EUMEDION
CORPORATE GOVERNANCE FORUM

ALERT SERVICE

1 MAY 2024

JDE PEET'S N.V.

Agenda AGM, 30 May 2024

1.	Opening	
2a.	Report of the Board for 2023	
2b.	Dutch Corporate Governance Code	
2c.	**Remuneration Report**	**Advisory vote**
2d.	Proposal to adopt the 2023 financial statements	Resolution
3a.	Explanation of the policy on additions to reserves and dividend	
3b.	Proposal to adopt the dividend proposal for 2023	Resolution
4a.	Proposal to discharge the former executive member of the Board in respect of his duties during 2023	Resolution
4b.	Proposal to discharge the non-executive members of the Board in respect of their duties during 2023	Resolution
5a.	Proposal to reappoint Mr. Vandevelde as non-executive member of the Board	Resolution
5b.	Proposal to reappoint Ms. Richards as non-executive member of the Board	Resolution
5c.	Proposal to reappoint Mr. Hennequin as non-executive member of the Board	Resolution
5d.	Proposal to reappoint Mr. MacFarlane as non-executive member of the Board	Resolution
6a.	**Proposal to adopt the Remuneration Policy**	**Resolution**
6b.	**Proposal to amend the JDE Peet's Long-Term Incentive Plan**	**Resolution**
7.	Proposal to reappoint Deloitte Accountants B.V. as external auditor of JDE Peet's for the financial year 2025	Resolution
8a.	Proposal to authorise the Board to acquire up to 10% of the ordinary shares of JDE Peet's	Resolution
8b.	Proposal to authorise the Board to issue up to 10% of ordinary shares of JDE Peet's and to restrict or exclude pre-emptive rights	Resolution
8c.	Proposal to authorise the Board to issue up to 40% ordinary shares of JDE Peet's in connection with a rights issue	Resolution
9.	Any other business	
10.	Closing of the AGM	

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EXPLANATION

2c. Remuneration report
In accordance with article 2:135b paragraph 2 of the Dutch Civil Code, the 2023 remuneration report of JDE Peet’s is submitted to the general meeting for an advisory vote.

As in previous years, the 2023 the short-term incentive (STI) pay-out for the (former) CEO[1] was dependent on the performance against the following pre-determined metrics: i) net sales (net of commodity inflation/deflation), ii) adjusted earnings before interest & tax (at constant currency) and iii) average operating working capital improvement. The remuneration report shows that the actual performance on performance metric i) was between threshold and target, on metric ii) between target and stretch, and on metric iii) at stretch level. This results in a total STI multiplier of 1.22 (multiplier can range from zero at threshold performance to 2 in case of exceptional performance). The actual performance targets for the short-term incentive plans are not disclosed since this information is considered to be commercially sensitive information by the company.

The (one-tier) Board further writes that it decided to grant to the (former) CEO restricted share units (RSUs) with a value equal to 400% of his annual base fee, lower than the maximum award value of 500% permitted under the current remuneration policy.

The report also shows that JDE Peet’s provided a loan of € 2.4 million to the (former) CEO in 2020. The annual interest rate was set, in accordance with the then applicable market rates, at 3%. The loan was used to partially finance the (former) CEO's obligations under the Executive Ownership Plan (EOP) and was allowed under the JDE Peet’s' remuneration policy. No repayments of the loan were made in 2023. JDE Peet’s did not provide any other loans or guarantees to the (former) CEO.

<u>Reasons for alert</u>

- *The remuneration report contains insufficient disclosure of the targets set in relation to the STI performance metrics and the corresponding pay-out in 2023. Therefore it is difficult to judge whether the targets were set with sufficient stretch.*
- *The Board has not explained why RSUs with a value equal to 400% of the base salary was granted to the (former) CEO (e.g. why not 300% or 500%?).*
- *The company has provided a loan to its (former) CEO. The Dutch corporate governance code prohibits the granting of a loan to executives unless in the normal course of business (best practice provision 2.7.6). As JDE Peet’s is not a financial institution, this ground for exemption does not apply to JDE Peet’s. The annual report’s section on compliance with the Dutch corporate governance code does not mention a deviation from this best practice provision nor any reason for deviation. JDE Peet’s is legally obliged to motivate any deviation from the Dutch corporate governance code’s principles and best practice provisions.*

6a. Proposal to adopt the Remuneration Policy
6b. Proposal to amend the JDE Peet’s Long-Term Incentive Plan

Pursuant to the Dutch Civil Code, the remuneration policy must be adopted by the AGM at least every four years. As the current JDE Peet’s remuneration policy was adopted in 2020, the company must submit its remuneration policy for a renewed vote at the 2024 AGM.

