM, including the successful roll-out of SAP. Also, the implementation of the Peet's ERP system was completed and the Peet's internal control framework was formalised.

For those businesses that are not on our standard Internal Control framework, additional oversight measures are in place to ensure proper risk management. This oversight includes business performance reviews by the regional leadership team and additional focus by the compliance, internal controls and internal audit teams.

Risk Management (continued)

JDE PEET'S 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 standardised processes are documented in Business Process Descriptions and flow charts 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.

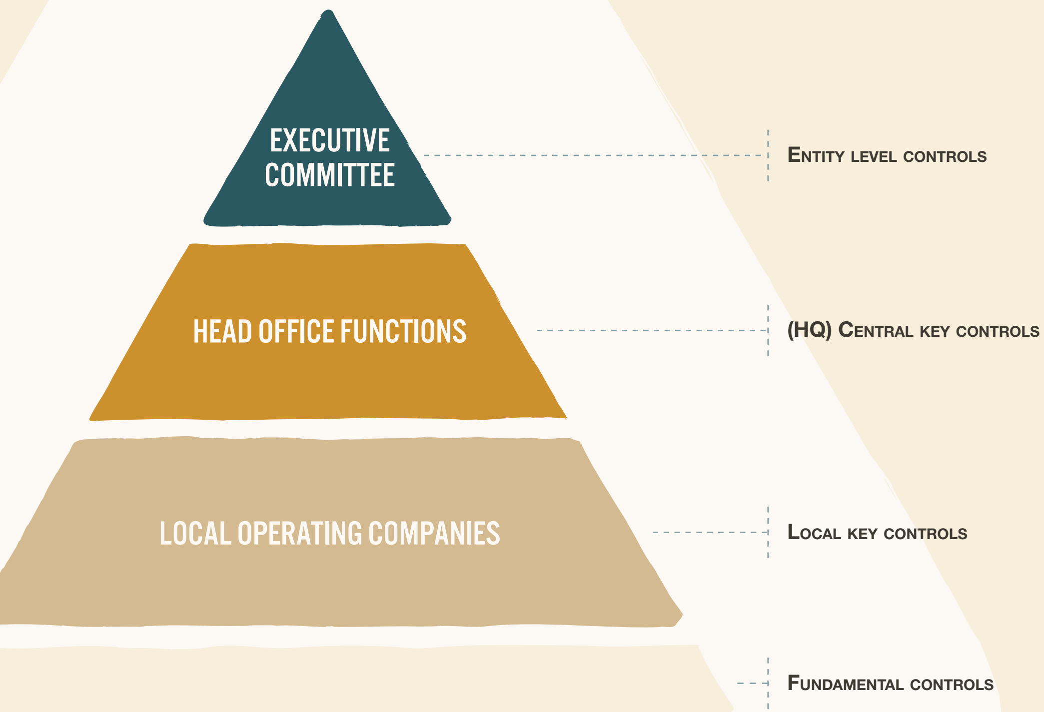
The JDE Peet's Internal Control framework defines the controls and policies in place for the different levels within the company. The Internal Controls are designed around our core processes and main risks.

Our framework is part of our first line of defense to navigate risks. 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 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 a 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 Internal Controls team.

In addition, the Entity Level Controls include regular oversight over the regions and country organisations. In 2021, these oversight controls were further formalised and harmonised between JDE and Peet's. This includes central risk assessments and periodic evaluations to balance risk appetite with business practises. For newly acquired businesses, this oversight and monitoring process is typically more intense to ensure balanced risk management.

In every business and region, management teams are supported by Internal Control Supervisors. The global network of Internal Control Supervisors plays a crucial role in safeguarding standards and making sure Internal Controls are operating effectively within the context of the local operations. The Internal Control Supervisors have a strong link to the central team and provide support on the ground, as well as guidance and training to local management.



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

Risk Management (continued)

ACQUIRED BUSINESSES

In 2021, major steps were taken in designing and implementing controls for recently acquired businesses. For Ofcay, our Turkish business, internal controls were designed and the first rounds of operating effectiveness testing were completed successfully. For Maison Lyovel in France, internal controls were designed and operating effectiveness has been tested. For Jobmeal in Sweden, we chose to delay onboarding the business to the global ERP platform and to onboard them to our standardised Internal Control platform in 2022. For the Jobmeal business, in addition to local management monitoring activities, global and regional management carried out additional oversight to ensure that risks are managed according to JDE Peet's' risk appetite.

In 2021, we acquired Campos in Australia. Internal Controls were in place for this stand-alone business. In addition to the existing controls, Australian management performs periodic performance reviews and the central team monitors key reconciliation items and basic control performance.

PEET'S

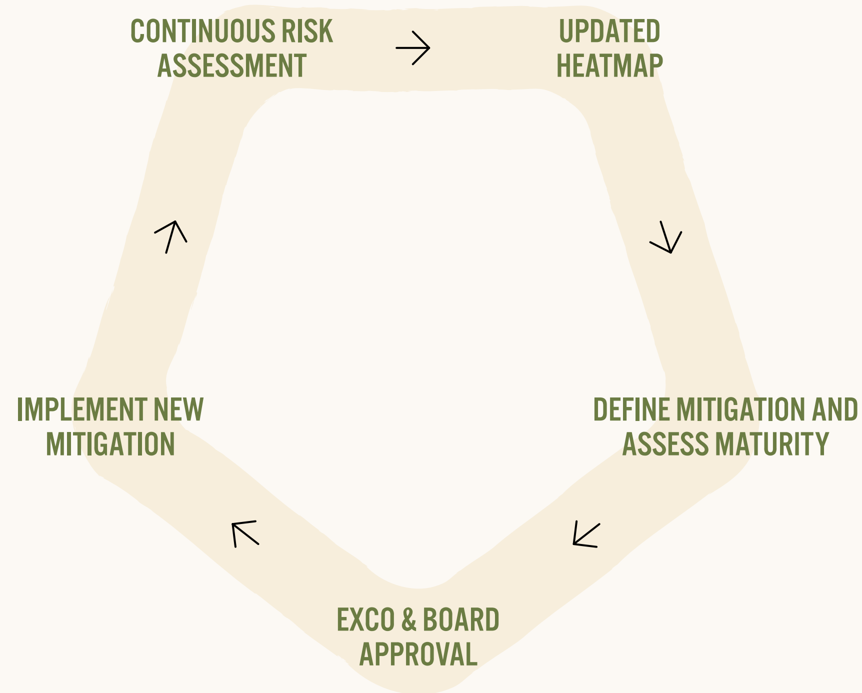
Peet's made significant progress with designing, implementing and standardising internal controls. The Internal Controls framework at Peet's is highly tailored and functional for the specific aspects of Peet's' business model and geographic footprint which addresses the company’s risk appetite. Peet’s' tax controls and reporting required ongoing management attention and will be further enhanced.

SUMMARY OF RISK MANAGEMENT AREAS

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

One of the outcomes of the formal annual risk management process is the identification of the main risks for the company and the active engagement of the company's leadership in these discussions. In addition, clear alignment of risk-weighting and risk appetite, and how to balance these, was achieved across the company.

In 2021, the company was again impacted by the COVID-19 pandemic. The pandemic continued to have an impact on our businesses around the world. With unprecedented pressure on the company’s internal supply chain organisation, both with global distribution and shipping challenges as well as with emerging global commodity inflation, especially coffee. In addition, the geopolitical tensions continued to exist in certain regions in Ukraine, which we are monitoring on an ongoing basis. Refer to the 'note 13 - Company Financial Statements'.



Risk Management (continued)

The company identified two other risks that were rapidly emerging in 2021:

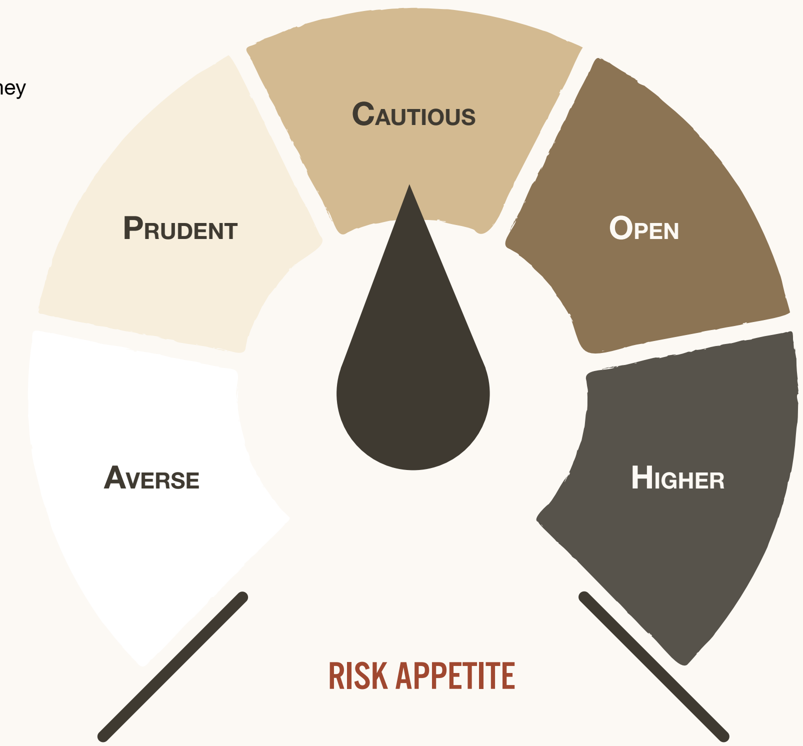
- **Cyber Threats** – The number of companies that experienced ransomware attacks has increased. As well as the impact on business continuity and reputation, security breaches could also result in a violation of applicable privacy and other laws. Personal data of the company's employees, customers and business partners could be at risk which would trigger litigation and governmental investigations and penalties.
- **ESG-related risks** – The global interest in environmental, sustainability and governance (ESG) strategies of companies has further increased. This coincides with a rising demand for external reporting on topics such as climate change, sustainable sourcing & packaging and diversity, equity & inclusion. JDE Peet's considers ESG-related risks an integral part of the risk management cycle and therefore these risks are addressed through all four pillars of the risk management process: Strategic, Operational, Financial and Compliance.

Our risk appetite can be categorised in five components:

Cautious – preference for safe options with limited risk as these potentially have limited rewards.

Prudent – preference of safe options with remote risk as they also result in low rewards.

Open – willing to consider appropriate options that likely generate highest rewards.

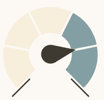


Averse – avoidance of risk and uncertainty in this area is a key objective of the company.

Higher – eager to be innovative and pursue opportunities that have a great potential for business rewards, despite greater inherent risk

Risk Management (continued)

MAIN STRATEGIC RISKS



Risk appetite: Open/Higher

Intense competition and strong buying powers

Risk trend: INCREASED

The coffee & 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, combined with 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 the company to pass-on commodity price increases, and price disagreements may lead to trading with customers being halted.

Changing distribution channels and consumer tastes

Risk trend: NEUTRAL

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.

Consumers' focus 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 i) increasing the use of reusable, recyclable or compostable packaging, ii) reducing our carbon footprint across the supply chain, and iii) increasing 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, such as the shift from Away-from-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 ensure continuous success 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 and their involvement in key decisions, processes and governance.

One of the most important mitigations - reducing the strategic commercial risks - is to continue developing impactful, sustainable innovations and launch them successfully 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 for 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: Prudent/Cautious

Discontinuity in our manufacturing and distribution facilities

Risk trend: NEUTRAL

Our manufacturing and distribution facilities could be disrupted for many reasons. These 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, the Netherlands, Germany, the United Kingdom, Brazil, China, Russia 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 our large manufacturing facilities makes it impossible to have back-up capacity in case of significant interruption.

Disruption by pandemics

Risk trend: NEUTRAL

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 currently remain uncertain, especially taking into account the possibility of new mutations. Lockdowns have a strong negative impact on our Away-from-Home businesses, which is largely compensated by In-Home consumption. The uncertainty for JDE Peet's is difficult to estimate since the relative shares between the company's Away-from-Home and In-Home businesses differs across geographic 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

Risk trend: NEUTRAL

In some geographic 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 associated with our brands, it is important that they operate with the same quality and compliance standards. Failure to comply with these standards can result in reputational damage to JDE Peet's' brands.

Risk Management (continued)

Insufficient supply of quality and sustainable coffee & tea

▲ **Risk trend: INCREASED**

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 continual supply of Arabica green coffee, with approximately 70% of such beans sourced from Central and South America in 2021. 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

■ **Risk trend: NEUTRAL**

We depend on accurate and timely information from key software applications to enable day-to-day decision-making. We rely primarily on our ERP platforms 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 occur, 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 our business or results of operations to suffer. In 2021, further improving internal access security management for our major IT applications continued to be a focus area. For the coming year we started planning for further enhancement of the quality of the access security internal controls.

Risk Management (continued)

Security breaches and attacks

▲ **Risk trend: INCREASED**

Many of our IT systems contain personal, financial and/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 subjects the company to private consumer, business partner, or securities litigation and governmental investigations and proceedings.

During 2021, there was an increase in the number of attacks that were reported in the external environment. In line with this trend, our company has increased its efforts to prevent these attacks being successful, and to minimise the impact in case an attack would be successful.

Key talent risk

● **Risk trend: NEW**

While key talent management has always been a priority at JDE Peet's, we do recognise that the failure to attract, develop and retain a skilled and talented workforce is becoming more challenging in the global competitive and dynamic environment.

This risk became even clearer when the first COVID-19 restrictions were eased in many countries. In several markets, it resulted in employees making different job decisions than before the pandemic and in some cases being more comfortable switching jobs again. In our Away-from-Home business, we see a more competitive market environment, where the job insecurity that occurred during lockdowns is weighed by employees against opportunities and increased demand in other industries.

MITIGATION OF OPERATIONAL RISKS:

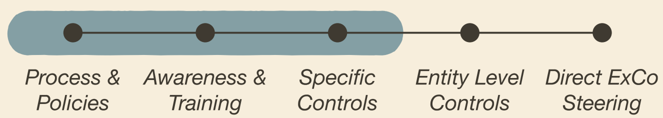
For mitigation of operational risks, we focus on processes, policies, specific controls and awareness and training. There is also central monitoring of the related KPIs, with the management and mitigation of these risks the key responsibility of management in the (local) markets.

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: Cautious

Volatile commodity pricing

Risk trend: INCREASED

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. This was especially true for 2021, when green coffee prices rose to their highest price of the last 10 years.

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. All the same time, 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 prices in the market 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 term. 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, we may have to take further measures in relation to such markets, including ceasing advertising campaigns and temporarily halting trading.

Foreign currency exchange rate fluctuations

Risk trend: INCREASED

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 future delivery, 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. 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. 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.

Risk Management (continued)

Liquidity

Risk trend: DECREASED

Our ability to repay or refinance our indebtedness on time depends on 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.

As part of our embedded risk management processes, a liquidity stress test is performed annually. This has been guiding the company's overall capital allocation principles and strategy. With the successful completion of bond offerings in both Europe and the U.S., the company's liquidity risk reduced, while decreasing the cost of capital.

Emerging markets

Risk trend: NEUTRAL

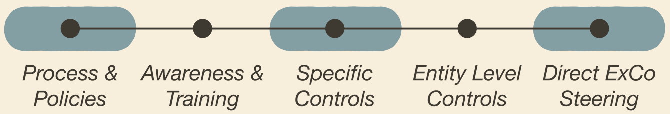
We have significant activities in emerging markets, including Brazil, Malaysia, Thailand, and other Eastern European countries. Our operations and investments in these markets are subject to the risks of operating in emerging markets, which include political and economic instability, external interference, 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 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 in the 'Our strategy' section. In recent years, many of these economies, including Brazil, have undergone significant economic transitions and their respective governments have pursued economic reforms.

MITIGATION OF FINANCIAL RISKS

To mitigate financial risks, we focus primarily on specific controls, while processes and policies support 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.



Risk Management (continued)

MAIN COMPLIANCE RISKS

Risk appetite: Averse

Legal and regulatory requirements

Risk trend: NEUTRAL

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

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

Risk trend: INCREASED

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 our 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.

Risk Management (continued)

Food safety and packaging compliance

Risk trend: NEUTRAL

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

Risk trend: NEUTRAL

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.

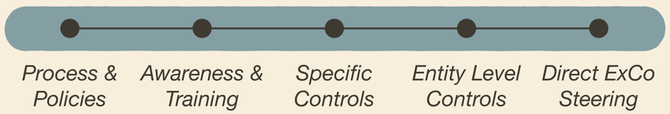
In addition, on 2 July 2015, in connection with the combination of D.E Master Blenders' coffee & tea business with Mondelez International's coffee business to create JDE (JDE Formation), JDE, Acorn Holdings B.V. and affiliates of Mondelez International have entered into several agreements pursuant to which the company has assumed certain indemnification obligations with respect to certain claims as well as certain tax matters attributable to the operation of Mondelez 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 in 'note 9.5 - Consolidated Financial Statements.

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.

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.

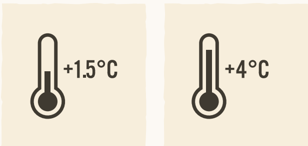


Risk Management (continued)

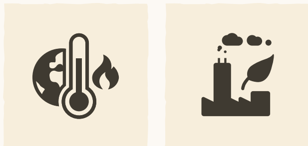
CLIMATE-RELATED RISKS AND OPPORTUNITIES

At JDE Peet's, we take the threat of climate change seriously. While climate change poses risks to current business models, it also creates opportunities for companies that act decisively in a competitive environment. In addition to our own actions to tackle climate change[48], we assess how climate change may impact our business.

We adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). To fulfil TCFD recommendations and deepen our understanding of climate risk and resilience for JDE Peet's, we are undertaking climate scenario assessments.

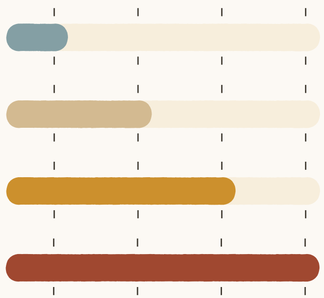


In 2021, we took a deeper look at the potential impacts on our business. Current policies and pledges by countries, are estimated to lead to a 1.8-2.7°C temperature change by the end of the century. We therefore chose a 1.5°C scenario and a 4°C scenario to represent the full breadth of possible outcomes, ranging from accelerated global action to a delay or failure to fully implement current policy pledges. We split the assessment into near- to medium-term impacts (up to 2030) and long-term impacts (2050) to adequately reflect both the transition and physical risks associated with climate change.



The outcome of this scenario analysis supports our expectation that in the near- to medium-term, our business will need to navigate transition risks, as already evident in the evolving policy landscape in many of our markets. Physical risks could pose a greater threat to the food and beverage industry in the long term (2050) if the world fails to sufficiently curb GHG emissions, such as in the 4°C scenario that we assessed. Under such a scenario, these longer-term physical risks, which centre around precipitation change and extreme weather events, would have significant impact on our agricultural supply chains and infrastructure, including our own operations.

Scoring of indicators is relative, based on qualitative analysis and not based on quantifications.



Neutral — No material expected financial impact

Low risk — Some expected financial impact

Medium risk — Medium expected financial impact

High risk — High expected financial impact

[48] See under '<u>Climate action</u>' in the 'Minimised Footprint' section.

Risk Management (continued)

POTENTIAL IMPACTS ON OUR BUSINESS WITHOUT ANY MITIGATING ACTIONS

1.5°C scenario — Mainly transition risks

	Supply Chain	Own Operations	Downstream
Medium-term 2030	**Sourcing costs** of energy intensive and agricultural materials increase in medium-term.	**Western countries accelerate** decarbonisation, which impacts energy prices and regulation for products sold in these regions.	Limited changes in demands from customers **and consumers**.
Long-term 2050	Different farming styles are implemented. Less **fertiliser and pesticide** use. **Low carbon farming**.	The rest of the world has decarbonised. **Carbon pricing** is in effect in many parts of the world.	**Net-zero** becomes a standard expectation from customers and consumers.

4°C scenario — Mainly physical risks

	Supply Chain	Own Operations	Downstream
Medium-term 2030	Changing weather patterns begin to affect **yields**. Extreme weather may impact **supply routes**.	**Flooding** events pose the most significant physical climate risk for own operations.	Downstream **effects are limited** to shut downs of customer operations due to extreme weather.
Long-term 2050	Changing climates in regions reduces **arable land**. Extreme weather blocks important supply routes.	**Extreme weather** increases exacerbating the risk of flooding. **Workforce** efficiency declines due to heat.	Damages to **costumers' operations** by weather events affects demand. **Warmer weather** reduces demand for warm drinks.

