Answers to the questions raised by the Vereniging van Effecten Bezitters (VEB)

11 May 2022

Agenda item 2a. Report of the Board for the financial year 2021

1. Trade payables as percentage of costs of goods sold have increased significantly over the past few years.
   a. Did JDE Peet's have to make price concessions to its suppliers in order to stretch payables to the current levels?

      No, the improvement in trade payables does not reflect any price concessions or general changes in payment terms. The improvement in trade payables in 2021 reflects i) a positive mix effect, ii) an overall higher level of spend related to strategic investments such as, for example, marketing spend and iii) inflation, primarily related to green coffee.

   b. Does the company consider this increase sustainable in the longer run, or will payables revert back to historical - lower - levels?

      We believe that the level of trade payables is sustainable, although part of the improvement in trade payables would reverse if deflation would occur.

2. The number of stores in China has almost doubled last year. How does the company envision the growth path in 2022 and beyond, and is Covid-19 a factor that hampers rolling out new stores, thereby preventing a critical mass?

   At the time of the IPO in May 2020, we shared the ambition to expand Peet's' coffee store network in China to more than 150 coffee stores in 2024. Since then, we quickly realised that China could become very sizeable faster than initially anticipated, based on the promising coffee consumption patterns we witnessed in China. In March 2021, at our Strategic Update Meeting, we therefore indicated that we were going to accelerate this rollout and now expect to reach the 150 store count in the next 12 to 18 months. In the very short term, the recent pandemic challenges in China are obviously affecting the performance of our stores in Shanghai, but not our stores in the other 8 cities where we are present, and ,overall, we are talking about a low base and therefore a very minimal impact on JDE Peet's' total performance.

3. JDE Peet's has indicated that price fluctuations of green beans are transferred to the shelfs with some time-delay. However, the company also states that it has increased prices pro-actively. Does the company see any volume-impact from these increases so far?

   The coffee industry has historically been exposed to price volatility of green coffee beans and long-term history has shown that these price fluctuations, on the way up as well as on the way down, get reflected on shelf with some delays that can vary from three to nine months.

   The vast majority of the price increases to date, were coming on shelf towards the end of 2021 and in the first four months of 2022. It is therefore too early to give a definitive answer about the impact this will have on volumes. When we publish our results for the first half of 2022 is the appropriate time to talk about our performance in 2022.

Having said that, in-home coffee consumption is very affordable at, on average, approximately 7 euro cents per cup and also deeply rooted in daily consumption habits. And, as a result, studies have shown that in-home coffee is at the bottom of the elasticity curve in the consumer goods universe and that over the last 15 years, the coffee consumption has proven to be relatively inelastic to consumer price evolutions during that period. And while pricing actions could potentially lead to some short-term challenges for a quarter or two because of pantry loading and/or some negotiations on pricing, historically, the innovation power and strong brand equity of the market leaders in coffee have been able to secure market shares over time.

4. JDE Peet's has indicated that deleveraging remains a priority. Given the fact that the desired ratio, measured by net debt to adjusted ebitda, stood at 2.7x at the end of FY21, the 'optimal leverage ratio' of 2.5x is within reach. How does this change the company's 2 capital allocation priorities?

   At year-end 2021, we were indeed close to our optimal leverage level of around 2.5x as our leverage was below 2.7x, following a period of significant deleveraging in our capital allocation cycle. While our leverage is around 2.5x, there is less of a priority to deleverage in the short-term, as we are at the level of leverage where we maximise the equity value of the company related to the level of debt. Once we have reached the optimal leverage of around 2.5x, the priority to deleverage in the short-term will naturally have a lower priority than it has today in the list of the five capital allocation priorities which we have defined and have shared on a regular basis.

5. Previously, shareholder remuneration appeared to focus on dividends above share repurchases. However, during the annual results' presentation the CEO referred to share repurchases.
   a. Could the company indicate under what conditions it prefers share repurchases to dividends?

      In the order of our priorities within capital allocation, we normally prioritise dividends over share repurchases when returning cash to shareholders, but share repurchases are considered. Currently, returning excess cash to our shareholders is our fourth priority in our capital allocation policy for which we strive to contribute to shareholder remuneration through stable dividend flows that sustainably grow over time. Share repurchases have consistently been set as our fifth and last priority, as mentioned by the CFO during the presentation of our FY 21 results in February. We do not see a direct link or correlation between dividends and share buybacks. While dividends are a stable return of cash to shareholders, share repurchases take into account other uses of capital, such as M&A, and also market context, including our share price relative to the intrinsic value of the company.

   b. How does the company envision the use of buybacks given the low free-float of just over 22 percent?

      When assessing the attractiveness of share repurchases, many factors and considerations are taken into account of which the effect a share repurchase could have on the level of the free float is one. However, if we identify an attractive opportunity with clear benefits to the company and all stakeholders, including shareholders, we will consider and potentially pursue such opportunity. The share repurchase we announced earlier this week is a clear example of this as it increases the free float percentage and improves the company's earnings per share, while at a very attractive price to the company as we believe the current share price is significantly below the intrinsic value of the company.