JDE Peet’s Board considers that the current remuneration policy generally remains fit for purpose and continues to support the company in attracting and engaging Directors of the required calibre. The Board is therefore not proposing changes to the overall philosophy of the remuneration policy but has

[1] On 8 March 2024, the company unexpectedly announced that Fabien Simon, who has served as CEO and Executive Director of JDE Peet’s since September 2020, would depart the company on 1 April 2024. Non-Executive Director Luc Vandevelde assumed the role of interim CEO on 1 April 2024. Luc Vandervelde will also become Chair of the Board at the closing of the 2024 AGM. It is still unknown if and how the not-yet vested restricted stock units (RSUs) and Executive Ownership Plan (EOP) of Fabien Simon will be settled. The market value of these RSUs and EOP amounted to in total € 31.75 million at 31 December 2023.

taken the opportunity to further enhance the alignment of the remuneration arrangements with sustainable long-term value creation.

The key changes to the remuneration policy are:

i) The introduction of minimum share-ownership guidelines for Executive Director(s) that are set at 800% of the base fee, to be built up over five years from appointment.

ii) The introduction of the possibility for the Board to apply discretion to adjust the formulaic bonus outcome of the short-term incentive scheme. The Board may consider to use that discretion if, for example, insufficient progress has been made in the ESG area.

iii) The introduction of a holding period of two years with respect to vested shares under JDE Peet's Long-Term Incentive Plan (LTIP) in case the share-ownership guidelines are not met.

iv) Awards under the LTIP may include a blend of restricted share units (RSUs), performance share units (PSUs) and/or options instead of exclusively RSUs under the current plan. For any awards which are subject to performance conditions, the maximum pay-out cannot exceed 200% of the target level.

v) Executive Director(s) are requested to acquire an equity interest in JDE Peet's through the Executive Ownership Plan (EOP) up to a maximum outstanding investment amount of € 30 million instead of € 25 million under the current policy. The personal investment in the company is matched on a 1-for-1 basis, but the new policy introduces the option to apply performance conditions for the vesting of any shares granted under the EOP.

vi) The introduction of the optionality to include dividend equivalents on LTIP awards, to be paid out after vesting, in order to fully align participants with shareholders and in line with standard market practice.

vii) With respect to Non-Executive Directors, it is proposed to allow for pro-rata vesting of awards under the LTIP at the end of the term of appointment for any other good leaver reasons.

viii) As JDE Peet's Non-Executive Director Luc Vandevelde assumed the role of interim CEO on 1 April 2024, pending the appointment of a permanent CEO, it is proposed to award him a one-time option grant under the LTIP of 2,500,000 options, with an exercise price of € 20.94. The option grant will be made in accordance with the terms of the LTIP. After the option grant has been made, the respective paragraph as included in the new remuneration policy shall expire and no longer form part of the remuneration policy. Mr. Vandevelde will not be eligible to participate in the annual short-term incentive scheme. However, he will receive an annual award of RSUs with a nominal value of € 250,000 as he will also become Chair of the Board at the closing of the 2024 AGM.

Reasons for alert

- *Although we welcome the introduction of the minimum share-ownership requirement and of the holding period of two years with respect to vested shares (after a performance period of three years) in case the share-ownership requirements have not been met, it is difficult to judge the overall quantum of the remuneration package for Executive Director(s) (€ 11,375,000)*[2] *as the (current and new) remuneration policy does not include a market reference group and the targeted total compensation level compared to this benchmark.*
- *The LTIP still allows the possibility to grant Executive Director(s) RSUs and options without performance metrics.*
- *It is unclear what the typical mix of RSUs, PSUs and options under the annual LTIP award is and what the specific performance metrics of the PSUs are.*
- *Under the new LTIP, the Board has the possibility to annually award the Executive Director(s) PSUs with a target value of 500% of annual base fee. The maximum vesting is 1000% of the annual base fee (not taking into account a possible share price increase during the vesting period). We believe this is rather excessive for a Dutch AMX company.*
- *A 1-to-1 matching of the personal investment of the Executive Director(s) by the company is rather generous also considering the fact that under the new remuneration policy the Board still has the possibility to not attach performance metrics on the vesting of the company match.*
- *The remuneration policy still allows for the possibility to offer financial assistance by the company to Executive Director(s) to fund the personal investment. The Dutch corporate governance code*

[2] Based on the 2023 annual base fee of the former CEO and the maximum targeted STI (310% of annual base fee) and LTIP (500% of annual base fee), but without the 1-for-1 matching of the Executive Director's personal investment by the company.

prohibits the granting of personal loans, guarantees or the like to executives (best practice provision 2.7.6).