Risk Management (continued)

FOUR KEY CLIMATE-RELATED RISKS

With input from internal and external stakeholders, we assessed the four climate-related risks which we consider most material for JDE Peet's in greater detail. While the risks are presented individually, they interact with each other, and our risk management approach addresses them accordingly.

Climate regulation

+1.5°C *Transition risk, most pronounced in the 1.5 °C scenario*

In a 1.5°C scenario, environmental regulation tightens in most regions, beginning in Western countries. This includes sectors such as agriculture, industry and transportation. As a result, the cost of energy from fossil fuels increases. The costs of sourcing agricultural products are also likely to increase due to tightening environmental standards, for example on deforestation and increasing energy and fertiliser costs. As actions to limit global warming will be needed in the short term, the impacts are expected to become particularly relevant in the time horizon up to 2030 and can already be seen today. Our climate strategy and efforts to reduce emissions, in our business and along the value chain, directly address this risk. For example, over the past year, we have significantly increased the share of renewable energy in our operations. Our capex programme carefully evaluates emerging regulation and ensures we invest in the technology choices that maintain and strengthen the resilience and competitiveness of our business.

Chronic physical climate impacts on the supply chain

+4°C *Physical risk, most pronounced in the 4 °C scenario*

Climate change and changing weather patterns are already impacting coffee production today, such as the frost and drought in Brazil in 2021, or the increasing frequency of natural disasters including in coffee-growing regions. In a 4°C scenario - in other words, strong and accelerated climate change - agriculture will increasingly see further, long-term impacts towards mid-century. In the absence of any action, coffee yields would decrease due to changing precipitation, increased pests and reduced bean production per tree. The area of land suitable for coffee production, under current practices, would be impacted in many regions and competition for land would be likely to increase. Such changes would put upward pressure on the price of coffee, while also likely increasing volatility in the market. While climate change trails GHG emissions and impacts become most severe in the long term, we already invest to address these challenges today. Our farmer engagement through Common Grounds, strengthens climate-smart agriculture among smallholder farmers. Our support of World Coffee Research contributes to the development of coffee varieties that are more suitable for a changing climate. We invest in a diversity of origins to ensure coffee farming remains a viable and attractive option across a broad set of countries. Our flexible blending approach ensures that we can maintain consistent quality and flavour of our products in the case of supply chain disruptions in some origins even today.

Transportation

+4°C *Physical risk, most pronounced in the 4 °C scenario*

In a 4°C scenario, the increasing frequency of natural disasters in the long term such as storm surges, floods, and droughts, can seriously damage roads and ports, with local governments often unable to quickly repair the damage. Coffee is grown in many countries that are generally more vulnerable to such acute climate risks. The resulting transportation disruptions could (in)directly lead to delays, halted production, quality loss, increased storage costs or even lost sales. In 2021, there were significant transportation and logistics challenges, amongst others due to the COVID-19 pandemic and the blockage of the Suez Canal in March. We have responded to these challenges through various initiatives, including novel approaches and partnerships with some of our suppliers. Overall, these actions have demonstrated that we have been well prepared to respond to such challenges, while we will continue to invest in a diversity of supply and to leverage our flexible blending approach to minimise the associated risk.

Water infrastructure

+4°C *Physical risk, most pronounced in the 4 °C scenario*

In a 4°C scenario, precipitation patterns are likely to change in many key coffee-growing regions, increasing the risk of droughts and the need for irrigation. This could have impacts on coffee yields as well as, importantly, on the livelihoods of many smallholder farmers who grow coffee. Our Common Grounds programme already invests in addressing these challenges today.

In addition, while most of our categories use relatively little water in the manufacturing process, water stress could also impact our own operations in the longer term. We therefore carefully assess (and report on) the exposure of our operations to current and potential future water stress. And we place a focus on the efficient use of water in our operations, with a particular emphasis on the production of instant coffee, which is more water intensive.

OUR OUTLOOK

Our analysis shows that without any action, climate change affects JDE Peet's to a varying degree in terms of both transition and physical risks. In the near term, the physical risks associated with climate change were assessed as relatively limited. Over the time horizon of our Value Creation Plan, the key climate-related challenges for our business are likely to be transition risks. While there are risks ahead, we are well-positioned to manage them. Our refreshed climate strategy sets a clear direction for reducing emissions along our value chain while further strengthening our resilience. The breadth and diversity in our channels, products and brand portfolio, our global reach and the flexibility of our supply chain, all contribute to the agility and resilience required for the transition to a lower-carbon business model that captures new growth opportunities.

Risk Management (continued)

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 was shared regularly 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 'note 1.1 - Consolidated Financial Statements' section; 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 'Risk Management' section.

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 2021 provide a true and fair view of the consolidated assets, liabilities and financial position as at 31 December 2021, and of the 2021 consolidated profit or loss of JDE Peet's;
- the annual report provides a true and fair view of the situation as at 31 December 2021, and the development and performance of the business during the financial year 2021, 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 and amended at the Extraordinary General Meeting on 18 November 2020. This Remuneration Report is prepared in accordance with article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code and is subject to an advisory vote by the shareholders at the 2022 General Meeting.

REFLECTION OF LAST YEAR'S ADVISORY VOTE

During the 2021 Annual General Meeting of Shareholders, our shareholders approved our first 2020 Remuneration Report (advisory vote 91.06% in favour). After the vote and throughout the year, the Remuneration Committee regularly sought input from our shareholders and proxy advisors to further improve the quality of our Remuneration Report. Based on our shareholder engagement and feedback, we noted the request for an increased level of transparency of our short-term incentive plan, and therefore we have provided further information in this 2021 Remuneration Report on the short-term incentive individual KPI achievement levels.

APPLICATION OF THE REMUNERATION POLICY FOR THE EXECUTIVE DIRECTOR IN 2021

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 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 of 60.6 (2020: 46.8[49]), as well as 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 2021, Fabien Simon was the only executive Director of JDE Peet's.

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.

[49] *For the pay-ratio, executive Director pay reflects the actual total 2021 remuneration for the 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 2021 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 '**note 2.3 - Consolidated Financial Statements**'.*

Remuneration report (continued)

SHORT-TERM INCENTIVE

The executive Director participated in the short-term incentive scheme. The target short-term incentive equals 100% of the 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 2021, 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.
- 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, the underlying individual multipliers are disclosed more general. Further specific details on the underlying multipliers could not be disclosed because of commercially sensitive information:

Performance measure	Link with business strategy	Actual performance
Net Sales, net of commodity inflation/deflation	Revenue growth	Between target and maximum
Adjusted Earnings Before Interest & Tax	Income from operations of our core business	Between market guidance and maximum
Average Operating Working Capital improvement	Improvement in liquidity	Above historical level

Total Multiplier: 1.4

The realised performance results in a pay-out of EUR 1,400,000 for the executive Director.

LONG-TERM INCENTIVE

The executive Director participates in JDE Peet's' long-term incentive plan in accordance with the Remuneration Policy. The annual grant is set as a percentage of the annual base fee of the executive Director. For 2021, the non-executive Directors decided to grant to the executive Director a Restricted Share Units (RSU) grant with a value equal to 500% of his annual base fee, which is the maximum award value. The RSU 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' strategy. To better balance the long-term versus short-term focus, the maximum multiplier for STI will be reduced from 2.5 to 2.0 per 2022 and the vesting period for all RSU grants within JDE Peet's is adjusted to three years as of December 2021. In the section Total Remuneration, an overview is included with insights in the number and conditions of the RSUs granted to the executive Director in 2021 and previous period.

The RSUs granted to the executive Director in 2021 vest on 15 December 2024 and 23 September 2026, subject to continuous employment. Outstanding RSUs will automatically lapse upon termination of employment before the end of the vesting period.

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 EUR 112.189 (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 was used to finance the executive Director's obligations under the Executive Ownership Plan (EOP) and is set in accordance with JDE Peet's' Remuneration Policy. No repayments of the loan were made in 2021. JDE Peet's did not provide any other loans or guarantees to the executive Director.

MALUS AND CLAWBACK

In 2021, 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.

Remuneration report (continued)

TOTAL REMUNERATION

Total gross remuneration of the executive Director in 2021 and previous years are presented in the table below (all in EUR):

Name of executive Directors	Reported year	Fixed remuneration	Variable remuneration		Benefits and one-off amounts			Total remuneration	Proportion fixed - variable remuneration[50]
		Annual base fee	Short-term incentive	Long-term incentive[51]	Retirement benefits	Other benefits	One-off payments[52]		
Fabien Simon	2020	318,182	203,636	150,001	15,328	114,218	15,302,219	16,103,584	47%-53%
	2021	1,000,000	1,400,000	750,004	86,627	224,778	N.A	3,461,409	32%-68%

The table below provides an overview of the LT incentive grants and EOP at market value at 31 December 2021:

Executive Director	Grant date	Type	% of annual base fee	Share price at grant date	Units granted in 2021	Outstanding at 31 December 2021	Vesting date	Dividend 2021	Market value at 31 December 2021
Fabien Simon	2020	LTI	300%	EUR 35.70		84,034	23 September 2025		EUR 2,277,321
	2020	EOP		EUR 34.07		675,080	7 September 2025	EUR 236,278	EUR 18,294,668
	2021	LTI	300%	EUR 27.38	109,570	109,570	23 September 2026		EUR 2,969,347
	2021	LTI	200%	EUR 25.90	77,221	77,221	15 December 2024		EUR 2,092,689

50 *Proportion fixed – variable remuneration reflects the comparison between fixed and variable remuneration.*

51 *The long-term incentive value reflects the accounting costs in accordance with IFRS for the long-term incentive.*

52 *In the total remuneration table of the Remuneration Report 2021, a one-off payment to Fabien Simon was reflected for the compensation of forfeited remuneration at his previous employer.*

Remuneration report (continued)

REMUNERATION AND COMPANY PERFORMANCE DEVELOPMENT

The overview below provides insight into the development of the executive Director's remuneration, company performance and employee pay[53].

Element	2021	2020
Executive Director Remuneration		
Executive Director - Fabien Simon	EUR 3,495,867	EUR 801,365 / EUR 2,520,361[54]
Company performance		
EBIT	EUR 1.304 million	EUR 1,278 million
Average annual remuneration on an FTE basis of employees		
Average annual remuneration on an FTE basis of employees	EUR 57,705	EUR 53,832

APPLICATION OF THE REMUNERATION POLICY FOR THE NON-EXECUTIVE DIRECTORS IN 2021

The remuneration of the non-executive Directors is determined by the Board, following a 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 2021, 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

[53] *As JDE Peet's N.V. became listed in May 2020, management and non-executive Directors' remuneration related to years 2020 and 2021 are disclosed in this report instead of five years required by the Dutch Civil Code.*
[54] *Both the actual and annualised remuneration for 2020 for the executive DIrector has been included.*

Remuneration report (continued)

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 2021, equal to 100-150% of the individual's annual retainer for Board membership. The RSUs granted to the non-executive Directors in 2021, vest on 23 March 2026 and are subject to continuous Board membership.

Non-executive Director	Grant date	Share price at grant date	Units granted in 2020[55]	Grant value (EUR)	Outstanding at 31 December 2021	Vesting date	Market value at 31 December 2021 (EUR)[56]
Olivier Goudet			8,091	250,000	8,091		219,266
Joachim Creus			4,855	150,000	4,855		131,571
Peter Harf			4,855	150,000	4,855		131,571
Denis Hennequin			4,855	150,000	4,855		131,571
Genevieve Hovde			4,855	150,000	4,855		131,571
Stuart MacFarlane			4,855	150,000	4,855		131,571
Gerhard Pleuhs	2021	EUR 30.90	4,855	150,000	4,855	23 March 2026	131,571
Aileen Richards			4,855	150,000	4,855		131,571
Alejandro Santo Domingo			4,855	150,000	4,855		131,571
Luc Vandevelde			4,855	150,000	4,855		131,571
Nelson Urdaneta			4,855	150,000	4,855		131,571
Justine Tan			4,855	150,000	4,855		131,571
Frank Engelen[57]			5,259	162,500	5,259		142,519

[55] *More information on the equity-based compensation can be found in 'note 7.1 - Consolidated Financial Statements'.*

[56] *The market value at 31 December 2021 is calculated by multiplying the units granted by JDE Peet's closing share price at 31 December 2021 (EUR 27.10).*

[57] *The RSU grant of Frank Engelen also includes a pro-rata part for his Board activities in 2020 (start appointment on 18 November 2020).*

Remuneration report (continued)

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[58]	Total	2020
Olivier Goudet	250,000	48,292	362,991	659,477	410,343
Joachim Creus	100,000		38,909	138,909	67,904
Peter Harf	150,000		38,909	188,909	190,418
Denis Hennequin	100,000		38,909	138,909	67,904
Genevieve Hovde	100,000		38,909	138,909	67,904
Stuart MacFarlane	100,000		38,909	138,909	67,904
Gerhard Pleuhs	100,000		38,909	138,909	67,904
Aileen Richards	100,000		38,909	138,909	67,904
Alejandro Santo Domingo	100,000		38,909	138,909	67,904
Luc Vandevelde	150,000		38,909	188,909	97,070
Nelson Urdaneta	150,000		38,909	188,909	97,070
Justine Tan	100,000		38,909	138,909	67,904
Frank Engelen	100,000		24,375	124,375	11,905

No loans or guarantees were granted to the non-executive Directors in 2021.

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.

[58] *The RSU value reflects the accounting costs in accordance with IFRS.*

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2021 and 31 December 2020

In EUR million, unless stated otherwise

	Note	2021	2020
Revenue	2.2	7,001	6,651
Cost of sales	2.3	(4,028)	(3,818)
Selling, general and administrative expenses	2.3	(1,865)	(1,900)
Operating profit		**1,108**	**933**
Finance income	5.4	31	44
Finance expense	5.4	(156)	(290)
Share of net loss of associates		(1)	—
Profit before income taxes		**982**	**687**
Income tax expense	8	(220)	(320)
Profit for the period		**762**	**367**

ATTRIBUTABLE TO:	Note	2021	2020
Owners of the parent		765	308
Non-controlling interest		(3)	59
Profit for the period		**762**	**367**
Earnings per share:			
Basic earnings per share (in EUR)	2.4	1.53	0.80
Diluted earnings per share (in EUR)	2.4	1.51	0.79

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2021 and 31 December 2020

In EUR million

	Note	2021	2020
Profit for the period		762	367
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	172	(12)
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation		116	(437)
Net investment hedge		(16)	—
Effective portion of cash flow hedge - foreign exchange contracts	6	36	(8)
Effective portion of cash flow hedge - interest rate contracts	6	48	29
Other comprehensive income/(loss)		**356**	**(428)**
Total comprehensive income/(loss) for the period		**1,118**	**(61)**
Attributable to:			
Owners of the parent		1,116	(69)
Non-controlling interest	5.1	2	8
Total comprehensive income/(loss) for the period		**1,118**	**(61)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021 and 31 December 2020

In EUR million

	Note	2021	2020
Assets			
Non-current assets:			
Goodwill and other intangible assets	3.2	16,903	16,825
Property, plant and equipment	3.4	1,683	1,600
Deferred income tax assets	8	66	77
Derivative financial instruments	6.7	31	4
Retirement benefit asset	9.1	498	287
Other non-current assets	9.3	129	124
		19,310	**18,917**
Current assets:			
Inventories	4.1	872	732
Trade and other receivables	4.2	713	646
Derivative financial instruments	6.7	57	18
Income tax receivable	8	9	9
Cash and cash equivalents	5.3	662	414
		2,313	**1,819**
Total assets		**21,623**	**20,736**

	Note	2021	2020
Equity and liabilities			
Equity:			
Share capital	5.1	5	5
Share premium		9,975	9,907
Other reserves/(deficits)		(340)	(694)
Retained earnings		1,383	984
Equity attributable to the owners of the Company		**11,023**	**10,202**
Non-controlling interest		138	129
		11,161	**10,331**
Non-current liabilities:			
Borrowings	5.2	4,784	5,405
Retirement benefit liabilities	9.1	248	269
Deferred income tax liabilities	8	1,228	1,086
Derivative financial instruments	6.7	32	134
Provisions	9.2	25	20
Other non-current liabilities	9.4	156	159
		6,473	**7,073**
Current liabilities:			
Borrowings	5.2	91	75
Trade and other payables	4.3	3,696	2,955
Income tax liability	8	105	168
Provisions	9.2	32	70
Derivative financial instruments	6.7	65	64
		3,989	**3,332**
Total equity and liabilities		**21,623**	**20,736**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2021 and 31 December 2020

In EUR million

	Share capital	Share premium	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 31 December 2019	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	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**

Consolidated Statement of Changes in Equity (continued)

In EUR million

	Share capital	Share premium	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 31 December 2020	5	9,907	97	(768)	(59)	(730)	36	984	10,202	129	10,331
Profit for the period	—	—	—	—	—	—	—	765	765	(3)	762
Retirement benefit obligation	—	—	171	—		171	—	—	171	1	172
Foreign currency translation	—	—	12	100	—	112	—	—	112	4	116
Foreign currency contracts	—	—	—	—	36	36	—	—	36	—	36
Net investment hedge	—	—	—	(16)	—	(16)	—	—	(16)	—	(16)
Interest rate swaps[59]	—	—	—	—	48	48	—	—	48	—	48
Total Comprehensive Income/(Loss)	**—**	**—**	**183**	**84**	**84**	**351**	**—**	**765**	**1,116**	**2**	**1,118**
Share-based payment transactions	—	—	—	—	—	—	3	(1)	2	—	2
Dividends	—	—	—	—	—	—	—	(351)	(351)	(1)	(352)
Issuance of shares	—	68	—	—	—	—	—	—	68	—	68
Other transactions with shareholders	—	—	—	—	—	—	—	(14)	(14)	8	(6)
Balance — As of 31 December 2021	**5**	**9,975**	**280**	**(684)**	**25**	**(379)**	**39**	**1,383**	**11,023**	**138**	**11,161**

During the Annual General Meeting of Shareholders on 17 June 2021, a dividend of EUR 0.70 per share was approved, payable in two instalments of EUR 0.35 on 16 July 2021 and 28 January 2022. The dividend payable as at 31 December 2021 amounted to EUR 176 million, which was recognised within Trade and other payables.

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

59 *An amount of EUR 19 million was recycled from the cash flow hedge reserve to the income statement following the termination of the hedge relationships during the year.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December 2021 and 31 December 2020

In EUR million

	Note	2021	2020
Profit for the period		762	367
Adjustments for:			
Depreciation, amortisation and impairments	3.4, 3.2	394	450
Defined benefit pension expense	9.1	10	17
Share-based payments	7.1	34	46
(Gain) / loss on sale of property, plant, equipment and intangible assets		5	24
(Gain) / loss on disposal of subsidiary		(2)	12
Income tax expense	8	220	320
Interest income on bank accounts and other	5.4	(29)	(43)
Interest expense	5.4	141	180
Provision charges	9.2	5	44
Derivative financial instruments		(189)	210
Foreign exchange (gains) / losses	5.4	129	(114)
Other		(7)	(10)
Changes in operating assets and liabilities:			
Inventories	4.1	(139)	(62)
Trade and other receivables	4.2	(42)	85
Trade and other payables	4.3	520	41
Pension payments	9.1	(11)	(13)
Payments of provisions	9.2	(41)	(20)
Realised foreign exchange (gains) / losses		(88)	66
Receipts / (payments) of derivative financial instruments		156	(107)
Income tax payments		(205)	(364)
Net cash provided by operating activities		**1,623**	**1,129**

	Note	2021	2020
Cash flows from investing activities:			
Purchases of property, plant and equipment	3.4	(239)	(229)
Purchases of intangibles	3.2	(16)	(23)
Proceeds from sale of property, plant, equipment and intangible assets	3.4	7	1
Proceeds from disposal of subsidiary		4	—
Acquisition of businesses, net of cash acquired	3.1	(68)	(5)
Loans provided	7.2	(1)	(8)
Interest received		22	32
Other investing activities		(2)	2
Net cash used in investing activities		**(293)**	**(230)**
Cash flows from financing activities:			
Additions to borrowings	5.2	9,813	677
Repayments from borrowings	5.2	(10,613)	(2,456)
Proceeds from / (repayments to) issuing ordinary shares	5.1	5	785
Receipts from / (payments to) derivative financial instruments	6.7	(19)	(4)
Dividend paid to shareholders	5.1	(176)	(89)
Interest paid		(119)	(159)
Investments / (divestments) by non-controlling shareholders	5.1	8	39
Other financing		(6)	(15)
Net cash used in financing activities		**(1,107)**	**(1,222)**
Effect of exchange rate changes on cash		25	(74)
Net increase/(decrease) in cash and cash equivalents		248	(397)
Cash and cash equivalents – at the start of period	5.3	414	811
Cash and cash equivalents — as of 31 December[60]		**662**	**414**

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

[60] *Cash and cash equivalents include restricted cash of EUR 41 million at 31 December 2021 (31 December 2020: EUR 25 million).*

NOTES TO THE CONSOLIDATED 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 nine 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 2021
- 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"), a Dutch subsidiary of Mondelez International Inc ("Mondelez holding") and free float. Acorn is fully owned by a Joh. A. Benckiser led investor group ("JAB"). As at 31 December 2021, Lucresca SE, Agnaten SE and Mondelez International, Inc disclosed a capital and/or voting interest of 3 per cent or more 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 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 2021 include the financial information of the Company and its subsidiaries (together "JDE Peet's").

