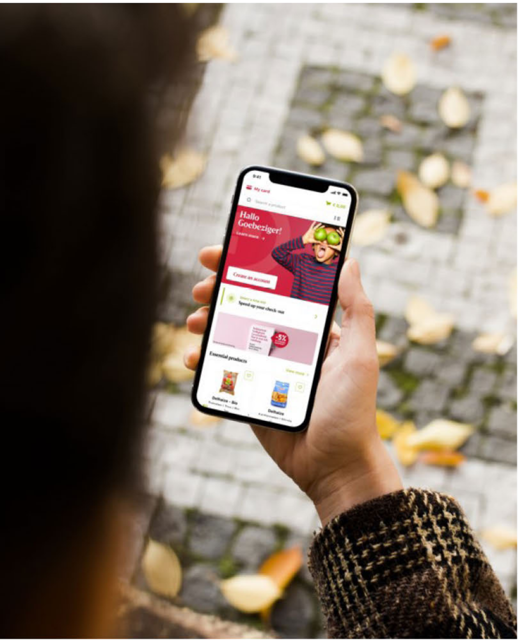
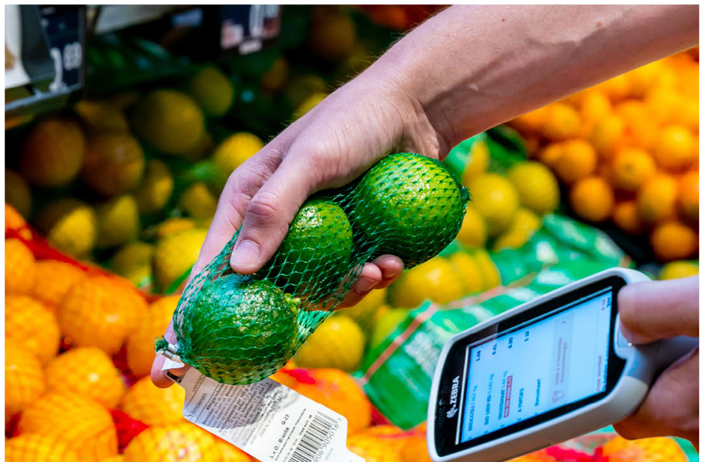
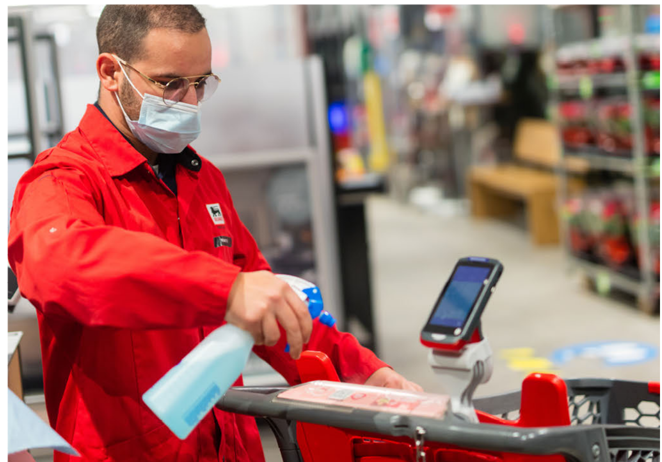
Ahold Delhaize

Leading together through change



Annual Report 2020





Thank you

for your

trust and loyalty

and helping us

take care of

each other

In this year's report

Strategic report

Governance

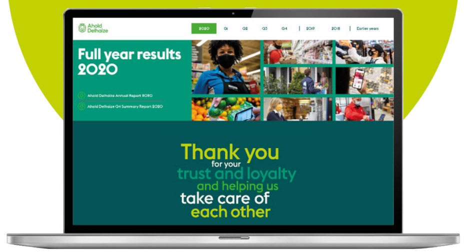
Performance

Appendix

Our vision
Create the leading local food shopping experience
p16

Our growth drivers
p17

See our strategy in action on our reporting hub
More information is available on our website and reporting hub