- *Also under the new remuneration policy, Non-Executive Directors may be eligible to receive part of their annual retainer through participation in the LTI. The LTI is awarded in RSUs with a 5-year vesting period. The Dutch Corporate Governance Code stipulates that the remuneration of Non-Executive Directors should not include shares.* [3]
- *The role of Chair and CEO is combined for the period between 30 May 2024 and the appointment of a permanent CEO. The company has not explained why this is necessary. Moreover, Dutch legislation prohibits the combination of these roles under one-tier board structures (Article 2:129a section 1 Dutch Civil Code). Besides this, Mr. Vandevelde will receive both a special one-off share option grant in his capacity as interim CEO and RSUs in his capacity as Chair. This is not an appropriate solution from a governance perspective (even though Aileen Richards has since been appointed Lead Independent Director*[4] *taking over this role from Luc Vandevelde).*

Contacts with the company

No real engagement on a draft proposal to amend the remuneration policy took place. During a dialogue held on 30 January 2024, the JDE Peet's staff presented the key amendments to the remuneration policy. During that meeting we remarked that we welcomed most of the key amendments[5], but we simultaneously made it clear that we would have liked to see further amendments, such as the inclusion of sustainability metrics in the short-term incentive, the removal of the section on the possibility to offer financial assistance to the executives for investing in the company and the termination of the RSU awards to the non-executives. However, these suggestions were not taken on board in the final version of the proposal. We further remarked that we regretted the company's refusal to not increase disclosure of target-setting per performance metric and on actual outcomes per metric on an ex-post basis.

JDE Peet's response to the draft alert in relation to the remuneration report was:

"We have continued to enhance the level of disclosure in relation to the outcome of the Short-Term Incentive, taking into account input from shareholders and proxy advisors. For example, in the 2023 Remuneration Report we have added disclosure on how the actual performance for each measure compares against the relevant target ranges. Whilst we understand the request for additional disclosures, we continue to consider the target-setting as commercially sensitive due to the competitive nature of the industry in which we operate and our single category focus. We will continue to monitor this position and to look for opportunities to further enhance our disclosures.

The total remuneration package is designed to be competitively positioned, in order to attract, engage, incentivise and retain executive Director(s) of the required calibre. Within the total remuneration package, the Board has intentionally linked the majority of the executive Director's pay to the Company's performance and the delivery of sustainable long-term value creation. To illustrate this, for the former executive Director, more than 80% of pay was variable, the majority of which long-term. In order to maintain the majority of the executive Director's remuneration being linked to the long-term performance of the Company, the Board decided to grant Restricted Share Units equivalent to 400% of the base fee (lower than the Policy limit of 500%).

Regarding the loan previously provided (in 2020) to the executive Director in relation to his participation in the Executive Ownership Plan (the EOP). The EOP provides participants (including the executive Director) the opportunity to invest in the Company, therefore creating substantial 'skin in the game' and aligning participants' interests with those of long-term shareholders and other stakeholders. The Board considers the EOP to be an integral part of creating a culture of ownership and entrepreneurship, and as such provided participants (including the former executive Director) the facility to receive a loan to support and accelerate their personal investment in the Company. As previously disclosed, the loan to the executive Director amounted to a value of EUR 2.4 million, which was only a small part of his total personal investment in the Company (less than 10% of the total invested). Such loans are provided by JDE Peet's on commercial terms with interest rates set in line

[3] Best practice provision 3.3.2 jo. the explanatory note to chapter 5 of the Dutch Corporate Governance Code.

[4] See: https://www.jdepeets.com/about-us/board-of-directors/.

[5] The dialogue took place before the leadership announcement of 8 March 2024, i.e. the special paragraph on the one-time option grant for the interim CEO was not mentioned.

with external market rates and with the loan and interest having to be repaid in full at the end of the term. Under the Dutch Corporate Governance Code, loans to Directors are permitted in the normal course of business and under the same terms applicable to other employees. The loan to the executive Director was on the same terms as to other employees participating in the EOP. The independent legal advice that we have received is that our practice is therefore compliant with the Code.

We have disclosed this loan to the executive Director in our Remuneration Report since 2020. The loan has since been repaid in full, including interest, upon the executive Director's departure from the Company."

JDE Peet's response to the draft alert in relation to the proposed remuneration policy was:

"Following a review in 2023, the Board considers that our current Remuneration Policy is still aligned with our strategic objectives and therefore the Board decided not to undertake an overhaul of the Policy. However, the Board has taken this opportunity to further align the Policy with sustainable long-term value creation, also taking into account best practice guidelines and feedback received from shareholders and proxy advisors. The proposed Policy therefore incorporates features such as market-leading share ownership guidelines, a holding period following the vesting of Long Term Incentives and strengthening the Board's ability to take into account progress towards the Company's Environmental, Social & Governance (ESG) objectives, amongst other factors, when considering whether to adjust the formulaic bonus outcomes.