These consolidated financial statements were authorised for issuance on 22 March 2022 by the Board of Directors of the Company.

Activities of JDE Peet's

JDE Peet's is the world's leading pure-play coffee & tea company, serving approximately 4,500 cups of coffee or tea per second. JDE Peet's unleashes the possibilities of coffee and tea in more than 100 markets with a portfolio of over 50 brands including L'OR, Peet's, Jacobs, Senseo, Tassimo, Douwe Egberts, OldTown, Super, Pickwick and Moccona. In 2021, JDE Peet's generated total sales of EUR 7 billion and employed a global workforce of more than 19,000 employees. Read more about our journey towards a coffee and tea for every cup at www.jdepeets.com.

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).

Notes to the Consolidated Financial Statements (continued)

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 2021, 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, 12Oz coffee stores located in Italy and Campos stores located in Australia. 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.

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. Despite the circumstances disclosed in note 1.6 Covid-19 disclosure and the related uncertainties, management concluded that there are no material uncertainties that may cast significant doubt upon JDE Peet's' ability to continue as a going concern.

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 Mondelez holding. 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 Mondelez holding and Mondelez holding exchanged its shares in JDE for shares in the capital of the Company, such that, immediately following Mondelez's exchange of shares for the Company, Mondelez holding 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, Mondelez holding 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 Mondelez holding 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.

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 2021, specific focus was put on the Out-of-Home segment, with significant estimates for elements 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

In preparing the consolidated financial statements, JDE Peet's considered climate change and its ambitions on sustainability commitments. JDE Peet's reviewed the significant accounting estimates and judgements, including the impact on indications for impairments (note 3.3), provisions (note 9.2) and contingencies (note 9.5). This review did not lead to significant changes in these accounting estimates and judgements.

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 2021:

- Interest Rate Benchmark Reform - Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Rent related concessions beyond 30 June 2021 - amendments to IFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and do not 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 Property, plant and equipment.

New Standards, Amendments and Interpretations issued, but not effective for the year ended 31 December 2021 and not Early Adopted

Certain new accounting standards (IFRS 17 Insurance Contracts; Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture; Amendments to IAS 1 - Classification of liabilities as current or non-current; Amendments to IFRS 3 - Reference to the conceptual framework; Amendments to IAS 16 - Property, plant and equipment - Proceeds before intended use; Amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract; Annual improvements to IFRS standards 2018-2020 cycle; Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies; Amendments to IAS 8 - Definition of accounting estimates; Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction) have been published that are not mandatory for 31 December 2021 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). Operating leases are 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.

Advertising Expense—Advertising costs, which include the development and production of advertising materials and the communication

Notes to the Consolidated Financial Statements (continued)

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.

Offsetting financial assets and financial liabilities

If JDE Peet's has a legal right to offset financial assets with financial liabilities and if JDE Peet's intends either to settle on a net basis or to realise the asset and settle the liability simultaneously, financial assets and liabilities are presented in the statement of financial position as a net amount.

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	2021	2020
US dollar		
Opening rate	0.819	0.892
Average	0.845	0.878
Ending rate	0.880	0.819
Brazilian real		
Opening rate	0.158	0.222
Average	0.157	0.172
Ending rate	0.158	0.158
Russian ruble		
Opening rate	0.011	0.014
Average	0.011	0.012
Ending rate	0.012	0.011
Pound sterling		
Opening rate	1.120	1.183
Average	1.163	1.126
Ending rate	1.190	1.120
Australian dollar		
Opening rate	0.630	0.626
Average	0.635	0.605
Ending rate	0.639	0.630
Singapore dollar		
Opening rate	0.620	0.664
Average	0.629	0.636
Ending rate	0.652	0.620

1.6 COVID-19 DISCLOSURE

The outbreak of the COVID-19 virus continued to impact JDE Peet's. The ongoing pandemic and related restrictions continue to have an impact on the global economic and market conditions as well continued to impact supply chain and commodity prices. JDE Peet's is closely monitoring the developments and containment measures and is constantly assessing the impact for employees in a careful balance with business continuity.

The outlook on COVID-19 started to become more positive as vaccinations started to show their impact on controlling the virus. It is expected that this will continue to support the recovery of the Away-from-Home businesses. The initial decline of the Out-of-Home segment in 2020 resulted in a continuous detailed assessment of the recoverability of this segment's assets, such as accounts receivable and goodwill. Uncertainty in the recovery remains, due to the risk of new outbreaks and different variants of the virus with potential lockdowns impacting the Away-from-Home businesses.

There is continuous focus on forecasting (including liquidity needs) within JDE Peet's, whereby different scenarios and the impact of COVID-19 on its financial estimates and judgements is assessed. JDE Peet's refinanced its borrowings in 2021 and received investment grade ratings from two additional rating agencies. The liquidity position remained strong, with total liquidity of EUR 2.1 billion consisting of a cash position of EUR 0.6 billion (excluding restricted cash) and available committed Revolving Credit Facilities of EUR 1.5 billion on 31 December 2021.

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.

As of 1 January 2021, Out-of-Home Australia and New Zealand transferred from Out-of-Home to the CPG APAC segment following a change in the local management structure. The comparative figures were updated resulting in EUR 40 million reclassification in revenue and EUR 1 million in Adjusted EBIT between the segments Out-of-Home and CPG APAC. Furthermore, EUR 58 million of goodwill was reallocated from the Out-of-Home segment to CPG APAC following the change in management structure.

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 some Eastern Europe countries. 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 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 director'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.

Notes to the Consolidated Financial Statements (continued)

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.

3. 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.

4. 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.

5. 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.

Notes to the Consolidated Financial Statements (continued)

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):

	2021	2020
CPG Europe	3,573	3,475
CPG LARMEA	1,091	985
Peet's	903	838
Out-of-Home	723	626
CPG APAC[61]	684	699
Unallocated	27	28
Total	**7,001**	**6,651**

Reconciliation of Adjusted EBIT to most directly comparable GAAP measure (in EUR million):

	2021	2020
CPG Europe	1,089	1,096
CPG LARMEA	204	219
Peet's	118	98
Out-of-Home	90	3
CPG APAC	109	156
Unallocated	(306)	(294)
Adjusted EBIT	**1,304**	**1,278**
ERP system implementation	(15)	(28)
Transformation activities and corporate actions[62]	(40)	(156)
Share-based payment expense	(32)	(33)
Mark-to-market results	(5)	1
Amortisation acquired intangible assets and M&A/Deal costs[63]	(104)	(129)
Operating profit[64]	**1,108**	**933**
Finance income	31	44
Finance expense	(156)	(290)
Share of net loss of associates	(1)	—
Profit before income taxes	**982**	**687**

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):

	2021	2020
United States	13%	13%
Germany	12%	12%
France	12%	12%
Netherlands	9%	10%
Rest of World	54%	53%
Total revenue	**100%**	**100%**

There are no individual customers that amount to 10% or more of JDE Peet's' revenue.

[61] *CPG APAC includes EUR 16 million of revenue related to the Campos acquisition. Refer to note 3.1 Business combinations for more details.*

[62] *In 2020, Transformation activities and corporate actions included 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). Furthermore, in 2020 an amount of EUR 30 million restructuring expense is included related to the Out-of-Home segment.*

[63] *This consistently includes amortisation related to intangible assets recognised or re-measured as part of purchase price allocations. In 2021 the gain on disposal of businesses (EUR 9 million) is included (2020: loss of EUR 17 million).*

[64] *In 2021, EUR 199 million of the adjusting items (2020: EUR 342 million) was recognised in selling, general and administrative expenses and EUR (3) million (2020: EUR 3 million) in cost of sales.*

Notes to the Consolidated Financial Statements (continued)

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 revenue 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 revenue 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.

Notes to the Consolidated Financial Statements (continued)

- *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.

The total revenue from external customers, broken down by product is shown in the following table (in percentages of total revenue):

	2021	2020
Coffee	85%	85%
Tea	3%	3%
Other food and beverage	10%	10%
Services	2%	2%
Total	**100%**	**100%**

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.

Notes to the Consolidated Financial Statements (continued)

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 Goodwill and other intangible assets and 3.4 Property, plant and equipment. 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 Inventories.

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.

The aggregate of cost of sales and selling, general and administrative expenses is specified by nature as follows (in EUR million):

	Note	2021	2020
Cost of product[65]		3,267	3,111
Employee benefit expenses[66]		1,140	1,138
Other selling, general and administrative expenses[67]		1,088	979
Depreciation, amortisation and impairment	3.2, 3.4	394	450
Restructuring and restructuring related expenses		4	40
Total		**5,893**	**5,718**

Employee benefit expense (in EUR million):

	2021	2020
Wages and salaries	927	921
Social security charges	129	131
Pension costs	52	54
Share-based payments	32	32
Total	**1,140**	**1,138**

Employees by geographical area (average number of FTEs during the year):

	2021	2020
The Netherlands	2,151	2,409
Outside the Netherlands	17,415	17,906
Total	**19,566**	**20,315**

Specification audit fees (in EUR million):

	2021	2020
Audit of the financial statements	5.6	5.1
Audit related engagements	0.9	—
Other non-audit related services	0.1	0.3
Total	**6.6**	**5.4**
Which relate to:		
Deloitte Accountants B.V.	2.5	1.9
Network of Deloitte Accountants B.V.	3.9	3.5
Other external accountants	0.2	—

65 *Cost of product consists of raw materials (74%, 2020: 74%), conversion costs (20%, 2020: 20%) and inbound freight costs (6%, 2020: 6%).*

66 *Employee benefit expenses consist of wages, salaries, pension costs, share-based payments and related social security charges.*

67 *Other selling, general and administrative expenses in the table above include costs for advertising and promotion, distribution, repairs, maintenance and utilities, amongst others. In 2020 costs related to the Initial Public Offering of the Company were included.*

Notes to the Consolidated Financial Statements (continued)

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:

	2021	2020
Earnings (in EUR million):		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	765	308
Effect of dilutive potential ordinary shares on the earnings		
Effect of share-based payment plans held at the subsidiary level	—	(1)
Earnings for the purposes of diluted earnings per share	**765**	**307**
Number of shares		
Time-weighted average number of ordinary shares for the purposes of basic earnings per share	501,166,058	384,615,728
Adjustments for calculations of diluted earnings per share		
Share-based payment plans	5,667,626	2,594,843
Time-weighted average number of ordinary shares for the purposes of diluted earnings per share	**506,833,684**	**387,210,571**
Basic EPS (in EUR)	1.53	0.80
Diluted EPS (in EUR)	1.51	0.79

The total number of shares outstanding as at 31 December 2021 was 501,951,089 (2020: 499,709,030).

With the Company's listing in 2020 at Euronext Amsterdam, the share-based payment plans at 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 rates 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 rates and valuation techniques refer to note 7.1 Share-based payments.

The incremental fair value granted as a result of these amendments was 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.

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 begins 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.

Notes to the Consolidated Financial Statements (continued)

Acquisitions during 2021

On 1 July 2021, JDE Peet's acquired all shares in Campos Coffee. Through this transaction, JDE Peet's' coffee business in Australia is complemented in both the Out-of-Home and CPG segments. Campos Coffee is a specialty coffee leader in Australia that has built a strong and growing business over the years and is now available in over 600 cafés and present in multiple channels including direct-to-consumer, retail, and its own flagship cafés.

Through this acquisition, JDE Peet's obtained control and is therefore considered a business combination according to IFRS 3 Business Combinations. Consequently, purchase price allocations of all identifiable assets and (contingent) liabilities acquired were performed. The purchase price allocations were finalised in the financial year 2021.

The factors that contributed to the recognition of goodwill include the acquisition of an assembled workforce, expected cost savings and initiatives that are expected to bring greater efficiency and standardisation. In addition, goodwill arises from the recognition of deferred tax liabilities in relation to the fair value increases of acquired net assets primarily representing identified intangible assets and property, plant and equipment for which the amortisation and depreciation does not qualify as a tax-deductible expense. The goodwill is not deductible for tax purposes. Since the acquisition, Campos contributed revenue of EUR 16 million and net profit of EUR 0.4 million.

The following table summarises the considerations paid and the fair value of assets and (contingent) liabilities acquired at the acquisition date (in EUR million):

	Campos Coffee
Property, plant and equipment	8
Identified intangible assets	31
Cash and cash equivalents	2
Borrowings	(3)
Deferred income tax liabilities	(9)
Other net assets	1
Net assets acquired	**30**
Goodwill	52
Total consideration in cash for the acquisitions	**82**
Cash consideration paid in 2021	70
Subsequent cash considerations	12
Total consideration in cash for the acquisitions	**82**

Disposals during 2021

On 1 July 2021, JDE Peet's divested its business in Coffeecompany to Albron B.V. and realised a net gain of EUR 2 million on the divestment.

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). As at 31 December 2020, the purchase price allocation was provisional and was completed within the timeframe of twelve months after the acquisition as allowed by IFRS 3 without any changes. The realised revenue and net profit since acquisition were immaterial to JDE Peet's.

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 Peet's 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	Computer	Technologies	Other	Total
Opening balance as of 1 January 2020	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[68]	(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**
Acquisitions in business combinations	52	25	—	—	6	83
Capital expenditures	—	—	16	—	—	16
Foreign currency translation	93	17	2	—	4	116
Amortisation expense	—	(52)	(24)	(22)	(38)	(136)
Other	(2)	—	1	(1)	1	(1)
Balance as of 31 December 2021	**12,147**	**4,427**	**58**	**107**	**164**	**16,903**
Cost	12,147	4,860	217	275	489	17,988
Accumulated amortisation	—	(433)	(159)	(168)	(325)	(1,085)
Balance as of 31 December 2021	**12,147**	**4,427**	**58**	**107**	**164**	**16,903**

[68] *Disposal of intangibles is related to the disposal of the Revive business, for further disclosure refer to note 7.2 Related Parties.*

Notes to the Consolidated Financial Statements (continued)

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 Mondelez holding in 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):

	2021	2020
Cost of sales	(1)	(1)
Selling, general and administrative expenses	(135)	(138)
Total	**(136)**	**(139)**

At 31 December, the principal acquired brands, all of which are regarded as having indefinite useful economic lives, are as follows (in EUR million):

	2021	2020
Jacobs	1,233	1,233
Douwe Egberts	668	668
Kenco	412	412
Moccona	214	214
Peet's	187	174
Pickwick	175	175
Gevalia	134	134
Maxwell House	118	118
Pilão	12	12
Friele	47	45
Other brands	44	42
Total	**3,244**	**3,227**

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 is 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.

Notes to the Consolidated Financial Statements (continued)

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 on 31 December 2021 is EUR 12,147 million (2020: EUR 12,004 million) and indefinite lived intangible assets EUR 3,244 million (2020: EUR 3,227 million). The movement over the year is explained by the acquisition of Campos 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 2021, 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.

An amount of EUR 58 million of goodwill was reallocated from the Out-of-Home segment to CPG APAC following the change in management structure (refer to note 2.1 Segment information for more details).

As of the impairment testing date at 30 September 2021, 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 2026.

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 share of carrying value of the indefinite lived brands over the segments is as follows:

	2021	2020
CPG Europe	69%	69%
CPG LARMEA	10%	10%
Peet's	7%	7%
Out-of-Home	7%	7%
CPG APAC	7%	7%
Total	**100%**	**100%**

The following is a summary of goodwill allocation for each operating segment as per 31 December (in EUR million):

	2021	2020
CPG Europe	7,552	7,543
CPG LARMEA	612	607
Peet's	710	661
Out-of-Home	2,105	2,163
CPG APAC	1,168	1,030
Total	**12,147**	**12,004**

Notes to the Consolidated Financial Statements (continued)

	2021			2020		
	PRE-TAX DISCOUNT RATE	TERMINAL GROWTH RATE	EBITDA MARGIN GROWTH	PRE-TAX DISCOUNT RATE	TERMINAL GROWTH RATE	EBITDA MARGIN GROWTH
CPG Europe	7.6%-12.2%	1.5%	0.9%	8.0%-14.4%	1.5%	0.0%
CPG LARMEA	8.7%-18.7%	3.4%	1.0%	9.4%-18.1%	2.8%	0.3%
Peet's	8.6%	2.5%	14.6%	11.2%	2.5%	5.6%
Out-of-Home	7.6%-8.8%	1.5%	1.0%	8.0%-10.2%	1.5%	3.2%
CPG APAC	7.9%-8.8%	1.6%	0.1%	9.8%-10.3%	1.7%	0.2%

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 1.9% for JDE and 2.5% for Peet's (2020: 1.8% for JDE and 2.5% for Peet's).

Impairment analysis

In the consolidated financial statements for the year ended 31 December 2020 it was disclosed that the Out-of-Home segment was impacted by the COVID-19 outbreak. As a result, the estimated recoverable amount for the Out-of-Home segment decreased strongly compared to the pre-COVID estimates.

In 2021, the Out-of-Home segment continued to be impacted by the lockdowns and other government measures. Although the level of 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) decreased over the last year, estimating future cash flows remain significantly dependent on judgement.

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 third party observable data as much as possible. After the 5-year period a terminal growth rate was used equal to the expected inflation rate.

Business recovery from COVID-19

Management assumed a further gradual recovery of the business in 2022 when lockdown measures are further lifted. 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 gradual recovery to 95% of revenue in 2024 of the business comparable to the pre COVID year 2019 (i.e. excluding commercial initiatives).. During periods where lockdown measures were (partially) lifted, the business observed a solid recovery, based on which management expects impact of delays in easing the lockdown measures to be limited to the short term. Possible unforeseen adverse developments of the pandemic would have an adverse effect on recoverable amounts.

Commercial initiatives

Next to the recoverability of the 2019 baseline, management estimated the value creation from commercial initiatives committed to as at 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 in alignment with the recovery of the business.

Discount rate

The WACC used to discount the expected future cash flows was updated and overall decreased compared to last year. 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 three downside scenarios and one upside scenario. In the downside scenarios further risk-adjustments were made to cover for any potential (execution) risks to recover the business and/or the implementation of the commercial 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. Management weighted the scenarios based on probability and additionally assessed the break-even point.

Conclusion

The base scenario as well as the probability-weighting of the four alternative scenarios did not result in an indication of impairment. In addition, the cashflow projections to derive at the break-even point were assessed by management as low. However, realisation of assets 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.

Notes to the Consolidated Financial Statements (continued)

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 assets 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, are presented 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):

	Note	2021	2020
Property, plant and equipment - owned assets	3.4.1	1,450	1,391
Right of use assets	3.4.2	233	209
Total		**1,683**	**1,600**

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 their 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.

Notes to the Consolidated Financial Statements (continued)

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	Assets under construction	Other	Total
Opening balance as of 1 January 2020	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**
Acquisitions in business combinations	—	5	—	—	5
Capital expenditures	21	105	112	1	239
Disposals/other	2	(12)	—	—	(10)
Impairment	(1)	(3)	—	—	(4)
Foreign currency translation	15	16	2	(2)	31
Depreciation expense	(35)	(147)	—	(4)	(186)
Transfers	12	49	(78)	1	(16)
Balance as of 31 December 2021	**458**	**803**	**175**	**14**	**1,450**
Cost	750	2,002	175	67	2,994
Accumulated depreciation	(292)	(1,199)	—	(53)	(1,544)
Balance as of 31 December 2021	**458**	**803**	**175**	**14**	**1,450**

In response to the Covid-19 restrictions, in 2020, a decision was made to permanently close 88 coffee stores globally (2021: nil). 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 majority of the impairment charges are related to 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.