Group highlights

Net sales[1]

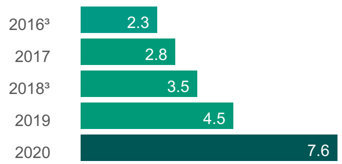
€74.7bn

2019: €66.3bn
+12.8% (+14.2% at constant rates)

Net consumer online sales

€7.6bn

2019: €4.5bn
+66.6% (67.4% at constant rates)



Free cash flow[2]

€2.2bn

2019: €1.8bn
+19.3%

Dividend per common share

€0.90

2019: €0.76
+18.4%

Net income

€1.4bn

2019: €1.8bn
-20.9%

Underlying operating income

€3.6bn

2019: €2.8bn
+29.4%

Underlying operating income margin

4.8%

2019: 4.2%
+0.6 pp

Diluted income per share from continuing operations

€1.30

2019: €1.59
-18.0%

Diluted underlying income per share from continuing operations

€2.26

2019: €1.70
+33.3%

Own-brand food sales from healthy products

49.8%

2019: 47.9%
+1.9 percentage points (pp)

Associate engagement score

81%

2019: 80%
Industry benchmark: 79%

Dow Jones Sustainability Index

83

2019: 69
Industry average: 31

Reduction in absolute CO_2-equivalent emissions (scope 1 and 2)[4]

17%

2020: 3,035 kt
2018 baseline: 3,658 kt

Reduction in tonnes of food waste per food sales (t/€ million)[5]

17%

2020: 4.5 t/€ million
2016 baseline: 5.48 t/€ million

1 Ahold Delhaize's 2020 fiscal year consist of 53 weeks.
2 In 2020, after €2.7 billion cash capital expenditure (2019: after €2.2 billion cash capital expenditure).
3 The 2016 figures presented in the graphs are pro forma figures. To read more about the 2016 pro forma figures, please refer to our Annual Report 2016. 2018 figures have been restated for the change of accounting policies (IFRS 16 leases).
4 The reduction is measured against the 2018 baseline. 2019: 3,593 ktonnes, a reduction of 2% compared to the 2018 baseline. See *ESG statements* for more information.
5 The reduction is measured against the 2016 baseline. 2019: 5.0 t/ € million, a reduction of 9% compared to the 2016 baseline. See *ESG statements* for more information.

For the definitions of alternative performance measures, see *Definitions: performance measures*.

Frans Muller, President and CEO Ahold Delhaize

Q&A with our CEO

We caught up with Frans Muller to reflect on a year unlike any other during his 24-year career in food retail – and hear his thoughts about the future.

Q: COVID-19 had a significant impact on Ahold Delhaize in 2020 – how do you look back on this extraordinary time?

Throughout my entire career in the food retail business, 24 years, I've never experienced anything like the past year. COVID-19 has had a huge impact on our people and all our communities, both in terms of the public health crisis but also from an economic and social standpoint. As an essential business, our brands had to stay open to provide customers' basic needs. So, we acted fast to implement a wide range of safety measures in stores and distribution centers, worked closely with suppliers to ensure shelves were stocked, and expanded online capacity at an extraordinary speed. All in all, we spent approximately €680 million on safety measures, donations to support communities and appreciation pay for associates in 2020.

The pandemic has put enormous pressure on associates, both physically and mentally. During the peak, they were truly on the front lines, along with other essential workers. I am humbled and impressed, and tremendously proud of how associates across our brands kept going to serve not only customers but also their communities, many of which were hit hard by the pandemic and loss of jobs – especially those that were in a more vulnerable position to begin with. Our brands have continued to support them through food donation programs and other community partnerships. And our business has kept many small- and medium-sized enterprises and entrepreneurs going in these challenging times.

One thing that became clearer than ever is how essential our business is and how important it is to have strong and well-functioning food supply chains. And how much we need to work together – across not only our local brands but our industry and our communities – to make sure everyone is taken care of.