6. As a pure play coffee & tea company, JDE Peet's has an increased focus to the market compared to competitors, but lacks the financial leeway of larger conglomerates when it comes to consolidation efforts. How does the company intend to mitigate this potential weakness in a consolidating and profitable market?

   JDE Peet's has historically been a very active, if not the most active, consolidator in the coffee category with, for instance, around 14 transactions in the four years prior to the IPO, including sizeable acquisitions such as Super Group in Asia. Next to that we have, over the years, entered into various joint-ventures or partnerships with leading coffee players like illy and the J.M. Smucker Co.

Our strong financial position, coupled with our predictable and proven strong cash flow generating capabilities, will allow us to continue to participate in any future consolidation opportunities that we will identify.

Agenda item 2b. Advisory vote on the 2021 remuneration report

7. Like previous year, the remuneration report only provides high-level information. It merely discloses a total multiplier for the short- and long-term remuneration.
   a. Why has the company opted to leave out even the relative weights of the determinants of the short- and long-term incentive multipliers?
   b. Why doesn't JDE Peet's disclose how actual performance compared to target for each of the three STI performance measures?

   In 2021, the short-term incentive pay out 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.*

   These performance measures do not each hold an independent weight. Instead, we use a custom matrix model with 6 different potential performance levels for each performance measure, and the pay-out is based on multiplication of the achieved results of the three performance measures together, i.e. to reward for performance against all interlinked measures simultaneously.

   For example, at some of the 6 performance levels, "Net sales net of commodity inflation/deflation" has relatively more weight compared to the other 2 measures, at some levels the weighting is equal between all 3 measures, while at other performance levels adjusted EBIT or Operating Working Capital could have a relatively higher weight.

   The pay-out is based on multiplication of the achieved results of the three interlinked performance measures together, captured in the total multiplier. For 2021, the total multiplier was 1.40 on a scale from 0 to 2.50 – i.e. between target and maximum.

   We consider the disclosure of actual performance versus the performance levels as commercially sensitive due to the competitive nature of the industry in which we operate. We will continue to work on improving disclosure while taking into account the highly customised and commercially sensitive STI pay-out calculation methodology explained above, and have made further steps in the 2021 Remuneration Report.

   As for the JDE Peet's LTI plan, the actual award value is determined by the Board in line with JDE Peet's remuneration principles and considering JDE Peet's' & individual performance, relevant market practice, external benchmark data and other relevant factors.

8. For the LTI, the remuneration report provides even less information than for the STI. JDE Peet's only reports that the maximum pay-out of 500 percent was achieved. Could you elaborate on how this pay-out was determined? In our view, the remuneration report could benefit from an additional explanation on how exactly the Supervisory Board determined this pay-out.

   The purpose of JDE Peet's' LTI plan is to promote the interests of JDE Peet's and its shareholders by strengthening JDE Peet's' ability to attract and retain highly competent executives. The actual award value is determined by the Board in line with JDE Peet's' remuneration policy approved by its shareholders, and considering JDE Peet's' & individual performance, relevant market practice, external benchmark data and other relevant factors.

Agenda item 2c. Proposal to adopt the 2021 financial statements

9. The Audit Committee reports that 'the completion of design and implementation of the controls at Peet's were discussed'. Could the Audit Committee indicate which measures have been taken to bolster the internal controls, and if any, this resulted in insights previously unknown?

   The company completed the implementation of the Peet's ERP system and further formalised policies and processes. In addition, investments were made in the quality of the local finance team at Peet's. No material new insights were identified.

Agenda item 5. Composition of the board

10. Three new non-executive board members are nominated for appointment. Can JDE Peet's confirm that these non-executive directors will not be awarded shares or restricted share units for their services, next to their annual base salary?

    The company is aware of best practice provision 3.3.2 of the Dutch Corporate Governance Code that requires non-executive Directors not to be awarded remuneration in the form of shares and/or rights to shares. Given the company's geographical footprint, the company believes that remuneration in restricted stock units (RSUs) best promotes the company's interests and those of its stakeholders by strengthening the company's ability to attract and retain highly competent non-executive Directors including from outside Europe, thereby supporting diversity. As part of the appointment, the remuneration for each of the three nominated non-executive members of the Board will – in accordance with JDE Peet's' Directors' Remuneration Policy and the applicable fee levels for non-executive members of the Board – be set at the same amounts as for the other non-executive members of the Board in similar positions, including EUR 150,000 in RSUs per annum, and prorated for 2022. The amount of RSUs to be awarded is fixed, as is the case with other non-executive members of the Board.

11. Ms. Ana Garcia Fau holds directorships in at least three other listed companies. In addition, her resume contains a non-executive chairpersonship at Finerge SA, as well as a number of advisory board memberships. How will she allocate her time to JDE Peet's?

    Ms. Ana García Fau complies with the requirements of the profile of the Board, and meets the Dutch law requirements for non-executive positions with large Dutch companies that can be held at the same time. We are confident in Ana García Fau's ability to allocate sufficient time to matters concerning JDE Peet's.