Notes to the Consolidated Financial Statements (continued)

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 2020	201	34	6	241
Acquisitions in business combinations	—	—	—	—
Recognition right-of-use asset	43	25	4	72
Impairments[69]	(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**
Acquisitions in business combinations	2	—	—	2
Recognition right of use asset	66	14	2	82
Remeasurement/other	(5)	—	—	(5)
Foreign currency translation	9	1	—	10
Depreciation expense	(49)	(18)	(1)	(68)
Transfers	3	1	(1)	3
Balance as of 31 December 2021	**191**	**35**	**7**	**233**
Cost	318	76	13	407
Accumulated depreciation	(127)	(41)	(6)	(174)
Balance as of 31 December 2021	**191**	**35**	**7**	**233**

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 23 million (2020: EUR 21 million) and were 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 2021 and 2020. There were no amounts recognised to reflect changes in lease payments that arise from rent concessions. The rent concessions amounted to EUR 0.2 million (2020: EUR 1 million).

JDE Peet's incurred interest expenses on the lease liability of EUR 10 million (2020: EUR 11 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 96 million (2020: EUR 93 million).

Depreciation expense included in the income statement for the period is as follows (in EUR million):

	2021	2020
Cost of sales	(192)	(198)
Selling, general and administrative expenses	(62)	(69)
Total	**(254)**	**(267)**

[69] *Impairment as included is partly related to the store closures as disclosed in note 2.1*

Notes to the Consolidated Financial Statements (continued)

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.

During 2021, the measurement of inventory in transit was improved as a result of more accurate assumptions available at reporting dates. The implementation of this improvement resulted in an increase of the inventory position of EUR 49 million as at 31 December 2021. When applying the improved method as at 31 December 2020, this would have resulted in a decrease of EUR 4 million. The offset of this change in inventory measurement is in Trade and other payables.

The composition of inventories is as follows (in EUR million):

	2021	2020
Raw materials (including packaging)	471	348
Work in progress	83	75
Finished goods (including Out-of-Home machines)	338	332
	892	**755**
Provision for write downs	(20)	(23)
Total	**872**	**732**

The amount released from the provision is EUR 5 million (2020: addition of EUR 10 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 2021, an amount of EUR 6 million was charged to the income statement (2020: EUR 18 million) whereby an amount of EUR 7 million was released (2020: EUR 7 million). Amounts charged to the provision are generally written-off when there is no expectation of recovering.

As of 31 December 2021, an amount of EUR 38 million (2020: EUR 74 million) was past due, of which EUR 21 million was due more than 30 days (2020: EUR 35 million). Trade receivables not past due at 31 December 2021, 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):

	2021	2020
Trade receivables	508	462
Provision for impairment of trade receivables	(24)	(27)
Trade receivables—net	**484**	**435**
Prepaid non-income taxes	112	95
Advance to related parties	—	2
Prepaid assets	53	52
Lease receivable	16	15
Deposits	4	5
Other	44	42
Total	**713**	**646**

Notes to the Consolidated Financial Statements (continued)

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.

Key accounting estimate and judgement

In evaluating whether liabilities to suppliers who participate in a supply chain finance initiative, utilise notices of assignment, or act as intermediaries, 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 with the supplier, 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.

Given the customary length of payment terms in the coffee & tea business, it is not uncommon for suppliers of JDE Peet's to use notices of assignment programs of financial institutions. Such notices of assignment are all initiated by, and at the discretion of, the suppliers, and do not change the nature, terms and conditions, or payment terms of the amounts owed by JDE Peet's. Therefore, such arrangements of suppliers do not modify JDE Peet's' classification of the trade payables.

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):

	2021	2020
Trade payables	2,834	2,271
Accrued payroll and benefits	173	172
Accrued trade promotion	277	248
Non-income taxes payable	52	52
Deferred revenue: contract liability	29	29
Payable to affiliated companies	23	56
Dividend payable	176	—
Other accrued expenses	132	127
Total	**3,696**	**2,955**

The carrying amount of the trade and other payables is considered a close approximation of their fair value due to their short-term maturity.

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 2021 and 2020 none of the payables subject to SCF met the criteria to be classified as borrowings. The amount outstanding under SCF as at 31 December 2021 amounted to EUR 436 million (2020: EUR 471 million).

Separately, JDE Peet's has contracts with intermediaries, with an outstanding amount as at 31 December 2021 of EUR 20 million (2020: EUR 87 million), which includes financing elements. These contracts qualify as trade payables. The related transactions under SCF and the supply contracts are reflected under cash flows from operating activities.

During the Annual General Meeting of Shareholders on 17 June 2021, a dividend of EUR 0.70 per share was approved, payable in two instalments of EUR 0.35 on 16 July 2021 and 28 January 2022. The dividend payable to related party as at 31 December 2021 amounted to EUR 97 million.

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. In 2021, JDE Peet's refinanced its existing Term Facilities in three phases with the issuance of several euro and US dollar denominated notes, replacing the Term Facilities. As a result, JDE Peet's benefits from more favourable interest conditions and mix in maturities to optimise its risk profile. Other than this, there were no major changes made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The capital structure is reviewed on a regular basis. The capital structure consists of net debt, which includes the borrowings disclosed in note 5.2 Borrowings, 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.

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 2021 and 2020 can be summarised as follows (value is stated in EUR million):

	Number of issued shares as of 31 December 2021	Number of issued shares as of 31 December 2020	Value in EUR million 2021	Value in EUR million 2020
Ordinary shares	501,951,089	499,709,030	9,980	9,912
Total share capital and share	**501,951,089**	**499,709,030**	**9,980**	**9,912**

No preference shares were outstanding as at 31 December 2021 and 31 December 2020.

Notes to the Consolidated Financial Statements (continued)

Movements in ordinary shares (Nominal value, share premium and total in EUR million):

	Note	Number of issued shares	Nominal value	Share premium	Total
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**
Issuance of shares	(iv)	2,242,059	—	68	68
Balance as of 31 December 2021		**501,951,089**	**5**	**9,975**	**9,980**

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 Mondelez holding when they exchanged their shares in JDE for shares in the capital of JDE Peet's, such that, immediately following Mondelez holding's exchange of shares for JDE Peet's, Mondelez holding 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 Reporting entity), JDE Peet's issued 22,222,222 and 3,333,333 shares, respectively.

iv. In 2021, 1,577,647 (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. Another 664,412 shares were issued as part of the transaction with Peter Harf. More information on this transaction can be found under note 7.2 Related party transactions.

Non-controlling interest

JDE Peet's consolidates JDE, with a 0.26% (2020: 0.27%) non-controlling interest and Peet's with a 3.61% (2020: 3.58%) non-controlling interest. All other subsidiaries are fully owned or the non-controlling interests are not material. As the non-controlling interest is not material in 2020 and 2021, the financial information attributable to non-controlling interests is not disclosed.

Notes to the Consolidated Financial Statements (continued)

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 as 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 2020 and 2021 are summarised in the following tables (in EUR million):

	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		(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

Notes to the Consolidated Financial Statements (continued)

	Currency	31 December 2020	Unwinding discount	Additions	Repaid	Remeasurement	Amortisation	Recognition of lease liability	Currency translation	31 December 2021
JDE Credit Agreement:										
- Term Loan(s) A	EUR	3,971	—	3,671	(7,642)	—	—	—	—	—
- Term Loan(s) B	EUR	401	—	—	(401)	—	—	—	—	—
- Term Loan(s) B	USD	551	—	—	(569)	—	—	—	18	—
Term facility JDEP	EUR	—	—	1,000	(1,000)	—	—	—	—	—
Backstop JDEP	EUR	—	—	300	(300)	—	—	—	—	—
Unsecured notes - EU	EUR	—	—	3,088	—	—	1	—	—	3,089
Unsecured notes - US	USD	—	—	1,477	—	—	—	—	56	1,533
JDE: Other financing	Various	19	—	19	(3)	—	—	—	(3)	32
Peet's: Senior Credit Facility	USD	317	—	—	(326)	—	—	—	9	—
All: Revolving credit facilities	EUR	—	—	300	(300)	—	—	—	—	—
Leases	Various	228	10	—	(72)	(5)[70]	(3)	82	10	250
Unamortised discounts and costs	Various	(7)	—	(42)	—	—	20	—	—	(29)
Total borrowings		**5,480**	**10**	**9,813**	**(10,613)**	**(5)**	**18**	**82**	**90**	**4,875**
Non-current		5,405								4,784
Current		75								91

JDE Peet's 2021 developments

Term facility and Backstop JDE Peet's

On 30 March 2021, the Company entered into a new Facilities Agreement. The Facilities Agreement consists of a Term Facility of EUR 1,000 million, a Backstop Facility of EUR 300 million and a Revolving Credit Facility of EUR 1,500 million under which EUR 200 million was drawn and subsequently fully repaid. All three facilities include extension options. The Term Facility and Revolving Credit Facility also include an option to decrease margin depending on two highest ratings by rating agencies, which was achieved by the end of April 2021. The Facilities Agreement is unsecured and guaranteed by JDE International B.V. and Peet's Coffee Inc. Further, no covenants apply, however certain sustainability targets were agreed as part of the pricing mechanism. Early prepayment of the Term Loans is allowed at par with no breakage costs.

The proceeds of the drawn facilities on 30 March 2021 were used to fully repay the JDE Term Loans B (EUR and USD), the Peet's Senior Credit Facility and EUR 300 million of JDE Term Loan A.

Simultaneously, the JDE Revolving Credit Facility was terminated and the interest conditions of the remaining EUR 3,671 million JDE Term Loan A were improved combined with releasing the security package, which was accounted for as a substantive modification resulting in derecognition of the borrowings and the write-off of the related unamortised debt issuance expenses.

The assessment of the interest floors embedded in the newly recognised borrowings did not result in bifurcation of any of these floors from the hosting contract.

In June 2021, EUR 2,000 million Euro Medium Term Notes ("EMT notes") were issued by the Company of which the proceeds were used to repay EUR 1,671 million of the JDE Term Loan A and to fully repay the EUR 300 million Backstop Facility.

In September 2021, USD 1,750 million USD notes were issued by the Company of which the proceeds were used to repay EUR 1,500 million of the JDE Term Loan A.

In November 2021, an additional amount of EUR 1,100 million EMT notes were issued of which the proceeds were used to fully repay the JDE Term

[70] *The amount included EUR 3 million of additions related to business combinations and EUR (4) million related to divestments.*

loan A of EUR 500 million and to repay EUR 600 million of the Term Facility entered into on 30 March 2021. On 22 December 2021, the remaining EUR 400 million of the Term Facility was repaid from available cash, leaving only the undrawn Revolving Credit Facility in place at 31 December 2021.

Unsecured notes

In June 2021, the Company announced a multi-tranche guaranteed EMT notes programme for a total amount of EUR 5,000 million under which three euro notes were issued on 16 June 2021 for EUR 2,000 million on the euro MTF market of the Luxembourg Stock Exchange, with the following conditions:

Facility	Pricing	Maturity	Issued amount	Initial fair value
Note 2026	0.000% interest	4.6 years	EUR 750 million	EUR 746 million
Note 2029	0.500% interest	7.6 years	EUR 750 million	EUR 745 million
Note 2033	1.125% interest	12.0 years	EUR 500 million	EUR 499 million

In November 2021, the Company issued under the same EMT notes programme another two notes:

Facility	Pricing	Maturity	Issued amount	Initial fair value
Note 2028	0.625% interest	6.3 years	EUR 600 million	EUR 597 million
Note 2025	0.244% interest	3.2 years	EUR 500 million	EUR 500 million

In September 2021, the Company issued USD 1,750 million aggregate principals of notes under rule 144A and Regulation-S, under the Securities Act of 1933 and as a result are not listed on an exchange and consequently not subject to rules applicable to the exchange, such as Sarbanes-Oxley. The notes comprise of the following three series:

Facility	Pricing	Maturity	Issued amount	Initial fair value
Note 2024	0.800% interest	3.0 years	USD 500 million	USD 499 million
Note 2027	1.375% interest	5.3 years	USD 750 million	USD 745 million
Note 2031	2.250% interest	10.0 years	USD 500 million	USD 498 million

Notes to the Consolidated Financial Statements (continued)

All notes are initially recognised at fair value and subsequently measured at amortised costs, the initial fair value of the notes, except for one euro tranche, was lower than their nominal value since they were offered at a discount. This discount will be amortised over the lifetime of the notes.

All notes are unsecured and guaranteed by JACOBS DOUWE EGBERTS International B.V. and Peet's Coffee, Inc.

Interest rate swaps and cross-currency swaps

JDE Peet's had multiple interest rate and cross-currency swaps relating to the prior credit agreements and the Company's Facilities Agreement entered into on 30 March 2021. Following the full repayment of these facilities, all of these became ineffective and resulted in an expense of EUR 19 million recognised within Finance income and expense, see note 5.4 Finance income and expense.

To hedge the foreign currency and US interest rate exposure associated with the US notes, cross-currency interest rate swaps were entered into and part is hedged through a net investment hedge. Hedge accounting under IFRS 9 is being applied, for which more information can be found in note 6 Financial risk management.

JDE Credit Agreement

This facility was fully repaid during 2021 and as a result the Credit Agreement was cancelled.

JDE borrowed under a Credit Agreement which consists of Term Loans and a EUR 500 million Revolving Credit Facility ("RCF"). The Term Loans were repaid in full during the year.

The Term Loan A, Term Loan B (EUR) and RCF were denominated in euro and bore interest based on the Euribor rate with a 0% floor plus applicable margin of 1.60% for Term Loan A and 1.75% applicable margin 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 (USD) was denominated in US dollar and carried 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 was November 2023, for the Term Loans B November 2025. Early prepayment was allowed at par with no break costs.

The commitment fee for the unused portion of the RCF was 0.61%.

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 was applied to JDE's interest rate and cross currency swap portfolio to the extent they qualified. However, due to the various refinancing transactions in prior years the majority of the swaps no longer met the required effectiveness criteria. Therefore, to the extent the hedge was ineffective any fair value changes were recognised in the income statement. For further information, reference is made to note 6 Financial risk management.

The JDE Credit Agreement required compliance with customary affirmative, negative and financial covenants. There was only one financial covenant throughout 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.

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 lease liabilities relate to the right-of-use assets as disclosed in note 3.4 Property, plant and equipment.

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%. 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

This facility was fully repaid in 2021.

Peet's entered into a five-year senior credit agreement consisting of a revolving credit facility of USD 600 million with a syndicate of lenders on 1 December 2017. At 31 December 2020 an amount of USD 386 million (EUR 317 million) was drawn (2019: USD 356 million, EUR 318 million). Obligations under this agreement were secured by substantially all of the assets of Peet's.

The Peet's RCF facility was subject to commitment fees for unused credit ranging from 0.20% to 0.30% of the unused amount. Loans under the agreement bore interest at a base rate plus an applicable margin. The base rate was 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. No hedge accounting was applied in relation to these borrowings.

The credit facility contained 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.

Notes to the Consolidated Financial Statements (continued)

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 2021 an amount of EUR 41 million was not at the free disposal of JDE Peet's (2020: EUR 25 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):

	2021	2020
Cash in bank and on hand	434	373
Cash equivalents	228	41
Total	**662**	**414**

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 had the ability to voluntarily prepay term loans in whole or in part with prior notice to their agent. During 2021, JDE Peet's has repaid all term loans. Please refer to note 5.2 Borrowings for additional information. The prepayment of loans did 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. Please refer to note 5.2 for additional information on the borrowings.

Finance income and expense consist of the following (in EUR million):

	2021	2020
Interest income	29	43
Interest expense[71]	(141)	(180)
Net financing cost of financial debt	**(112)**	**(137)**
Interest income on plan assets	32	35
Interest expense on defined benefit obligation	(30)	(34)
Total pension finance (expense)/income	**2**	**1**
Foreign exchange gain/(loss)	(129)	114
Change in fair value of derivative financial instruments	116	(210)
Fair value changes financial liabilities	(2)	(14)
Net finance expense	**(125)**	**(246)**

[71] *Interest expense primarily includes interest on credit agreements and bank overdrafts (2021: EUR 54 million; 2020: EUR 112 million), interest on unsecured notes (2021: EUR 13 million; 2020: nil), interest rate swaps (2021: EUR 36 million; 2020: EUR 33 million), amortisation expenses (2021: EUR 20 million; 2020: EUR 3 million) and borrowings from related parties (2021: EUR 2 million; 2020: EUR 12 million).*

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 an 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 rates, foreign currency exchange rates, 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, part of the cross-currency swaps and foreign currency component of non-derivative financial instruments 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, however, it had decided to not settle the outstanding legacy interest rate 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 into 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.

Furthermore, JDE Peet's is exposed to fluctuations in US dollar as a result of entering into US-dollar denominated debt instruments. Next to hedging this risk via cross-currency swaps, as of 2021, JDE Peet's designated several investments in subsidiaries in foreign currencies as part of a net investment hedge. By implementing this net investment hedge, JDE Peet's is exposed to currency translation risk resulting from fluctuations in foreign currency exchange spot rates that affect the measurement of the investment in subsidiaries which are offset by the currency exposure on the US debt instruments. Hedge accounting is applied to this net investment hedge.

Interest rate risk

Interest rate risk comprises of the cash flow risk on expected future interest payments that result from borrowings at floating rates.

In 2020, JDE Peet's had US-dollar denominated debt outstanding (amongst others), which means that besides interest rate risk there was also foreign currency risk embedded in its borrowings. To manage interest rate risk, interest rate swaps were 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 were 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 were hedging the cash flows of floating rate debt agreements were designated and accounted for as cash flow hedges applying hedge accounting, where possible. The interest rate swaps and cross-currency swaps applicable to the floating interest and US-denominated debt in 2020, became ineffective during 2021, following the refinancing as described in note 5.2 Borrowings.

At 31 December 2021, the majority of debt had fixed interest rates. Part of the fixed unsecured US-dollar notes are swapped using cross-currency swaps to euro with a fixed interest and hedge accounting is applied.

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 external parties. 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 2021, an exposure of an equivalent of 5,600,000 shares (2020: 777,095 shares) in the Company was hedged, resulting in the recognition of a liability of EUR 28 million (2020: EUR 2 million asset), dividend income of EUR 2 million (2020: nil) and an unrealised result of EUR 30 million in financial income and expense (2020: EUR 2 million benefit).

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.

Notes to the Consolidated Financial Statements (continued)

Commodities

As of 31 December 2021, 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	Effect on profit before tax In EUR million	Effect on equity In EUR million
Coffee beans - 2021	+/- 10%	+/- 19	—
Coffee beans - 2020	+/- 10%	+/- 14	—

Interest rates

In 2020, JDE Peet's had substantial exposure to interest rate movements due to the amount of outstanding borrowings during the period presented. A portion of the outstanding borrowings were 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).

At 31 December 2021, the majority of the debt had fixed interest rates, which reduced the risk of fluctuations in the interest rate risk that might impact JDE Peet's. The fixed US interest on the US notes is swapped using cross-currency swaps to a fixed euro interest and hedge accounting is applied.

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 2021						
Interest rate derivatives	4	(4)	4	(4)	0	0
31 December 2020						
Interest rate derivatives	8	(8)	—	—	8	(8)

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 2021, a sensitivity analysis shows that if foreign exchange rates change by 10 percent this would have affected profit in the following ways (in EUR million):

	Profit or Loss		Equity, pre-tax	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2021				
+/-10%	(92)	112	(209)	256
31 December 2020				
+/-10%	(93)	114	(93)	113

Notes to the Consolidated Financial Statements (continued)

Total return equity swap

On 31 December 2021, 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	Effect on profit before tax In EUR million
Share price - 2021	10%	15
Share price - 2021	(10)%	(15)
Share price - 2020	10%	3
Share price - 2020	(10)%	(3)

Cash-settled share-based payment plan Peet's

As at 31 December 2021 and 31 December 2020, a sensitivity analysis shows that if the underlying share price of Peet's changes by 10%, this would have changed the share based payment liability as follows (in EUR million):

	Change in year-end price	Effect on profit before tax In EUR million
Share price - 2021	10%	9
Share price - 2021	(10)%	(9)
Share price - 2020	10%	11
Share price - 2020	(10)%	(11)

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 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.

Notes to the Consolidated Financial Statements (continued)

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 (refer to note 4.3 Trade and other payables for more details) 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 floating, the undiscounted amount is based on the (forward) interest rates at the end of 31 December 2021 and 31 December 2020, respectively.