Q: In light of this, how would you characterize the company's financial results in 2020?

We had strong sales in 2020, due to the COVID-19 impact of more people eating at home when restaurants were closed. This was partly balanced by higher costs related to the pandemic. Our underlying business also performed strongly during the year. Our online business accelerated rapidly, as more people switched to contactless shopping options, enabling us to reach our €7 billion target for net consumer online sales one year earlier than we had planned.

As a result of our strong performance, we were able to keep investing in our business. We more than fully deployed our capital budget, investing €2.6 billion to further build our omnichannel and digital capabilities, finance our U.S. supply chain overhaul and advance our Healthy and Sustainable strategy. I am pleased that we were able to strengthen our market position by entering into agreements to acquire stores from Southeastern Grocers and the online business FreshDirect, which will enable us to reach even more shoppers in the New York metro area.

We also took the opportunity to further secure the pensions of many associates in the U.S. And our brands hired more than 45,000 people to meet increased demand – an enormous number and an important way we could help families through job losses resulting from the pandemic.

For our shareholders, we propose a cash dividend of €0.90 per share for 2020, an 18.4% increase over 2019, which reflects our ambition to sustainably grow the dividend per share.

Q&A with our CEO continued

Q: You also announced several new long-term targets as part of your Healthy and Sustainable ambition. Why was this important?

Yes, we made quite a lot of progress on our Healthy and Sustainable ambitions during the year. This is very important to me personally – it's one of the reasons I work in food retail. As a leading food retailer, Ahold Delhaize is able to exercise influence both upstream and downstream in the supply chain. We need to use this influence to help our industry address some of the big sustainability challenges facing us, not only because it's the right thing to do, but also because it's important that customers and associates can trust us to take responsibility for our impacts on people and the planet.

Our ambitions in this area focus on healthier eating. In 2020, for example, we rolled out a new target aiming for sales from healthy own-brand products to comprise at least 50.5% of our total own-brand sales in 2021. We set ambitious targets to reduce food waste and carbon emissions and increase product transparency. In 2020, we took our climate disclosure to a new level, publishing targets as part of the Science Based Targets initiatives and committing to include climate-related disclosures through our support of the Task Force on Climate-related Financial Disclosures.

I am proud of the level of transparency we achieved in our first Human Rights Report, which outlined six areas where we have room for improvement – and how we plan to address them. The report was well received by our stakeholders, who said that it was realistic and transparent, showing that we not only have gaps but that we also have the ambition to close these gaps.

Our achievements led to our company being ranked as the leading healthy and sustainable food retailer in the U.S. and Europe on the Dow Jones Sustainability World Index – truly a testament to the energy and actions of people in all our local brands working to improve our healthy and sustainable performance even in such a challenging year.

Q: What are the biggest challenges and dilemmas you encounter while carrying out your strategy?

We operate in a highly competitive landscape, in a fast-changing world, so we face complex challenges every day. Aside from the obvious challenges we encountered due to COVID-19, one of our main dilemmas is how to balance sales and margins in our online businesses. We invest heavily in technology and digital, to make it more convenient for associates to work and customers to shop. Our challenge is to maintain financial discipline at the same time. So, we are looking at ways to improve the profitability of our online businesses, by increasing efficiency in fulfillment and supply chains, for example.

Another dilemma is how to help people find a healthy balance in nutrition and lifestyle while, at the same time, providing the wide choice of products customers want. This is especially difficult when it comes to the sale of products seen as unhealthy, such as tobacco. Because we recognize that lifestyle choices are personal, our approach is to empower customers by providing them with the information they need to make healthy choices and access to healthy products. An important part of this – especially today – is ensuring healthy foods are affordable on any budget. Our brands also work to continuously reformulate own-brand products to be healthier.

Q: The theme of this year's Annual Report is "Leading together through change." What does it mean to you?