Executive Director(s)

The total remuneration for executive Director(s) is designed to be competitively positioned against global companies with which JDE Peet's competes for executive talent. Unlike most of our peers and the rest of the market, our Remuneration Policy also places an expectation on executive Director(s) to make a significant personal investment under the Executive Ownership Plan (the EOP). This creates substantial 'skin in the game' and aligns their interests with those of long-term shareholders and other stakeholders. To encourage such personal investments, the EOP is structured to provide a matching element, which is linked to holding the initial investment (and remaining employed by JDE Peet's) for a minimum period of five years.

The Board therefore considers that the total remuneration opportunity for the executive Director(s), the majority of which is variable and long-term in nature and also requiring a very significant personal investment at own risk, is appropriate and in the best interests of shareholders and other stakeholders.

Under the 2024 Remuneration Policy, we are not proposing any increase in the quantum of Short and Long Term Incentives: the Policy limits are maintained at the same level as the current Policy. As also mentioned above, the Company has demonstrated prudence throughout the life of the Policy in utilising these limits, with awards under both the Short and the Long Term Incentive plans having been materially lower than the respective Policy limits.

As noted by Eumedion, the Policy introduces the flexibility to grant Share Options, in addition to, or in combination with, Restricted Share Units (RSUs; as historically awarded under the 2020 Policy) and/or Performance Share Units (PSUs). Each type of long-term incentive award has its own inherent advantages so the Board considered it appropriate to have the flexibility to use different types, alone or in combination, dependent on the current business circumstances, but in all cases to support the long-term strategy and sustainable long-term value creation.

Regarding Eumedion's comment on the maximum vesting of PSUs: as noted above, there has been no change to the proposed Long-Term Incentive Policy level, which remains at a maximum target level of 500% of base fee. Under the current Policy, awards up to this level can be made in either RSUs or PSUs (or a combination of the two vehicles) with a lower level utilised in practice of RSUs of 400% of base fee in 2023. The proposed 2024 Policy clarifies that for achieving performance in line with a stretching maximum target, up to 200% of the target number of PSU awards may be received. This vesting schedule is in line with standard market practice and would not increase the target (or 'expected') value of awards; vesting in excess of the target level would only be possible if stretching performance targets are achieved. For any new executive Director, the Board will determine the appropriate mix and level of long-term incentive awards (and for any PSUs, the performance metrics) in line with the terms of the proposed Policy and the business circumstances at the time. Relevant details will be disclosed in the Remuneration Report.

Regarding the possibility of EOP participants to receive a loan, please refer to our comments under the Remuneration Report section above.

Non-executive Directors

The Board considers that maintaining an appropriately diverse composition and attracting non-executive Directors internationally is to the long-term benefit of shareholders and other stakeholders. Using equity allows us to be competitive in both Europe and the US, where granting part of the annual retainer to non-executive Directors in the form of shares is considered best practice. For example, in addition to the US, this is the case in the UK and other markets.

The share-based retainer encourages non-executive Director ownership in the Company. We do not link the delivery of these shares to performance conditions. Therefore, we do not consider that receiving part of their fixed retainer fee in the form of shares impairs their independence in any way but, in fact, it increases alignment with the interests of long-term shareholders and other stakeholders.

Interim CEO appointment

JDE Peet’s does not believe that the Company’s temporary solution, which is explicitly allowed under the Company's articles of association, violates article 2:129a section 1 of Dutch Civil Code or the Dutch Corporate Governance Code.

Luc Vandevelde will indeed become the Chair of the Board and will remain a non-executive director. Following Fabien Simon’s departure, the CEO role became vacant. Based on the Company’s article 21.3, Luc Vandevelde has been appointed to temporarily fulfil the duties and powers and tasks of executive director. With such temporary appointment Luc Vandevelde does not become an executive Director (and hence this remains in line with the Dutch Civil Code).

Furthermore, the split between management and supervision roles across two separate bodies, that best practice provision 2.3.9 of the Code aims to protect, does not exist in a one-tier board. Executive and non-executive Directors are already part of one and the same Board in one body. Stepping out of the Board to provide better supervision is therefore not relevant and of no use or meaningful in practice. We believe that the supervisory function is sufficiently guaranteed, considering that, in accordance with best practice provision 5.1.1 of the Code, the non-executive Directors continue to form the majority of the Directors of the Board (even if the non-executive Director who temporarily assumes executive duties (i.e. Luc Vandevelde) would not be counted) for as executive Director. More importantly, Luc Vandevelde stepped down from the Audit Committee and the Remuneration, Selection and Nomination Committee for as long as he temporarily assumes interim CEO role executive duties. Additionally, the Chair does not exercise any special supervisory function over the executive Directors compared to other non-executive Directors. *All* non-executive Directors exercise oversight over the executive Director.”