As at 31 December 2021 (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	—	—	—	—	—
Unsecured notes	5.2	(30)	(1,829)	(3,062)	(4,921)	(4,593)
Lease liabilities	5.2	(74)	(164)	(31)	(269)	(250)
Other financing	5.2	(25)	(6)	—	(31)	(32)
Trade and other payables (excluding deferred revenue)	4.3	(3,667)	—	—	(3,667)	(3,667)
Total		**(3,796)**	**(1,999)**	**(3,093)**	**(8,888)**	**(8,542)**
Derivative financial assets and (liabilities)						
Foreign currency derivatives	6.7	(5)	—	—	(5)	46
Commodity derivatives	6.7	(6)	—	—	(6)	(2)
Net interest rate derivatives	6.7	(19)	62	44	87	(29)
Total return equity swap derivatives	6.7	(1)	(1)	—	(2)	(28)
Other	6.7	(4)	—	—	(4)	4
Total		**(3,831)**	**(1,938)**	**(3,049)**	**(8,818)**	**(8,551)**

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 swaps	6.7	—	—	—	—	1
Other	6.7	—	—	—	—	4
Total		**(3,191)**	**(5,726)**	**(25)**	**(8,942)**	**(8,582)**

Notes to the Consolidated Financial Statements (continued)

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 and unsecured notes 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 Share-based payments.

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 all significant inputs required to fairly value an instrument are observable, the instrument is included in Level 2.

As at 31 December 2021 (in EUR million):

	Note	Level 1	Level 2	Level 3	Total
Assets					
Interest rate contracts	6.7	—	31	—	31
Foreign exchange contract	6.7	—	51	—	51
Commodity contracts	6.7	1	—	1	2
Other	6.7	4	—	—	4
Total assets		**5**	**82**	**1**	**88**
Liabilities					
Unsecured notes - EU	5.2	3,089	—	—	3,089
Unsecured notes - US	5.2	1,533	—	—	1,533
Borrowings	5.2	—	253	—	253
Share-based payment liability	9.4	—	—	20	20
Management-owned shares liability	9.4	—	—	68	68
Interest rate contracts	6.7	—	56	4	60
Foreign exchange contracts	6.7	—	5	—	5
Commodity contracts	6.7	4	—	—	4
Total return equity swaps	6.7	—	28	—	28
Total liabilities		**4,626**	**342**	**92**	**5,060**

Notes to the Consolidated Financial Statements (continued)

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. Unsecured notes, initially accounted for at fair value and subsequently at amortised cost, classify as Level 1, as these instruments are traded with publicly available prices.

The following tables present the assets and liabilities of JDE Peet's that are measured at fair value at 31 December 2021 and 31 December 2020, respectively.

As at 31 December 2020 (in EUR million):

	Note	Level 1	Level 2	Level 3	Total
Assets					
Foreign exchange contracts	6.7	—	4	—	4
Commodity contracts	6.7	13	—	—	13
Total return equity swaps	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
Interest rate contracts	6.7	—	144	—	144
Foreign exchange contracts	6.7	—	54	—	54
Total liabilities		**—**	**5,678**	**99**	**5,777**

There were no transfers between different levels during 2021 and 2020.

Notes to the Consolidated Financial Statements (continued)

6.6 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting as at 31 December 2021 (in EUR million):

	Financial instruments		Financial instruments	
	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Gross amount recognised in financial instruments	31	57	32	65
Gross amount offset	—	—	—	—
Net amount	**31**	**57**	**32**	**65**
Related amounts not offset in the statement of financial positions				
Gross financial instruments	(1)	(10)	1	10
Cash collateral – not offset	—	23	—	—
Net financial instruments	**(1)**	**13**	**1**	**10**

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 offset	—	—	—	—
Net amount	**—**	**18**	**135**	**64**
Related amounts not offset 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**

Notes to the Consolidated Financial Statements (continued)

6.7 DERIVATIVE FINANCIAL INSTRUMENTS

JDE Peet's applies the 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 Fair value estimation. 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 were 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.

Derivative financial instruments are used, including forward exchange contracts, futures, interest rate swaps, total return equity swaps, net investment hedges 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.

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.

In 2020, the interest rate swaps and cross-currency swaps were 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 same applies to 2021, except for the cross-currency swaps that synthetically hedges the fixed US interest to euro as of September 2021.

The notional amount of swaps was EUR 2.9 billion and USD 220 million related to the interest rate swap (2020: EUR 3.4 billion and USD 220 million), USD 1.7 billion related to the cross-currency swap (2020: USD 550 million) and EUR 180 million related to the total return equity swap (2020: EUR 27 million).

For the designated interest rate and cross-currency swaps a gain, net of tax, of EUR 48 million was recognised in OCI during 2021 (2020: EUR 29 million) and no amount was recognised in the income statement for the ineffective part in 2021 (2020: gain of EUR 32 million). During 2021, the floating euro denominated debt was repaid and the interest rate swaps de-designated. The cashflow hedge balance within Equity was released, resulting in the fair value changes recognised in the income statement. During 2021, new cross-currency swaps were closed for which hedge accounting is applied and which are fully effective.

Notes to the Consolidated Financial Statements (continued)

Information on the classification and fair values of derivatives in the statement of financial position as of 31 December 2021 is as follows (in EUR million):

	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Derivatives designated as hedging instruments:				
Interest rate contracts	—	31	—	—
Foreign exchange contracts	45	—	—	—
Sub-total	**45**	**31**	**—**	**—**
Derivatives not designated as hedging instruments:				
Interest rate contracts	—	—	28	32
Foreign exchange contracts	6	—	5	—
Commodity contracts	2	—	4	—
Total return equity swap contracts	—	—	28	—
Other	4	—	—	—
Sub-total	**12**	**—**	**65**	**32**
Total	**57**	**31**	**65**	**32**

	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	—	—	73	—	73
Amount of gain (loss) recognised in finance income/expense	53	92	2	(30)	117
Amount of gain (loss) recognised in selling, general and administrative expenses	—	—	—	—	—

The notional amount of the USD notes included in the net investment hedge was USD 500 million. The translation result of this part of the USD notes was recognised in the currency translation reserve within Equity and amounted to a loss of EUR 16 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.

Notes to the Consolidated Financial Statements (continued)

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
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)	(211)
Amount of gain (loss) recognised in selling, general and administrative expenses	—	—	—	—

7. GOVERNANCE

7.1 SHARE-BASED PAYMENTS

All JDE and JDE Peet's plans qualify as equity-settled. The Peet's plans partly qualify as equity-settled and partly 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 recognised 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. 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.

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.

Description and amendments of Plans under which Awards were granted to Employees—Total share-based payment expenses were recognised of EUR 34.3 million in fiscal year 2021 (2020: EUR 45.5 million). The total expense consisted of:

- EUR 10.7 million (2020: EUR 4.4 million) related to the Company's Long-Term Incentive Share Plan and Executive Ownership Plan;
- EUR 9.2 million (2020: EUR 8.6 million) related to JDE's Long-Term Incentive Share Plan, Share Purchase Plan Senior Management and Executive Ownership Plan; and
- EUR 14.4 million (2020: EUR 32.5 million) related to Peet's Long-Term Incentive Share plan, Executive Ownership Plan and Management Stock.

Long-Term Incentive Share Plan (the Company)

In 2020, 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. In 2021, the plan was amended, see 'Modifications'.

Executive Ownership Plan (the Company)

In 2020, 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. No amendments were made to this plan.

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

Notes to the Consolidated Financial Statements (continued)

equity-settled. This plan was amended during 2020 and 2021, see 'Modifications'.

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. 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. This plan was amended during 2020, see 'Modifications'.

Share Purchase Plan Senior Management (JDE)

Senior Management is given the opportunity to initially invest in JDE Certificates through a Foundation ("SPP JDE"). 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. This plan was amended during 2020, see 'Modifications'.

Modification

Following the listing of the Company in 2020, the LTIP JDE, EOP JDE and SPP JDE were amended to settle in shares of the Company. The value at vesting of these plans remained, based on the JDE share value, which is subsequently converted to the equivalent value of shares of the Company (value-for-value). Since these plans still vest in shares and there is no present obligation to settle in cash or to repurchase, they remained qualified as equity-settled.

In December 2021, the Board approved that any future grants to, and investments by, JDE participants will be under the plans of the Company. Furthermore, any grants made under the plans of the Company after the date of approval have a vesting period of 3 years rather than 5 years.

Long-Term Incentive Share 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 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. This plan and its Options (that become exercisable subject to vesting conditions) vest in either Peet's shares or shares of the Company and partly qualifies as equity-settled and party as cash-settled, see 'Modification of Peet's plans'.

Executive Ownership Plan (Peet's)

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. The matching of the awards vest in either Peet's shares or shares of the Company and partly qualifies as equity-settled and party as cash-settled, see 'Modification of Peet's plans'.

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. This plan and its Options (that become exercisable subject to vesting conditions) vest in either Peet's shares or shares of the Company and partly qualifies as equity-settled and party as cash-settled, see 'Modification of Peet's plans'.

Modification of Peet's Plans

Following the listing of the Company in 2020, a put right towards Peet's became in place for all Peet's plans. This put option provided the Peet's employees with the right to sell their vested shares and options back to Peet's Inc. at fair value during a certain periods.

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 kept on qualifying as equity-settled. For the part where no consent was given these plans were modified to cash-settled share-based payment plans.

Due to the changes in the classification of these plans in 2020, a share-based payment liability was recognised for the part that qualified as 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. With respect to the Management Stock of Peet's a share-based liability was recognised for the part that qualified as 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 Financial income and expense.

During 2021, no modifications were made.

Notes to the Consolidated Financial Statements (continued)

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 2021 and 2020 as well as December 2021. The vesting dates of these grants are in March and September 2026 and 2025 for the grants issued in March and September 2021 and 2020, respectively. The grant issued in December 2021 will vest in December 2024.

The value of RSUs are based on the share price of the Company. This resulted in a grant date fair value of EUR 21.0 million in 2021 (2020: EUR 5.8 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.

The weighted average grant date fair value at 31 December 2021 of the outstanding RSU share awards was EUR 29.38 (2020: EUR 35.70).

Details of the number of RSU share awards outstanding are as follows:

	2021	2020
In shares of the Company		
Opening balance as of 1 January	241,131	—
Granted	777,950	241,131
Balance as of 31 December	**1,019,081**	**241,131**

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 0.6 million in 2021 (2020: EUR 39.0 million) to be recognised as a share-based payment expense generally over a five-year period.

The weighted-average grant date fair value at 31 December 2021 of the outstanding share awards was EUR 33.94 (2020: EUR 34.07).

Details of the number of RSU share awards outstanding are as follows:

	2021	2020
In shares in the Company		
Opening balance as of 1 January	1,144,700	—
Granted	21,898	1,144,700
Balance as of 31 December	**1,166,598**	**1,144,700**

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.

Notes to the Consolidated Financial Statements (continued)

Long-Term Incentive Share Plan (JDE)

During the year, regular RSUs were granted to eligible employees in March and September 2021 and 2020. The vesting dates of these grants are in March and September 2026 and 2025, 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 7.5 million in 2021 (2020: 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.

The latest available conversion ratio applicable to the number of JDE RSUs to be converted in shares in the Company is: 44.79.

The weighted average grant date fair value at 31 December 2021 of the outstanding RSU share awards was EUR 1,520 (2020: EUR 1,584).

Details of the number of RSU share awards outstanding are as follows:

	2021	2020
In shares of JDE		
Opening balance as of 1 January	23,683	34,954
Granted	8,699	9,130
Forfeited	(2,620)	(10,534)
Vested	(2,740)	(9,867)
Balance as of 31 December	**27,022**	**23,683**

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 8.2 million (2020: EUR 0.0 million) to be recognised as a share-based payment expense generally over a five-year period.

The latest available conversion ratio applicable to the number of JDE RSUs to be converted in shares in the Company is: 44.79.

The weighted average grant date fair value at 31 December 2021 of the outstanding share awards was EUR 1,456 (2020: EUR 1,294).

Details of the number of share awards outstanding are as follows:

	2021	2020
In shares of the JDE		
Opening balance as of 1 January	19,292	21,444
Awarded	5,278	—
Forfeited	(1,607)	(2,152)
Vested	(13,232)	—
Balance as of 31 December	**9,731**	**19,292**

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.

Notes to the Consolidated Financial Statements (continued)

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 of the JDE share.

This resulted in a total grant date fair value of EUR 2.1 million (2020: EUR 0.0 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.

The latest available conversion ratio applicable to the number of JDE RSUs to be converted in shares in the Company is: 44.79.

The weighted average grant date fair value at 31 December 2021 of the outstanding RSU share awards was EUR 1,439 (2020: EUR 1,408).

Details of the number of RSU share awards outstanding are as follows:

	2021	2020
In shares of JDE		
Opening balance as of 1 January	714	889
Granted	1,547	6
Forfeited	(95)	(136)
Vested	(103)	(45)
Balance as of 31 December	**2,063**	**714**

Long-Term Incentive Share Plan (Peet's)

During the year, regular RSUs were granted to eligible employees in March and September 2021 and 2020. The vesting dates of these grants are in September 2026 and 2025, respectively.

As described above, this plan partly qualifies as cash-settled and partly as equity-settled.

With respect to the equity settled plans, a grant date fair value of EUR 7 million in 2021 (2020: EUR 11 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 6% and 14.5% of awards that will eventually vest.

The latest available conversion ratio applicable to the number of Peet's RSUs to be converted in shares in the Company is: 5.47 with respect to the equity-settled plans.

The weighted average grant date fair value at 31 December 2021 of the outstanding RSU share awards was EUR 125 per share (2020: EUR 108 per share).

The weighted average exercise price of the options at 31 December 2021 is EUR 63 per share (2020: EUR 62 per share) with a weighted average remaining contractual life of 4.5 years (2020: 3.9 years).

Details of the number of RSU share awards outstanding are as follows regarding the LTIP:

	2021 Cash-settled	2021 Equity-settled	2020 Cash-settled	2020 Equity-settled
In shares of Peet's				
Opening balance as of 1 January	106,241	104,305	—	257,114
Granted	—	53,276	—	79,387
Vested	(20,039)	(8,134)	(18,127)	(88,925)
Forfeited	(5,212)	(10,370)	—	(18,903)
Effect of plan modifications	—	—	124,368	(124,368)
Balance as of 31 December	**80,990**	**139,077**	**106,241**	**104,305**

Notes to the Consolidated Financial Statements (continued)

Details of the number of options outstanding are as follows:

	2021 Cash-settled	2021 Equity-settled	2020 Cash-settled	2020 Equity-settled
In shares of Peet's				
Opening balance as of 1 January	93,665	20,867	—	127,937
Exercised	(9,398)	(3,664)	(1,821)	(5,937)
Forfeited	(4,045)	(2,204)	(306)	(5,341)
Effect of plan modifications	—	—	95,792	(95,792)
Balance as of 31 December	**80,222**	**14,999**	**93,665**	**20,867**

The number of options exercisable at 31 December 2021 is 67,210.

At 31 December 2021, a liability of EUR 20 million (2020: EUR 18 million) was recognised following the modification to cash-settled plans, including a part of the EOP plan as described below.

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.

As described above, this plan partly qualifies as cash-settled and partly as equity-settled.

With respect to the equity-settled plans, a grant date fair value of EUR 0.5 million in 2021 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 6.0% and 14.5% of awards that will eventually vest.

The latest available conversion ratio applicable to the number of Peet's Options to be converted in shares in the Company is: 5.47 with respect to the equity-settled plans.

The weighted average grant date fair value at 31 December 2021 of the outstanding RSU share awards was EUR 119 per share (2020: EUR 108 per share).

Details of the number of RSU share awards outstanding are as follows regarding the EOP:

	2021 Cash-settled	2021 Equity-settled	2020 Cash-settled	2020 Equity-settled
In shares of Peet's				
Opening balance as of 1 January	80,678	33,209	—	189,090
Granted	—	3,512	—	31,413
Vested	(14,902)	(831)	(12,594)	(45,780)
Forfeited	(1,132)	—	—	(48,242)
Effect of plan modifications	—	—	93,272	(93,272)
Balance as of 31 December	**64,644**	**35,890**	**80,678**	**33,209**

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 2021 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.

Notes to the Consolidated Financial Statements (continued)

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 65 million at 31 December 2021 (2020: EUR 81 million). The number of outstanding Management Stock that qualifies as a liability is 423,644 per 31 December 2021 (2020: 579.854).

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 205,761 per 31 December 2021 and 198,877 per 31 December 2020.

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):

	2021	2020
Salaries	17	47
Share-based payment compensation	17	31
Severance	3	1
Other, including pensions	2	2
Total	**39**	**81**
Executive Director	8	20
Non-executive Directors (the Board)	2	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. The remuneration report is presented on pages 127-133.

We applied the provision in art 2:383 DCC regarding omitting disclosures traceable to a single person for the period up to the listing in 2020. As of the date of listing this provision is no longer applicable.

Shares in JDE Peet's—As at 31 December 2021, Olivier Goudet held 100,000, Peter Harf 664.412 and Chris Brighton held 20,306 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 2021 no contributions were made by or distributed to the shareholders.

On 17 January 2020, JDE Peet's received a capital contribution from Acorn for an amount of EUR 300 million as share premium.

Share-based payments—As described in note 7.1 Share-based payments, 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 Share-based payments. The following transactions occurred in 2020 and 2021 with (non-)executive Directors:

2020: EUR 10.2 million

2021: None

Notes to the Consolidated Financial Statements (continued)

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	
	2021	**2020**	**2021**	**2020**
Keurig Dr Pepper	4	6	72	74
Caribou	37	38	22	23
Mondelez Group	15	20	44	37
Total	**56**	**64**	**138**	**134**

The following amounts were outstanding from/to related parties at reporting date (in EUR million):

	Owed by related parties		Owed to related parties	
	2021	**2020**	**2021**	**2020**
Keurig Dr Pepper	1	2	34	36
Caribou	—	—	3	2
Mondelez Group	5	5	9	9
Total	**6**	**7**	**46**	**47**

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 Mondelez International Inc. Group—There were transactions between JDE Peet's and Mondelez 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 Post-employment benefits. All transactions are related to payments to and/or to fund the pension funds.

Revive transaction—On 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 Goodwill and other intangible assets. The remaining impact of this transaction on the financial statements was immaterial.

Transactions with shareholders—In March 2021, HFS Holdings S.à.r.l., a company owned by Peter Harf, non-executive Director of the Company, exercised its put option on shares in Peet's, Inc., in exchange for shares in the Company. This transaction happened at fair market value and resulted in the issuance of 664,412 ordinary shares of the Company.

The shares at Peet's, Inc. were recognised as a share-based liability and the transaction resulted in a decrease of EUR 21 million

In 2020, 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 Mondelez holding for a total amount of EUR 36 million.

Loans to related parties

Loans to key management—As described in note 7.1 Share-based payments, 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 18 million at 31 December 2021 (2020: EUR 20 million).

Loans from related parties

At 31 December 2021, the Company had no outstanding loans with related parties.

Fiscal unity—Certain Dutch subsidiaries of the Company, and the operations of Peet's were included with affiliates not part of JDE Peet's 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.

Notes to the Consolidated Financial Statements (continued)

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 income 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) the 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 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.

Notes to the Consolidated Financial Statements (continued)

Income Tax Expense

The components of the income tax expense are as follows (in EUR million):

	2021	2020
Current tax (expense) / benefit	(146)	(192)
Deferred tax (expense) / benefit	(74)	(128)
Total income tax expense	**(220)**	**(320)**

Reconciliation of the effective tax rate (in EUR million):

	2021		2020	
Profit before income taxes	982		687	
	Tax	%	Tax	%
Income tax using JDE Peet's calculated weighted average statutory income tax (a)[72]	(216)	22.0%	(141)	20.5%
Differences between computed rate of tax and effective tax rate due to:				
Tax exempt and non-taxable income	7	(0.7)%	6	(0.9)%
Non-deductible expenses	(22)	2.2%	(35)	5.1%
Tax rate changes	6	(0.6)%	(127)	18.5%
Repatriation taxation of earnings and withholding	(10)	1.0%	(3)	0.4%
Recognition/(non-recognition) of deferred tax assets	(10)	1.0%	(8)	1.2%
Tax reserves and tax audit adjustments	29	(2.9)%	(10)	1.5%
Other taxes	(4)	0.4%	(2)	0.3%
Effective tax rate	**(220)**	**22.4%**	**(320)**	**46.6%**

In 2021, the JDE Peet's effective income tax rate of 22.4% (tax expense of EUR 220 million) was slightly higher (0.4%, tax expense of EUR 4 million) than the calculated weighted average statutory income tax rate of 22.0% (tax expense of EUR 216 million) due to various items increasing the tax expense (in total EUR 46 million with increasing effect of 4.6%), which are largely offset by the various items decreasing the tax expense (in total EUR 42.0 million with decreasing effect of 4.2%).