Of course, we saw unprecedented change in 2020 – from the quickly developing pandemic situation, to changes in society and technology, to huge pressure on economies and jobs and the widening gap between the haves and have-nots. At the same time, customer expectations and behaviors were rapidly shifting. All this meant that associates across all our brands constantly had to adapt, learning new behaviors and skills, and new ways of serving customers.

The challenges we faced this year required us to work together more closely than ever before, not only to share knowledge internally, but also with external partners. Our people moved mountains this year – but they did not do it alone. They worked together closely with suppliers, business partners, non-profits and governments to make sure they could care for both customers and communities.

And finally, I believe that Ahold Delhaize is well-positioned to lead during times of change and crisis. We have excellent people, and our strategy of operating great local brands means that we are very closely knit to the communities and societies we serve and that we know customers' needs very well. And we care – about each other, about customers and about communities. During our more than 150 years of operating supermarkets, we've built a strong reputation as a company that can be trusted in good and bad times. We proved that again this year and it helped our brands build loyalty and gain market share.

Q: What are your expectations for the coming year?

We know the coming year will remain uncertain, but we do see some trends brought on by COVID-19 that we expect will stay relevant in years to come.

Some of these trends could be considered positive. In many ways, the pandemic has brought us closer together – both in our families and in business – as we realized how much we need each other. I believe this feeling will remain long after the pandemic.

Customers became more conscious about making healthy choices for both people and the planet. Families had conversations around the dinner table about issues like climate change, food waste and healthy eating. As a result, we expect the sale of healthy and sustainable products to continue to grow.

Many people also learned to appreciate eating at home, a trend we believe will continue to a certain extent. And we will provide convenient solutions to help customers do this. Online shopping will remain part of many customers' routines – though we won't continue to see the extremely rapid growth we experienced at the height of the pandemic, we will now be growing from a higher base.

From a financial perspective, while the ongoing COVID-19 pandemic continues to bring uncertainty, we remain confident in our ability to produce strong cash flow once again in 2021, as you can see by our €1.6 billion free cash flow forecast.

Q&A with our CEO continued

We have a company with a strong financial base. Even when we return to a more normal situation, we believe we'll be in a better position than we were before because of the investments we've made and the customer loyalty our brands have built. We have a good strategy, and we see many opportunities to grow across the whole shopping journey, for example in convenience, ready-made meals, takeaway, better recipes and highly personalized options. And we're making good investments in our store network, digitization, automation and supply chains and customer-facing technology such as self-checkout. We believe all of these will help our brands attract more customers and win in their markets in 2021 and beyond.

Other trends could be seen as negative, as COVID-19 has also brought a great deal of hardship – and it's not over yet. We have the deepest sympathy for those who have lost loved ones and dealt with sickness and pain – many also within our own teams. And we all regret that some businesses will not survive the pandemic. We need to see what we can do as a society to support people and businesses that have suffered the most because of COVID-19 – and we will certainly continue to find new ways to do this as a company.

I felt personally very affected by the racial unrest in the U.S. and Europe. It further opened my eyes to see how much work we still need to do on inclusion, avoiding discrimination and understanding each other better. How important it is for people to be themselves in our company and have a working environment where they can reach their full potential. I see how crucial it is that we continue to develop more diversity at Ahold Delhaize – it makes us a stronger company and enables us to make better decisions. Going forward, we will continue to drive diversity and inclusion across our company and in all our brands.

Q: Any final thoughts?

The pandemic has taught me the value of having a strong company with strong values in times of crisis. I learned our people are very resilient – they go the extra mile to do the best possible job for their communities. I want to give a big thank you to them for working day in and day out, under difficult circumstances, to make sure products are available, shelves are stocked, and customers can get what they need in a safe way. They have displayed amazing amounts of energy to do the right thing and ensure that people can eat well, save time and live better – and we are so grateful.

And I want to give another big thank you to all the customers who stayed loyal to our brands and kept visiting our stores and enjoying our products online more than ever before. We appreciate your trust and confidence in our products, our people, our stores and our supply chain.