Items with increasing effect on tax expense in 2021 mainly consist of the following: (i) non-deductible business expenses (increasing the tax expense with EUR 22 million, increasing effect of 2.2%), such as long-term incentive costs and certain equity derivative instruments, (ii) irrecoverable withholding taxes paid by subsidiaries on dividends and on other cross-border payments such as royalties and service fees, which cannot be offset against other taxes due (increasing the tax expense with EUR 10 million, increasing effect of 1.0%) and (iii) non-recognition of deferred tax assets for tax losses, for which we do not expect sufficient future taxable profits to utilise such losses before they expire (increasing the tax expense with EUR 10 million, increasing effect of 1.0%).

The decreasing effect on the tax expense in 2021 is mainly due to changes in the tax reserve and tax audit adjustments (decreasing the tax expense with EUR 29 million, decreasing effect of 2.9%), which mainly relates to the release of uncertain tax provisions in Europe for which the statute of limitation has lapsed, which is partly offset by a tax expense, including penalty, in relation to a legacy litigation case we lost in Asia.

In 2020, the JDE Peet's effective income tax rate of 46.6% (tax expense of EUR 320 million) was higher than the calculated weighted average statutory income tax rate of 20.5% (tax expense of EUR 141 million), mainly driven by the impact of 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 2020), which resulted in the realisation of a one-off net deferred tax expense of EUR 127 million (increasing effect of 18.5%).

Deferred Income Tax Assets and Liabilities

The analysis of the deferred income tax assets and liabilities is as follows (in EUR million):

	2021	2020
Deferred income tax assets	66	77
Deferred income tax liabilities	(1,228)	(1,086)
Net deferred income tax	**(1,162)**	**(1,009)**

[72] 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.

Notes to the Consolidated Financial Statements (continued)

Deferred tax assets and deferred tax liabilities are attributable to the following items (in EUR million):

	2021			2020		
	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	1	(109)	(108)	5	(105)	(100)
Goodwill and other intangible assets	10	(1,293)	(1,283)	9	(1,248)	(1,239)
Other non-current financial assets	129	(3)	126	148	(1)	147
Retirement benefit asset/obligations	60	(124)	(64)	71	(54)	17
Share-based payments	4	—	4	3	—	3
Borrowings	45	—	45	43	—	43
Derivative financial instruments	6	—	6	34	—	34
Provisions and other	26	(1)	25	22	(4)	18
Trade and other receivables/payables	28	—	28	28	—	28
Inventories	8	—	8	6	—	6
Tax on repatriation of earnings	—	(55)	(55)	—	(40)	(40)
Other tax credits carry forwards	1	—	1	2	—	2
Tax loss carry forwards	105	—	105	72	—	72
Subtotal	**423**	**(1,585)**	**(1,162)**	**443**	**(1,452)**	**(1,009)**
Offset of deferred tax positions	(357)	357	—	(366)	366	—
Net deferred tax asset/(liability)	**66**	**(1,228)**	**(1,162)**	**77**	**(1,086)**	**(1,009)**

The tax effect relating to temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounts to EUR 42 million (2020: EUR 28 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 US Tax Cuts and Jobs Act ("TCJA") was signed into law, a tax reform package which, among others, subjects certain foreign earnings on which US 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 2021, the net deferred tax liability position increased with EUR 153 million from a net deferred tax liability of EUR 1,009 million in 2020 to a net deferred tax liability of EUR 1,162 million in 2021. This increase was predominantly the result of the increasing impact of fair value changes in retirement benefit plans and derivative instruments in combination with other recurring changes in temporary differences (increasing the net deferred tax liability with EUR 155 million), tax on repatriation of earnings (increasing the net deferred tax liability with EUR 14 million) and additional deferred tax liabilities from the acquisition of Campos (increasing the net deferred tax liability with EUR 10 million), partially off-set by the increase of recognised deferred tax assets for tax loss carry forwards (decreasing of net deferred tax liability with EUR 30 million).

In 2020, the net deferred tax liability position increased with EUR 121 million from a net deferred tax liability of EUR 888 million in 2019 to a net deferred tax liability of EUR 1,009 million in 2020. This increase was predominantly the result of enacted tax rate changes in the Netherlands (increasing the statutory tax rate from 21.7% to 25% and the effective tax rate for the innovation box regime from 7% to 9% in 2020), resulting in a deferred tax expense.

Notes to the Consolidated Financial Statements (continued)

The movements during 2021 and 2020 are as follows (in EUR million):

	Balance as of 31 December 2020	(Charged) Credited to the income statement	(Charged) Credited directly to other comprehensive income	Currency translation	Business combinations	Balance as of 31 December 2021
Property, plant and equipment	(100)	(5)	—	(3)	—	(108)
Goodwill and other intangible assets	(1,239)	(29)	—	(6)	(9)	(1,283)
Other non-current financial assets	147	(21)	—	—	—	126
Retirement benefit asset/obligations	17	(4)	(73)	(4)	—	(64)
Share-based payments	3	1	—	—	—	4
Borrowings	43	1	—	1	—	45
Derivative financial instruments	34	1	(29)	—	—	6
Provisions and other	18	4	—	4	(1)	25
Trade and other receivables/payables	28	(1)	—	1	—	28
Inventories	6	1	—	1	—	8
Tax on repatriation of earnings	(40)	(14)	—	(1)	—	(55)
Other tax credits carry forwards	2	(1)	—	—	—	1
Tax loss carry forwards	72	(7)	37	3	—	105
Net deferred tax asset/(liability)	**(1,009)**	**(74)**	**(65)**	**(4)**	**(10)**	**(1,162)**

	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)**

Tax losses, tax credits and other carried forwards

JDE Peet's has tax losses carried forward of EUR 791 million as at 31 December 2021 (2020: EUR 789 million), for which EUR 105 million was recognised as a deferred tax asset (2020: EUR 72 million). Unrecognised deferred tax assets on tax losses amounted to EUR 74 million in 2021 (2020: EUR 78 million).

JDE Peet's has US and Netherlands tax credits carry forwards at 31 December 2021 of EUR 21 million (2020: EUR 21 million) for which a deferred tax asset was recognised for EUR 1 million (2020: EUR 2 million). The unrecognised tax credits amount to EUR 20 million in 2021 (2020: EUR 19 million), of which EUR 2 million expires between 1 to 2 years, EUR 14 million expires between 7 and 10 years, and the remaining EUR 5 million are carried forward unlimited in time.

The tax effect of other deductible temporary differences that have not been recognised, amounted to EUR 26 million in 2021 (2020: EUR 25 million) as it is not expected they will be utilised.

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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Within 1 year	5	6	2	1	7	7
1 to 2 years	7	5	2	4	9	9
2 to 3 years	7	6	—	2	7	8
3 to 4 years	7	7	—	1	7	8
4 to 5 years	19	13	5	—	24	13
Later	18	29	113	115	131	144
Unlimited	226	282	380	318	606	600
Balance as at 31 December	**289**	**348**	**502**	**441**	**791**	**789**

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 2021 was EUR 32 million (2020: EUR 32 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 plans in the UK and Germany. 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.

As of 30 June 2021 employees in the United Kingdom no longer accrue new pension rights and the early retirement window was extended through July 2025. Stopping accruing new pension rights resulted in a curtailment gain of EUR 11 million and the past service costs from extending the early retirement window amounted to EUR 7 million.

The value of the UK Plan as at 31 December 2021 amounted to a net asset of EUR 498 million (2020: EUR 287 million). No asset ceiling applies to this plan.

Up to June 2021, the defined benefit plan in the UK was funded by contributions from the employees 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 114.6% at 31 December 2021 (2020: 109.6%).

Germany–There are six (largely) unfunded defined benefit plans in Germany. About 1,000 employees (2020: 1,100) accrue benefits in two (closed) schemes: a jubilee plan and a deferred compensation plan. The total defined benefit obligation at 31 December 2021 was EUR 213 million (2020: EUR 235 million) of which EUR 82 million (2020: 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):

	2021	2020
Defined benefit obligation of funded plans	(1,704)	(1,749)
Fair value of plan assets	2,202	2,036
Funded defined benefit plans with a surplus	**498**	**287**
Defined benefit obligation of funded plans	(356)	(373)
Fair value of plan assets	121	116
Funded defined benefit plans with a deficit	**(235)**	**(257)**
Post-employment medical & jubilee benefits	(13)	(12)
Defined benefit liability	**(248)**	**(269)**

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):*

	2021	2020
Total defined benefit obligation	(2,060)	(2,122)
Total fair value of plan assets	2,323	2,152
Net defined benefit position	**263**	**30**

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	
	2021	2020	2021	2020
United Kingdom	2,202	2,036	(1,704)	(1,749)
Germany	82	80	(295)	(315)
Other	39	36	(61)	(58)

The weighted average duration of the defined benefit obligations for the UK per 31 December 2021 is 15.5 years (2020: 15.9 years) and for Germany per 31 December 2021 is 20.7 years (2020: 22.1 years).

The movement in the defined benefit obligation over the year is as follows (in EUR million):

	2021	2020
Defined benefit obligation at the beginning of the period	2,122	2,050
Employer service costs	14	17
Interest expense	30	33
Past service costs	(4)	—
Administration costs	2	2
Actuarial (gain)/loss due to experience	(64)	(2)
Actuarial (gain)/loss due to demographic assumption changes	(2)	6
Actuarial (gain)/loss due to financial assumption changes	(74)	179
Foreign currency translation	105	(91)
Benefits paid	(73)	(72)
Other	4	—
Defined benefit obligation at current period end	**2,060**	**2,122**

The movement in the fair value of plan assets is as follows (in EUR million):

	2021	2020
Fair value of plan assets at the beginning of the period	2,152	2,111
Employer contributions	10	12
Benefits paid	(73)	(72)
Interest income	32	35
Return on plan assets greater/(less) than interest income	67	173
Business combinations	3	—
Foreign currency translation	132	(107)
Fair value of plan assets at current period end	**2,323**	**2,152**

Notes to the Consolidated Financial Statements (continued)

The amounts recognised in the income statement are as follows (in EUR million):

	2021	2020
Employer service costs	14	17
Past service costs	(4)	—
Interest expense on defined benefit obligation	30	33
Interest income on plan assets	(32)	(35)
Administration costs	2	2
Total defined benefit cost recognised in the consolidated income statement	**10**	**17**

Of the total defined benefit cost recognised in the income statement EUR 14 million (2020: EUR 17 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):

	2021	2020
Opening balance	(89)	(115)
Actuarial (gains) / losses on the defined benefit obligation	(140)	183
Actuarial (gains) / losses on the plan assets	(67)	(173)
Foreign currency translation	(13)	16
Closing balance	**(309)**	**(89)**

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):

	2021	2020
Liability (gain) or loss due to experience	(64)	(2)
Liability (gain) or loss due to demographic and financial assumptions changes	(76)	185
Actuarial (gains) / losses on the defined benefit obligation	**(140)**	**183**
Asset (gain) or loss due to experience	(67)	(173)
Actuarial (gain) or loss recognised	**(207)**	**10**

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:

	2021		2020	
	UK	Germany	UK	Germany
Discount rate	1.85%	1.20%	1.30%	0.80%
Indexation rate inactive participants - deferred	3.00%	N/A	2.40%	N/A
Indexation rate inactive participants - pensioners	3.30%	1.75%	2.85%	1.75%
Inflation rate	3.50%	2.00%	2.90%	1.75%
Future salary increases	N/A	2.50%	3.40%	0.025

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 2020 update, with a 1.25% long term trend and for 2021 an 0.25% initial addition to improvements.
- Germany: Heubeck 2018G.

Sensitivity to changes in individual parameters used as of 31 December 2021 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 169 million (2020: EUR 191 million);
- A 50 basis point increase in inflation assumption would increase the defined benefit obligation by approximately EUR 99 million (2020: EUR 119 million);
- A 50 basis point increase in the salary growth rate would increase the defined benefit obligation by approximately EUR 10 million (2020: EUR 19 million).

Notes to the Consolidated Financial Statements (continued)

The pension plan asset allocation differs per plan. On a weighted average basis, the allocation was as follows:

	2021	2020
Equity instruments	7.7%	10.0%
Bond instruments	3.5%	3.7%
Other	88.8%	86.3%
	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 2022 are EUR 8 million (2021: 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):

	2021	2020
Opening balance	12	13
Employer service cost	1	—
Employer contribution	(1)	(1)
Closing balance	**12**	**12**

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.

Notes to the Consolidated Financial Statements (continued)

The change in provisions was as follows (in EUR million):

	Restructuring	Legal and other	Total
Opening balance as of 1 January 2020	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**
Acquired in business combinations	—	1	1
Additions charged to income statement	4	5	9
Payments	(27)	(14)	(41)
Reductions related from re-measurement or settlement without cost	—	(4)	(4)
Currency translation differences	—	2	2
Carrying amount as of 31 December 2021	**20**	**37**	**57**
Non-current	9	16	25
Current	11	21	32
Carrying amount as of 31 December 2021	**20**	**37**	**57**

Notes to the Consolidated Financial Statements (continued)

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 6 million were recognised during the year ended 31 December 2021 (2020: EUR 40 million).

At 31 December 2020, an additional amount of EUR 11 million should have been reported as non-current. This mostly pertains to former employees who were part of a restructuring plan receiving benefits until their effective legal date of retirement.

Legal and other provisions

The composition of legal and other provisions is as follows (in EUR million):

	2021	2020
Branded Apparel	9	12
Other	28	35
Total	**37**	**47**

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 assumed in business combinations

9.3 OTHER NON-CURRENT ASSETS

The composition of other non-current assets is as follows (in EUR million):

	2021	2020
Lease receivables	25	24
Supply contracts	19	19
Advance to related parties	28	30
Investment in associates	20	16
Other non-current assets	37	35
Total	**129**	**124**

The supply contracts relate to prepayments on a contract, which is amortised over 10 years 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 LIABILITIES

The composition of other non-current liabilities is as follows (in EUR million):

	Note	2021	2020
Deferred revenue		56	53
Share-based payment liability	7.1	20	18
Management-owned shares liability	7.1	68	81
Other		12	7
Total non-current liabilities		**156**	**159**

The change in the management-owned shares was as follows (in EUR million):

	2021	2020
Balance as at 1 January	81	—
Fair value through income statement	2	10
Repayments	(26)	—
Vesting of share-based payments	7	(10)
Exercises	1	—
Currency translation	5	—
Reclassification from / (to) equity	(2)	81
Balance as of 31 December	**68**	**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 was recognised as a reclassification between the share-based payment reserve, retained earnings and the other non-current liabilities for an amount of EUR 15 million and EUR 81 million for the share-based payment liability and the management-owned shares liability, respectively. Subsequently, all fair value changes were recognised in the profit and loss account for an amount of EUR 9 million (2020: EUR 7 million) in the selling, general and administrative expenses and EUR 2 million (2020: EUR 10 million) in the finance expenses for the share-based payment liability and the management-owned shares liability, respectively. For more information about these plans reference is made to note 7.1 Share-based payments.

Notes to the Consolidated Financial Statements (continued)

9.5 COMMITMENTS AND CONTINGENCIES

Commitments—The off-balance sheet commitments consist of the following (in EUR million):

	2021	2020
Purchase commitments	1,142	830
Operating leases	6	17
Guarantees	2	3
	1,150	**850**

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. 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):

	2021	2020
Not later than one year	4	6
Later than one year and not longer than five years	2	10
Later than five years	—	1
	6	**17**

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.
  - 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 Mondelez 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 Mondelez International's conduct in relation to several product categories including coffee. The investigation concerns Mondelez 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.

Any exposures assessed possible, not probable, were measured at their fair value upon a business combination transaction.

Notes to the Consolidated Financial Statements (continued)

9.6 LEGAL ENTITIES

Below is a list of significant subsidiaries at December 31, 2021. A full list of legal entities is filed with the Chamber of Commerce. 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 2021	Ownership percentage 2020
JACOBS DOUWE EGBERTS AU Pty. Ltd.	Australia	99%	100%
JACOBS DOUWE EGBERTS BE BVBA	Belgium	99%	100%
JACOBS DOUWE EGBERTS BR Comercialização de Cafés Ltda.	Brazil	99%	100%
FOODS Indústria e Comércio Ltda.	Brazil	99%	100%
JACOBS DOUWE EGBERTS OPS BG EOOD	Bulgaria	99%	100%
Wuxi Super Food Technology Co., Ltd.	China	99%	100%
JACOBS DOUWE EGBERTS OPS CZ s.r.o.	Czech Republic	99%	100%
JACOBS DOUWE EGBERTS DK ApS	Denmark	99%	100%
JACOBS DOUWE EGBERTS FR SNC	France	99%	100%
JACOBS DOUWE EGBERTS FR SAS	France	99%	100%
Maison Lyovel SAS	France	99%	100%
JACOBS DOUWE EGBERTS DE GmbH	Germany	99%	100%
JACOBS DOUWE EGBERTS GR EPE	Greece	99%	100%
JACOBS DOUWE EGBERTS Kazakhstan LLP	Kazakhstan	99%	100%
Super Food Technology Sdn. Bhd.	Malaysia	99%	100%
Super Foods Specialists Sdn. Bhd.	Malaysia	99%	100%
JACOBS DOUWE EGBERTS MA SARLAU	Morocco	99%	100%
Super Coffeemix Ltd.	Myanmar	60%	60%
JACOBS DOUWE EGBERTS International B.V.	The Netherlands	99%	100%
Koninklijke Douwe Egberts B.V.	The Netherlands	99%	100%
JACOBS DOUWE EGBERTS PRO NL B.V.	The Netherlands	99%	100%
JACOBS DOUWE EGBERTS NL B.V.	The Netherlands	99%	100%
JDEP Holding B.V.	The Netherlands	99%	100%
JACOBS DOUWE EGBERTS NZ Limited	New Zealand	99%	100%

Notes to the Consolidated Financial Statements (continued)

Name of subsidiary	Country of incorporation	Ownership percentage 2021	Ownership percentage 2020
JACOBS DOUWE EGBERTS NORGE AS	Norway	99%	100%
JACOBS DOUWE EGBERTS PL sp. z o.o.	Poland	99%	100%
JACOBS DOUWE EGBERTS RO Srl	Romania	99%	100%
JACOBS DOUWE EGBERTS Rus LLC	Russia	99%	100%
JACOBS DOUWE EGBERTS RTL SCC SG PTE. LTD.	Singapore	99%	100%
JACOBS DOUWE EGBERTS ES S.L.U.	Spain	99%	100%
JACOBS DOUWE EGBERTS S.E. AB	Sweden	99%	100%
JACOBS DOUWE EGBERTS OPS S.E. AB	Sweden	99%	100%
JACOBS DOUWE EGBERTS TH Ltd.	Thailand	99%	100%
SCML (Thailand) Co., Ltd.	Thailand	99%	100%
Of Çaysan Tarım Ürünleri Entegre Tesisleri Sanayi ve Ticaret Anonim Şirketi	Turkey	70%	70%
LLC Jacobs Douwe Egberts Ukraina	Ukraine	100%	100%
JACOBS DOUWE EGBERTS OPS GB Ltd	United Kingdom	99%	100%
JACOBS DOUWE EGBERTS GB LTD	United Kingdom	99%	100%
D.E. Holding UK Ltd	United Kingdom	99%	100%
Peet's Coffee, Inc.	United States	96%	96%

In addition to these significant subsidiaries, JDE Peet's has other consolidated entities in the countries listed, and also in the following countries: Austria, Belarus, Finland, Georgia, Hong Kong, Hungary, Indonesia, Ireland, Isle of Man, Italy, Lithuania, Luxembourg, Mexico, Philippines, Portugal, Slovakia, South Africa, Switzerland, and Vietnam.

Apart from certain cash restrictions (refer to note 5.3 Cash and Cash Equivalents), there are no significant restrictions on JDE Peet's' ability to access or use assets, and to settle liabilities within these subsidiaries. Refer to note 3.1 Business combinations for the consequences of losing control of subsidiaries during 2021 and 2020.

The financial statements of the parent and the subsidiaries used in the preparation of the consolidated financial statements have the same reporting date.

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 SERVICES DE GmbH, Bremen/Germany

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 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 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.
- Oak InvestCo 2 B.V.