2020 Timeline:

January

The GIANT Company announces a $114 million strategic growth plan.

April

Ahold Delhaize announces €170 million in COVID-19 relief and support efforts so far.

After joining Ahold Delhaize in March, Natalie Knight is appointed to the Management Board in the role of Chief Financial Officer (CFO) at the annual General Meeting of Shareholders.

June

Food Lion agrees to acquire 62 BI-LO and Harveys Supermarkets from Southeastern Grocers.

Ahold Delhaize publishes its inaugural Human Rights Report.

July

Stop & Shop reaches tentative withdrawal agreement with local unions on UFCW International Union – Industry Pension Fund (ratified in October).

Ahold Delhaize adopts science-based climate targets for 2030.

August

Bol.com introduces a French-language website, expanding into Brussels and Wallonia.

October

Delhaize launches SuperPlus program to make healthy foods more affordable.

November

Ahold Delhaize elevates its position as a world leader in the Dow Jones Sustainability Index.

Ahold Delhaize enters into a definitive agreement to acquire FreshDirect.

December

Ahold Delhaize successfully closes €1 billion, Sustainability-linked Revolving Credit Facility.

Stop & Shop reaches agreement with local union 1500 on pension fund investment and withdrawal

Giant Food reaches agreement with Pension Benefit Guaranty Corporation (PBGC) and local unions on certain multi-employer pension plans.

COVID-19: impact and our response

To a large extent, COVID-19 defined 2020 for people and businesses around the world. It presented enormous challenges for Ahold Delhaize, as well as the opportunity to fulfill our pivotal role in society in the best possible way. It also accelerated many trends, for example, the moves towards online shopping and working from home – both trends we have been observing and planning for over the past several years. While these trends moved exceptionally fast in 2020, this thoughtful preparation helped us keep up.

Please note that in this section and the rest of the report, we also refer to the COVID-19 pandemic as "COVID-19" or "the pandemic."

Overall crisis response

When the pandemic first struck, we reacted quickly. Global, regional and local crisis management protocols were activated to trigger an immediate response and lay the groundwork to support the businesses and protect associates and customers during subsequent waves of the pandemic. Cross-functional teams were put in place at a company-wide, regional and brand level, who worked day and night to monitor the development of the pandemic, oversee activities, engage with relevant functions within the company, connect with local governments, and advise senior management on policy questions, risks and actions to be taken to mitigate the pandemic's impact and our overall operations. Since Europe was impacted by COVID-19 several weeks before the U.S., we could share insights and practices from Europe to the U.S. and learn from each other.

The pandemic response is based on six main elements or principles: safely meeting customer needs, protecting associate well-being; supporting communities; safeguarding supply chains; building on a strong omnichannel offering; and maintaining financial stability (see infographic at far right).