In addition, JACOBS DOUWE EGBERTS International B.V. issued comfort letters in favour of the following entities:

- D.E. Investments France SNC
- Courtaulds Textiles Holdings SAS
- DEF Holding SNC
- JACOBS DOUWE EGBERTS PRO FR SNC
- JACOBS DOUWE EGBERTS FRANCE SNC
- DEF FINANCE SNC
- Maison Lyovel SAS
- Jacobs Douwe Egberts IE Ltd
- D.E. Holding UK Ltd

COMPANY FINANCIAL STATEMENTS

COMPANY INCOME STATEMENT

For the years ended 31 December 2021 and 31 December 2020

In EUR million

	Note	2021	2020
Selling, general and administrative expense		(22)	(72)
Operating profit		**(22)**	**(72)**
Finance income		30	17
Finance expense		(54)	(16)
Share of profit of subsidiaries		806	377
Profit before income taxes		**760**	**306**
Income tax benefit / (expense)		5	2
Profit for the period		**765**	**308**

Company Financial Statements (continued)

COMPANY BALANCE SHEET

As at 31 December 2021 and 31 December 2020

Before appropriation of profit in EUR million

	Note	2021	2020
Non-current assets:			
Investments in subsidiaries	3	11,140	10,165
Deferred tax asset		1	—
Derivative financial instruments		31	—
Other financial assets		8	14
		11,180	**10,179**
Current assets:			
Trade and other receivables	4	21	54
Financial assets	5	4,921	—
Income tax receivable		2	—
Derivative financial instruments		3	—
Cash and cash equivalents		—	13
		4,947	**67**
Total assets		**16,127**	**10,246**

	Note	2021	2020
Equity and liabilities			
Equity:			
Share capital	6	5	5
Share premium		9,975	9,907
Legal reserves:			
Cash flow hedge reserve		334	74
Foreign currency translation reserve		(674)	(768)
Other legal reserves		(49)	(41)
Other reserves		667	717
Profit for the period		765	308
		11,023	**10,202**
Non-current liabilities:			
Borrowings	8	4,592	—
		4,592	**—**
Current liabilities:			
Borrowings	8	284	28
Income tax payable		—	2
Trade and other payables	7	200	14
Derivative financial instruments		28	—
		512	**44**
Total equity and liabilities		**16,127**	**10,246**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

As at 1 January 2020 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.

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):

	2021	2020
Balance at 1 January	10,165	9,288
Effect of exchange with Mondelez Coffee HoldCo B.V.	—	2,760
Capital increase	21	—
Dividends	(196)	—
Net result	806	377
Other transactions with shareholders	—	(1,799)
Cash flow hedge reserve	84	17
Foreign currency translation	112	(352)
Other reserves	148	(126)
Balance as of 31 December	**11,140**	**10,165**

For 2020, the Other transactions with shareholders related to the distribution of the intercompany loans as described in note 8 of the Company financial statements, offset with the capitalisation of loan to Peet's and capital contributions 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):

	2021	2020
Receivable from other JDE Peet's companies	11	35
Other receivables	10	19
Total	**21**	**54**

All trade and other receivables are due within one year, no amounts are provided for.

Notes to the Company Financial Statements (continued)

5. OTHER (NON-)CURRENT FINANCIAL 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 was 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 was US $4 million (EUR 3 million). This loan was repaid on 30 March 2021.

On 30 March 2021, the Company provided a loan for an amount of EUR 17 million, against an interest rate of 1.0%, to JDE International B.V. which was repaid on 4 June 2021. On 9 November 2021, the Company provided another loan to JDE International B.V. for an amount of EUR 216 million against an interest rate of 0.75% which was repaid on 21 December 2021.

Throughout the year, the Company provided a total of EUR 6,210 million of loans to New Oak 2 B.V of which EUR 1,314 million was repaid. The weighted average interest rate is 0.4% with maturity dates from 2024 to 2033.

In EUR millions

	1/1/2021	Additions	Repayments/ redemptions	Currency translation	31/12/2021
Intercompany loan - Peet's HoldCo, Inc	3	—	(3)	—	—
Intercompany loan - New Oak 2	—	6,210	(1,314)	25	4,921
Intercompany loan - JDE International B.V.	—	233	(233)	—	—
Total	**3**	**6,443**	**(1,550)**	**25**	**4,921**

	1/1/2020	Additions	Repayments/ redemptions	31/12/2020
Intercompany loan - Peet's HoldCo, Inc	267	—	(264)	3

Notes to the Company Financial Statements (continued)

6. SHAREHOLDERS' EQUITY

The movements of the shareholders' equity are as follows (in EUR million):

	Share capital	Share premium	Legal reserves	Other reserves	Profit for the period	Total equity
Balance — As of 1 January 2020	**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)**
Shared-based payment transactions	—	36	—	15	—	51
Dividends	—	(10)	—	(1)	—	(11)
Appropriation of profit	—	—	—	424	(424)	—
Release from legal reserve for internally developed software	—	—	(5)	5	—	—
Issuance of shares upon listing of the Company	4	786	—	—	—	790
Capital transactions with related parties	—	2,760	(110)	110	—	2,760
Purchase of shares from non-controlling shareholders	—	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**
Profit for the period	—	—	—	—	765	765
Retirement benefit obligation related items	—	—	171	—	—	171
Foreign currency translation	—	—	112	—	—	112
Foreign currency contracts	—	—	36	—	—	36
Net investment hedge	—	—	(16)	—	—	(16)
Interest rate swaps	—	—	48	—	—	48
Total Comprehensive Income / (Loss)	**—**	**—**	**351**	**—**	**765**	**1,116**
Shared-based payments	—	—	—	2	—	2
Dividend	—	—	—	(351)	—	(351)
Appropriation of profit 2020	—	—	—	308	(308)	—
Other transactions with shareholders	—	—	—	(14)	—	(14)
Release from legal reserve from internally developed	—	—	(5)	5	—	—
Issuance of shares	—	68	—	—	—	68
Balance — As of 31 December 2021	**5**	**9,975**	**(389)**	**667**	**765**	**11,023**

The Company's ability to declare dividends is limited to distributable reserves as defined by applicable law.

7. TRADE AND OTHER PAYABLES

The composition of trade and other payables is as follows (in EUR million):

	2021	2020
Trade and other payables	24	9
Dividend payable	79	—
Dividend payable to related parties	97	—
Payable to related parties	—	5
Total	**200**	**14**

The carrying amount of the trade and other payables is considered a close approximation of their fair value due to their short maturity.

During the Annual General Meeting of Shareholders on 17 June 2021, a dividend of EUR 0.70 per share was approved, payable in two instalments of EUR 0.35 on 16 July 2021 and 28 January 2022. The dividend payable as at 31 December 2021 amounted to EUR 176 million, which partly is to a related party (EUR 97 million).

8. BORROWINGS

During 2021, the Company issued unsecured notes, please refer to note 5.2 Borrowings in the consolidated financial statements for more details.

Per 31 December 2021, the Company had a bank overdraft with related parties for a total of EUR 284 million (2020: nil).

Per 31 December 2020, the Company had a loan outstanding of EUR 28 million against an at arm's length interest percentage of 0.0% from JDE International B.V. The loan has been repaid in January 2021.

During 2020, some 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

	31 December 2019	Additions	Repayments/ redemptions	31 December 2020
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 the statements on release from the duty to disclose financial statements in the consolidated financial statements.

10. RELATED-PARTY TRANSACTIONS

Loans from related parties

See note 8 Borrowings for any loans, including the overdraft balance in the cashpool, from related parties.

Loans to related parties

See note 5 Other (non-)current assets for any loans to related parties. In addition, the cash balance of EUR 13 million as at 31 December 2020 represented a positive balance in the cashpool with a related party.

Other

In note 7.2 Related-party transactions 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 Related-party transactions of the Consolidated financial statements, where the provision in art 2:383.1 DCC is applied.

12. APPROPRIATION OF NET RESULT FOR THE YEAR

JDE Peet's' Board proposes to pay a dividend of EUR 0.70 per share in cash related to the financial year 2021. The dividend will be paid in two instalments of EUR 0.35 each. The first payment date will be on Friday 15 July 2022, with the ex-dividend date on Monday 11 July 2022 and the record date on Tuesday 12 July 2022. The second payment date will be on Friday 27 January 2023, with the ex-dividend date on Monday 23 January 2023 and the record date on Tuesday 24 January 2023. The dividend proposal is subject to approval by the Annual General Meeting of Shareholders to be held on Wednesday 11 May 2022.

13. SUBSEQUENT EVENTS

Dividend

JDE Peet's' Board proposes to pay a dividend of EUR 0.70 per share in cash related to the financial year 2021. The dividend will be paid in two instalments of EUR 0.35 each. The first payment date will be on Friday 15 July 2022, with the ex-dividend date on Monday 11 July 2022 and the record date on Tuesday 12 July 2022. The second payment date will be on Friday 27 January 2023, with the ex-dividend date on Monday 23 January 2023 and the record date on Tuesday 24 January 2023. The dividend proposal is subject to approval by the Annual General Meeting of Shareholders to be held on Wednesday 11 May 2022.

Related party transactions

In January 2022, the remuneration committee granted the Executive Director a Restricted Share Units (RSU) grant with a value of EUR 1 million. The grant has the same vesting conditions as the long-term incentives granted in December 2021, included in the remuneration report.

In February 2022, Olivier Goudet, Non-executive Director of the Company, exercised its put option on shares in Peet's Coffee, Inc., in exchange for shares in the Company. This transaction happened at fair market value and resulted in the issuance of 751,849 ordinary shares. In the consolidated financial statements, his shares at Peet's Coffee, Inc. were recognised as a management-owned shares liability and the transaction resulted in a decrease of this liability for an amount of EUR 23 million.

RCF extension

In March 2022, JDE Peet's extended the RCF facility with one year, to 30 March 2027.

Situation in Ukraine

JDE Peet's is continuously monitoring the situation unfolding in Russia and Ukraine, including the related risks and uncertainties and the possible negative impact it may have on the business and the financial results for 2022. Russia and Ukraine contribute to approximately 5% and 1% of total revenues, respectively. JDE Peet's has manufacturing facilities in St Petersburg, Russia and in Trostyanets, Ukraine, which may be negatively impacted by the war. The impact on the recoverability of assets in Ukraine, including inventory and accounts receivable is continuously being monitored. The assets in both markets may also be subject to non-cash impairment and write-down, in which the potential impact is estimated at less than 1% of total assets, and the war may negatively impact the goodwill assessment for the segment (refer to note 3.3). JDE Peet's is also continuously monitoring compliance with EU sanctions and currently the markets outside Russia and Ukraine are experiencing only a limited impact from the war.

22 March 2022

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 the financial year 2021. The dividend will be paid in two instalments of EUR 0.35 each. The first payment date will be on Friday 15 July 2022, with the ex-dividend date on Monday 11 July 2022 and the record date on Tuesday 12 July 2022. The second payment date will be on Friday 27 January 2023, with the ex-dividend date on Monday 23 January 2023 and the record date on Tuesday 24 January 2023. The dividend proposal is subject to approval by the Annual General Meeting of Shareholders to be held on Wednesday 11 May 2022.

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 2021 INCLUDED IN THE 2021 ANNUAL REPORT

Our opinion

We have audited the financial statements for the year ended 31 December 2021 of JDE Peet's N.V., based in Amsterdam, the Netherlands. The financial statements comprise the consolidated financial statements and the company financial statements.

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 2021, and of its result and its cash flows for 2021 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 2021, and of its result for 2021 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 2021.
2. The following statements for the year ended 31 December 2021: the Consolidated Income Statement, the Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The Company Balance Sheet as at 31 December 2021.
2. The Company Income Statement for the year ended 31 December 2021.
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.

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Independent Auditor's Report (continued)

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 52 million. The materiality is based on 5.3% 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 misstatements in excess of EUR 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 operations in Brazil, France, Germany, United Kingdom, Southeast Asia 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 such as corporate governance, 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 majority of 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 74% of consolidated revenues, approximately 77% of consolidated operating profit, and approximately 95% 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	74%
Audit coverage of consolidated operating profit	77%
Audit coverage of consolidated total assets	95%

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 about the consolidated financial statements.

Fraud and non-compliance with laws and regulations

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 have a material effect on the financial statements as it may result in fines, litigation or other consequences for JDE Peet's N.V.

Inherent to our responsibilities for the audit of the financial statements, there is an unavoidable risk that material misstatements go undetected, even though the audit is planned and performed in accordance with Dutch law. The risk of undetected material misstatements due to fraud is even higher, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, we are not responsible for the prevention and detection of fraud and non-compliance with all laws and regulations. Our audit procedures differ from a forensic or legal investigation, which often have a more in-depth character.

Audit approach related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the system of internal control, including:

- the risk assessment process;
- management's process for responding to the risks of fraud and monitoring the system of internal control;
- how the Management Board exercises oversight.

We also obtained understanding of the outcomes of these processes of which we evaluated the design and implementation of the system of internal control and in particular the fraud risk assessment, including the code of conduct, whistle blower procedures and incident registration. We evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption and whether these factors indicate a risk of material misstatement. We involved Deloitte's forensic specialists in these processes.

In connection with the presumed risk of financial statement fraud, we considered such risk in relation to management override of controls, including evaluating whether there was evidence of bias by the Management Board and other members of management. Our procedures include an assessment of the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, as these may be indicative of fraudulent financial reporting. With respect to the element of bias, we evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements represent a risk of fraudulent material misstatement. We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We incorporated elements of unpredictability in the selection of the nature, timing and extent of our audit procedures. Among others, these include a periodical reassessment of the group audit scope, planning and audit findings meetings or video calls with auditors of reporting entities. Reference is made to the section "Scope of the group audit". We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. For significant transactions we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements.

We made inquiries with management, those charged with governance and with others within the group, including but not limited to, in-house legal teams, compliance officers, the Director of Internal Audit and the Group Controller. We refer to section "Risk Management – Main compliance risks" of the management report for management's fraud risk assessment. We obtained written representations that all known instances of (suspected) fraud and other irregularities have been disclosed to us.

Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 1.2 of the financial statements. Certain management estimates and judgements are considered most significant to our audit; reference is made to the section "Our key audit matters".

Our procedures did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach related to risks of compliance with laws and regulations

We differentiate our audit approach between two categories

- Rules and regulations that directly impact the financial reporting
- Rules and regulations that indirectly may have material impact on the financial statements

In the first category, we considered adherence to (corporate) tax and pension laws and financial reporting regulations including the requirements under International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code. These directly impact the financial statements and are integral to our audit.

In the second category, we considered 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 imposed fines or litigation. Examples of such other laws and regulations are those relating to anti-bribery and corruption, competition and data privacy laws, and human rights.

Our procedures are more limited with respect to laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may however be fundamental to the operating aspects of the business, to JDE Peet's ability to continue its business, or to avoid material penalties and therefore non-compliance with such laws and regulations may have a material

Independent Auditor's Report (continued)

effect on the financial statements. Our responsibility for these matters that indirectly impact the financial statement is limited to:

i. inquiry with management, those charged with governance, group legal counsel, internal audit and others within the group as to whether the Company is in compliance with such laws and regulations;

ii. inspecting relevant correspondence with regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements; and

iii. request and obtain written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

iv. We remained alert to indications of non-compliance throughout the audit.

Audit approach going concern

Our responsibilities, as well as the responsibilities of the Board, related to going concern under the prevailing standards are outlined in the “Description of responsibilities regarding the financial statements” section below. In fulfilling our responsibilities, we performed procedures including evaluating management’s assessment of the Company’s ability to continue as a going concern and considering the impact of financial, operational, and other conditions. Based on these procedures, we did not identify any reportable findings related to the entity’s ability to continue as a going concern. Management’s conclusion on the Company's ability to continue as a going concern is outlined in the Statement of the Board, and in the notes to the consolidated statement note 1.1.

Emphasis of the impact of the Russia/Ukraine-Crisis

The Russia/Ukraine-Crisis impacts JDE Peet’s N.V. Management disclosed the uncertainties and estimated impact on financial performance on JDE Peet’s N.V. Furthermore the company’s plans to address the events and circumstances are reflected in Note 13 of the financial statements. Our opinion is not modified in respect of this matter.

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.

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.

Independent Auditor's Report (continued)

Goodwill impairment analysis Out-of-Home

Risk	As per December 31, 2021 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 2,105 million and allocated intangible assets amount to EUR 213 million. As disclosed in Note 3.3 management performs an annual impairment test on goodwill and indefinite lived brands and trademarks. 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 EBIT growth). The 2021 performance of the Out-of-Home segment remains impacted by COVID-19 conditions globally, impacting the segment both operationally and financially. This increases the level of uncertainty associated with future cashflows due to future longer term effects of working from home, the recovery of out-of-home consumption, travel & hospitality and cash flows resulting from value creation initiatives. Due to the significant judgment involved in connection with estimates on the recovery of the relevant markets, uncertainties of the longer-term adverse effects and effectiveness of management's initiatives 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. In our audit we have evaluated the reasonableness of business and valuation assumptions, the methodologies applied and the data used by the Company. In relation to business assumptions, we have evaluated management's expectations of future revenue and EBIT growth (including recovery in channels impacted by COVID-19), for example by evaluating the ability to predict future cashflows and intent of management to carry out various initiatives and the recovery of the business comparable to pre-COVID year 2019. We have also evaluated alternative (ranges of) outcomes and scenarios for major initiatives, supported with information obtained with multiple individuals, including but not limited to Global Responsible functions on Accounting & Reporting, Out-of-Home, Financial Planning & Analysis, Operations and Research & Development. In relation to valuation assumptions, we have engaged Deloitte 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. 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. 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. 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 pre-Covid years, and that realizability of the associated goodwill balance (EUR 2,105 million) is critically dependent on the (pace of) recovery of the relevant markets after COVID-19, and on the effectiveness of management's initiatives. We have communicated the outcome of our procedures to those charged with governance.

Independent Auditor's Report (continued)

REPORT ON THE OTHER INFORMATION INCLUDED IN THE 2021 ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the 2021 annual report contains other information that consists of:

- Management Board's Report.
- Report of the non-executive Directors.
- The Remuneration report.
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.
- 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.
- 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.

Management is responsible for the preparation of the other information, including the Management Board's 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, for the audit of the year ended December 31, 2020. We were engaged by the Annual General Meeting as auditor of JDE Peet's N.V. on June 17, 2021, for the audit of the year ended December 31, 2021.

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.

European Single Electronic Format ("ESEF")

JDE Peet's N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by JDE Peet's N.V., complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements in accordance with RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the company'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 and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF;
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management 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.

Management is responsible for overseeing the company's financial reporting process.

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.

Independent Auditor's Report (continued)

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 among others:

- 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 a 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.

Because we are ultimately responsible for the 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 group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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.

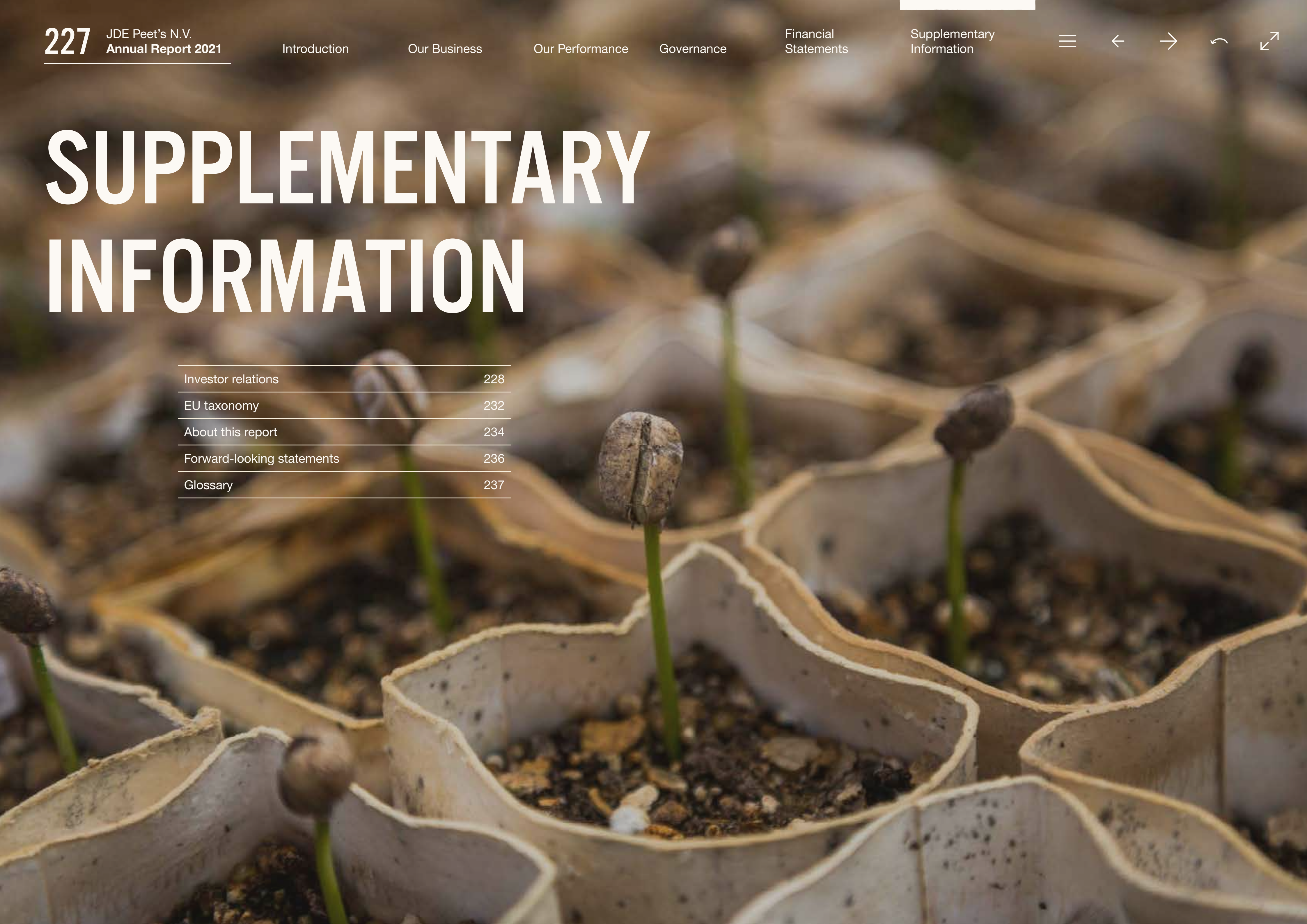
We provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 22 March 2022

Deloitte Accountants B.V.

Signed on the original: M.J. van der Vegte



SUPPLEMENTARY INFORMATION

INVESTOR RELATIONS

INVESTOR RELATIONS POLICY

JDE Peet's is committed to supporting investors and 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. In order to ensure this, we have put in place a detailed communication programme 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, no meetings with (potential) shareholders or equity analysts will be held in a pre-defined period between the end of the reporting period and the dates at which the semi-annual and annual results are published. The exact start dates of these so-called 'quiet periods' are published in the Financial Calendar section on our corporate website.

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 to maintaining an open dialogue with shareholders, investors and 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 (potential) shareholders and analysts 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 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 (potential) shareholders can be addressed effectively.

In 2021, JDE Peet's hosted around 180 virtual investor meetings, reaching around 300 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.

Investor Relations (continued)

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 is included in various indices such as the MSCI Standard Developed Europe index, the STOXX index, and the Euronext AMX midcap index.

On 31 December 2020, JDE Peet's had 499,709,030 ordinary shares outstanding. In 2021, the company issued 2,242,059 ordinary shares, mainly as a result of ordinary shares granted to certain employees under the Long-Term Incentive Plan and other share incentive plans. As a result, the total number of issued and outstanding ordinary shares in the share capital of JDE Peet's increased, throughout the year, to 501,951,089 on 31 December 2021.

On 31 December 2021, Acorn Holdings B.V. held 276,600,157 ordinary shares, and Mondelez International Holdings Netherlands B.V. held 114,273,798 ordinary shares of the total issued and outstanding shares in the company's share capital. These two holdings together represented 77.9% of the total issued and outstanding share capital of JDE Peet's, resulting in a free float of 22.1% on 31 December 2021. These percentages are updated in the Share Info section of JDE Peet's' investor relations website.

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 2021.

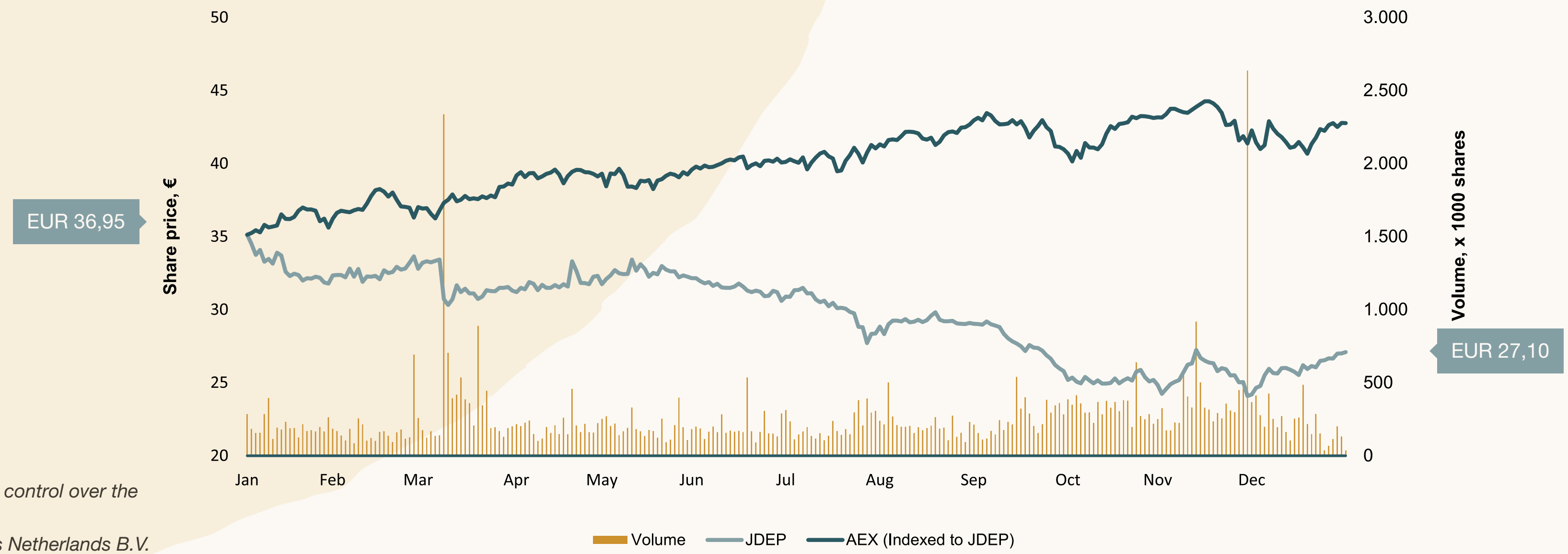
These stated interests may differ from the current interests of the relevant shareholders as these interests are based on the number of shares outstanding at the time of the filling and are not adjusted for any additional share issuances since that date. Additionally, institutions only have to update their filings if their capital and/or voting interest crosses the 3% or a subsequent 5% threshold.

	Date	Total % registered
Lucresca SE[73]	18 Mar 2021	55.35%
Agnaten SE	18 Mar 2021	55.35%
B.D. Trott	2 Sep 2021	2.96%
Mondelez International, Inc.[74]	2 Jun 2021	23.36%

The following table depicts JDE Peet's' share price evolution since the start of 2021.

The average daily trading volume in JDE Peet's' shares at Euronext Amsterdam in 2021 was 255,701 shares, compared to 250,221 shares in 2020, excluding the first day of trading post-IPO.

On the basis of a total number of issued ordinary shares of 501,951,089 and the closing share price on 31 December 2021 of EUR 27.10, JDE Peet's' market capitalisation was EUR 13.6 billion at the end of 2021.



[73] *Agnaten SE and Lucresca SE have indirect actual joint control over the shares held by Acorn Holdings B.V.*

[74] *Through its subsidiary Mondelez International Holdings Netherlands B.V.*

Investor Relations (continued)

CAPITAL ALLOCATION POLICY

JDE Peet's' capital allocation framework guides the company in the creation of long-term value for its shareholders. The company has a disciplined approach to capital allocation, with the aim to generate an ecosystem of growth, financial flexibility, and returns. It is on the foundation of these principles that JDE Peet's established the following capital allocation priorities, in decreasing order of importance:

1. **Investing behind the organic growth opportunities within its existing businesses** — These investments are made in JDE Peet's' portfolio of brands and appliances, capabilities, environmental and social ambitions, and the company's talent, which are crucial to support the long-term growth and health of its businesses.
2. **Deleveraging** — JDE Peet's targets an optimal leverage of around 2.5 times net-debt to adjusted EBITDA. Since 2019, the company has significantly reduced its debt level. The company's commitment to reduce its leverage to below 3 times net debt to adjusted EBITDA was achieved by June 2021. At the end of 2021, the company's leverage stood at 2.67x net debt to adjusted EBITDA.
3. **Inorganic growth opportunities** — JDE Peet's continues to consider inorganic opportunities, such as M&A and partnerships, as part of the company's growth agenda. However, while JDE Peet's' leverage is above its optimal leverage of around 2.5 times, the company will not prioritise transformational cash or debt-funded acquisitions.
4. **Return of cash to shareholders through dividends** — JDE Peet's expects its excess cash to contribute to shareholder remuneration by aiming for a stable or increasing dividend per share, while the pace will be determined by the company's capital allocation priorities. More information on dividends can be found in the company's dividend policy below.
5. **Share repurchases** — JDE Peet's will not consider share repurchases while the company's leverage is above its optimal level of around 2.5 times. JDE Peet's will assess market dynamics while managing its prioritisation.

DIVIDEND POLICY AND PROPOSED DIVIDEND

The dividend policy of JDE Peet's intends to preserve the independence of the company and maintain a healthy financial structure. Dividend distribution will be done in a prudent and disciplined manner, ensuring that the company retains sufficient earnings to fulfill its first three capital allocation priorities, which are key to the sustainable development of the business. 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 or increasing dividend per share, while the pace will be determined by the company's capital allocation priorities. These dividends will be paid in two equal instalments.

JDE Peet's' Board proposes to pay a dividend of EUR 0.70 per share in cash related to FY 21. The dividend will be paid in two instalments of EUR 0.35 each. The first payment date will be on 15 July 2022, with the ex-dividend date on 11 July 2022 and the record date on 12 July 2022. The second payment date will be on 27 January 2023, with the ex-dividend date on 23 January 2023 and the record date on 24 January 2023. The dividend proposal is subject to approval by the Annual General Meeting of Shareholders to be held on 11 May 2022. More information on the upcoming AGM can be found in the next section.

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.

Investor Relations (continued)

ANNUAL GENERAL MEETING 2022

The AGM is scheduled for 11 May 2022. The agenda and the explanatory notes to the agenda will be published on the company's corporate website.

FINANCIAL CALENDAR 2022 AND 2023

2022

Full-year results 2021	23 February
Annual General Meeting of Shareholders	11 May
Ex-dividend date (first instalment)	11 July
Dividend record date (first instalment)	12 July
Dividend payment date (first instalment)	15 July
First-half results 2022	3 August

2023

Ex-dividend date (second instalment)	23 January
Dividend record date (second instalment)	24 January
Dividend payment date (second instalment)	27 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 2021, JDE Peet's was covered by 15 equity 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

EU TAXONOMY

INTRODUCTION TO THE EU TAXONOMY

The EU Taxonomy is a classification system for environmentally sustainable economic activities. The European Commission's action plan represents an important step towards achieving carbon neutrality by 2050. Article 8 Taxonomy Regulation plays a significant role in this plan with the objective to redirect capital flows towards a more sustainable economy. We recognise that the EU Taxonomy framework will develop over time. Given the urgency of the climate crisis, the Regulation currently prioritises activities with a large share of overall emissions and reduction potential, focussing on the energy, transportation, buildings and selected manufacturing sectors.

In the following section we present the share of JDE Peet's consolidated revenues, capital expenditure (Capex) and operational expenditure (Opex) for the reporting period ended 31 December 2021, which are associated with Taxonomy-eligible economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Art. 8 Taxonomy Regulation and Art. 10 (2) of the Art. 8 Delegated Act.

OUR ACTIVITIES

Our core business activities are taxonomy-non-eligible.

Currently, the Climate Delegated Act focuses on those economic activities and sectors that have the greatest potential to achieve the objective of climate change mitigation. We have analysed and reviewed all Taxonomy-eligible economic activities listed in the Climate Delegated Act, based on our activities as a manufacturer of coffee & tea products, NACE code 10.86. We concluded that our core economic activities are not covered by the current Climate Delegated Act, and therefore are Taxonomy-non-eligible.

In the context of the EU Taxonomy, we define our core economic activities as the sourcing, producing, packaging, distributing and selling of coffee & tea. More detailed information can be found in the "Our supply chain" section. We consider other activities such as construction and renovation of manufacturing facilities as underlying activities necessary to conduct our business, and not a core economic activity that contributes to our external revenues on a stand-alone basis.

Although the Climate Delegated Act activities do not yet include our activities, our strategy, approach and risk associated with climate change can be found in the 'Minimised Footprint' and 'Risk Assessment' sections of this annual report.

Individual assessment of Taxonomy-eligible Capex and Opex

Regarding Capex and Opex, related to purchases and measures that we consider as individually Taxonomy-eligible, we refer to the definitions in the section “Capex KPI and Opex KPI” in the defining our KPIs.

DEFINING OUR KPIS

The definitions of the key performance indicators (KPIs) are determined in accordance with Annex I of the Art. 8 Delegated Act.

TURNOVER KPI

The turnover KPI is defined as the proportion of Taxonomy-eligible economic activities in our total turnover (numerator) divided by the net turnover (denominator). The denominator of the turnover KPI is based on our consolidated revenue in accordance with IAS 1.82(a), included in our Consolidated Income Statement.

With regard to the numerator, we have not identified any Taxonomy-eligible activities as explained above.

CAPEX KPI

The Capex KPI is defined as Taxonomy-eligible Capex divided by our total Capex. Total Capex (denominator) consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortisation and any re-measurements. Additions resulting from business combinations are also included. Goodwill is not included in Capex as it is not defined as an intangible asset in accordance with IAS 38. Total Capex can be reconciled as the acquisition of businesses, capital expenditure and initial lease recognition lines in the tables included in notes 3.2 and 3.4 of the Consolidated Financial Statements. As we have not identified Taxonomy-eligible economic activities, we do not record Capex related to assets or processes that are associated with Taxonomy-eligible economic activities ("category c") in the numerator of the Capex KPI. Furthermore, there are no Capex plans as defined in the taxonomy to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-aligned economic activity. As reliable statements on the Taxonomy-alignment of our suppliers' output are currently not available, we cannot report any Capex in the denominator for this KPI.

OPEX KPI

The Opex KPI is defined as Taxonomy-eligible Opex divided by our total Opex.

Total Opex consists of direct non-capitalised costs that relate to building renovation measures, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that were determined based on the maintenance and repair costs allocated to our internal cost centres. The related cost are included in the line item Selling, General and Administrative expenses in our expenses by nature note 2.3 to the Consolidated Financial Statements. These do not include expenditures relating to the day-to-day operation of property and equipment such as raw materials, costs of employees operating the machine nor electricity or fluids that are necessary to operate the property and equipment. Direct costs for training and other human resources adaptation needs are excluded from the denominator and the numerator.

As we have not identified Taxonomy-eligible economic activities, we do not record Opex related to assets or processes that are associated with Taxonomy-eligible economic activities ("category c") in the numerator of the Opex KPI. As reliable statements on the Taxonomy-alignment of our suppliers' output are currently not available, we cannot report any Opex in the denominator for this KPI.

OUR TAXONOMY KPIS

The taxonomy KPIs include the turnover KPI, Capex KPI and Opex KPI. For the reporting period 2021, the KPIs have been disclosed in relation to Taxonomy-eligible economic activities and Taxonomy-non-eligible economic activities (Art. 10 (2) of the Art. 8 Delegated Act).

As our economic activities, as a manufacturer of coffee & tea products, are not covered by the Climate Delegated Act, the share of Taxonomy-eligible economic activities in our total revenues is 0%. Due to our definitions relating to the Capex and Opex KPIs as explained above, the related Capex and Opex are also 0% in the table below.

Proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities:

In EUR million	Total	Proportion of Taxonomy-eligible economic activities	Proportion of Taxonomy-non-eligible economic activities
Revenues	7,001	— %	100%
Capex	299	— %	100%
Opex	190	— %	100%

ABOUT THIS REPORT

OUR APPROACH

JDE Peet's reports on its financial and non-financial performance in a transparent and integrated manner. We follow the Integrated Reporting Framework for the IIRC to the extent possible, acknowledging that integrated thinking and reporting is a journey. To the extend described in the reporting principles section below, we prepared our non-financial reporting in line with GRI standards.

The purpose of this report is to explain how JDE Peet’s creates value for its stakeholders in the short, medium and long term, by providing a comprehensive overview of its business model, operations, external environment, strategy and performance.

The Report of the Management Board (as defined in Title 9, Dutch Civil Code 2) consists of the following sections: JDE Peet's at a glance, Our Business, 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 which 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 Quality and Sustainability Director. 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 2021 to 31 December 2021.

For some non-financial metrics and indicators, not all entities within JDE Peet's are included. Unless otherwise noted, non-financial data does not include 12Oz, Maison Lyovel, Fruchthof Switzerland, Repa Switzerland, and Tea Forté. Further exceptions for individual data points are included below. Overall, information presented on material topics and related non-financial KPIs covers more than 95% of the JDE Peet's business by revenue. (With the exception of KPIs on *Sustainable packaging*.)

Data presented on certified or verified tea under the section '*Common Grounds*' under the '*Our performance*' chapter in this Annual Report includes Tea Forté, but excludes the Mighty Leaf, Stumptown, and Kilogram Tea brands. Information presented on smallholder farmer engagement activities under the same section focuses on project activities that reach more than 1,000 smallholder farmers in aggregate. These projects and programmes are designed with input from the farming communities and focus on addressing local priority issues. They are being implemented on the ground by local partners, such as suppliers or local and global NGOs, often in partnership with additional industry, supply chain and/or government partners. We also carry out and support many additional projects across our entities and brands that reach fewer than 1,000 beneficiaries. These activities are not included in our data and KPIs on smallholder farmers reach and engagement.

Data presented under the section '*Minimised Footprint*' under the '*Our performance*' chapter in this Annual Report also excludes the following entities and brands that form part of JDE Peet's:

- *Sustainable packaging* also excludes Café Pele, Intelligentsia, Job Meal, Ofçay, OldTown, Peet's, Stumptown and Super Group. 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 as well as co-packed items.
- *Manufacturing waste* also excludes Intelligentsia and Stumptown.
- *Water in manufacturing* also excludes Intelligentsia,

Data presented under the section '*Connected People*' under the '*Our performance*' chapter in this Annual Report excludes the following entities in addition to the entities excluded above: JDE Portugal, Jacobs Russia (Export MEA), Bonsai Ventures, Super Coffeemix MU (Myanmar), Jobmeal. Data presented on *Occupational Health and Safety* includes all our manufacturing facilities with the exception of Intelligentsia.

JDE Peet's acquired Campos Coffee in 2021, which has not been included in any KPIs in the Annual Report. More information on this acquisition can be found in 'note 3.1 - Consolidated Financial Statements'.

About this Report (continued)

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 'Growing together' under the 'Our strategy' section and our JDE Peet's website) 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. The non-financial KPIs disclosed in this annual report includes assumptions and estimates as definitions and availability of quality data is less mature in many cases. The Executive Committee is the ultimate responsible body for the accuracy, balance, clarity, comparability, reliability and timeliness of the information reported in this document.

Four non-financial KPIs related to (i) certified or verified coffee, (ii) certified palm oil, (iii) smallholder farmer engagement and (iv) scope 1 & 2 GHG emissions reductions, are included in a Loan Facilities Agreement entered into with our core banks and linked to the applicable interest rate. JDE Peet's' performance against the targets are reported annually to the banks and subject to a limited review by our external auditors. More information can be found in 'note 5.2 - Consolidated Financial Statements'.

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 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 adopts the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). A TCFD reference table 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).

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 CO2e 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.
- **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.
- **Smallholder farmer:** 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 party 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 withdrawal 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_2e:** Carbon dioxide equivalent, a standard unit for measuring GHG emissions
- **CPG:** Consumer 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:** Enterprise 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
- **IDH:** The Sustainable Trade Initiative
- **IFRS:** The International Financial Reporting Standards
- **IIRC:** International Integrated Reporting Council
- **ILO:** The International Labour Organisation
- **IPCC**: The Intergovernmental Panel on Climate Change, the United Nations body for assessing the science related to climate change
- **IPO:** Initial Public Offering
- **LARMEA**: Latin America, Eastern Europe, 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:** Standardised sales and operation planning
- **SBTi:** the Science Based Target initiative
- **SCC:** The Sustainable Coffee Challenge
- **SDGs:** The United Nations Sustainable Development Goals
- **SKU:** Stock keeping unit
- **TCFD:** Task Force on Climate-related Financial Disclosures
- **TRIR:** Total Recordable Incidents Rate
- **USAID:** United States Agency for International Development
- **WCR:** World Coffee Research

Glossary (continued)

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 EBIT:** Adjusted EBIT are defined as profit for the period, adding back finance income, finance expense, share of net profit of associates and income tax expense adjusted for alternative performance measures as included in the consolidated financial statements for the year, note 2.1.
- **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 net 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.

A COFFEE & TEA FOR EVERY CUP

A JDE Peet's N.V. publication

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