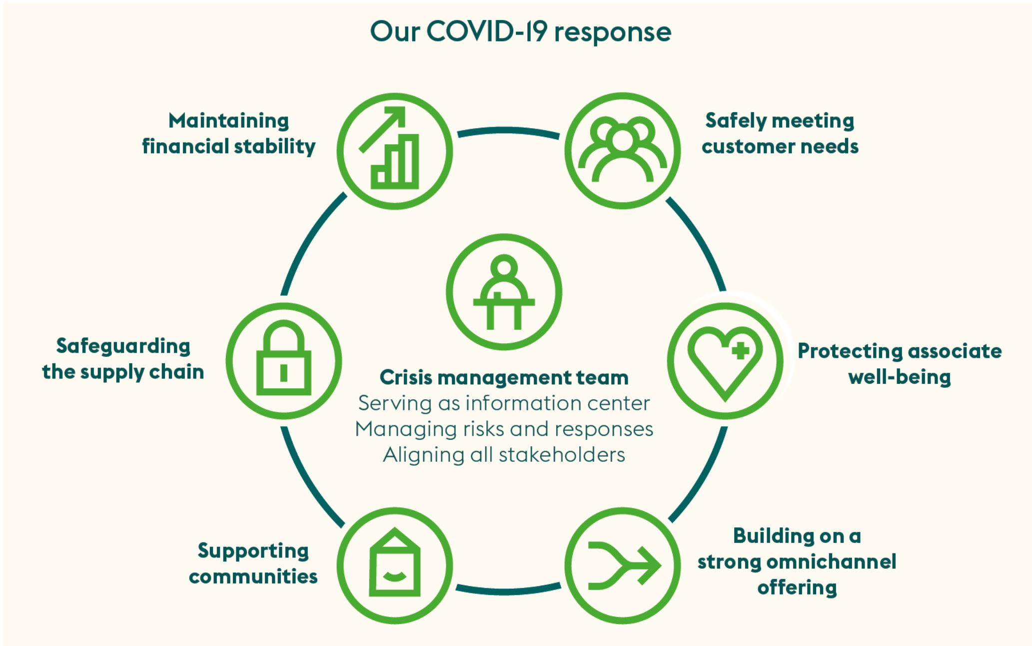
We conducted a scenario-planning exercise at Global Support Office level in each of these areas, looking three, six and 12 months ahead to prepare for changing circumstances as the pandemic evolves. This exercise includes current and forward-looking mitigation activities, which we evaluate and update on a regular basis (first monthly and now bi-monthly).

Actions we took

Our brands took a large number of actions to respond to the pandemic and ensure they could keep up with customer demand in a way that was safe for their associates and customers, and support their communities. The chart below schematically depicts the approach taken by many brands. Globally, we have invested approximately €680 million into appreciation pay to associates, safety and preventative measures (including sanitation and protective equipment) in stores and distribution centers, and donations to communities.

Safely meeting customer needs

As an essential business, our local brands' stores needed to stay open. Their first priority was determining how they could keep associates safe and comfortable coming to work despite the risks. They responded quickly with a multitude of health and safety measures to provide a safe shopping experience for both associates and customers and were among the first in the industry to put in place preventative measures, such as installing plexiglass at their checkouts and dedicating shopping hours for seniors.



COVID-19: impact and our response continued

Delhaize associate with mask.

One of the first steps our brands took was to provide frontline associates with personal protective equipment, including masks, hand sanitizer and gloves. They performed additional disinfection in all stores and facilities and put in place social distancing protocols, such as stickers on the floor and plexiglass shields at the checkouts – in fact, our brands installed these shields in 2,000 U.S. stores in just one week. They implemented one-way traffic through some of the stores, distribution centers and support offices. They also counted the number of customers in stores at any given time so that they did not exceed mandated occupancy levels.

Our brands continued introducing more contactless payment options, including self-scan. As a result of safety precautions, they used more plastic packaging, which is not our preference from a sustainability standpoint but was necessary to meet customers' needs.

Our brands performed regular health assessments and temperature taking, as well as virus tracking in case any associates became ill. For more on how associates were supported, see *Protecting associate well-being* below.

Several brands have also been testing new technology to keep people safe, such as thermal imaging for temperature checks. Our brands in the Czech Republic, Belgium and the Netherlands have piloted new, highly effective disinfection stations that sanitize a shopper's hands and also the shopping cart handle in a quick, easy and automatic method.

Information security

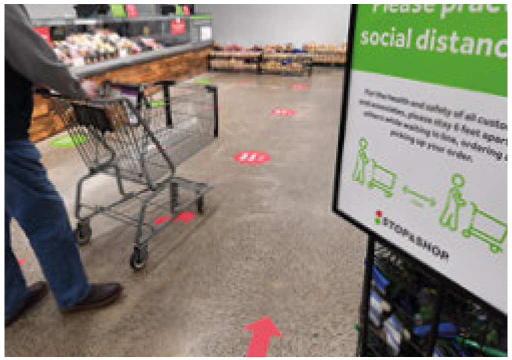
The rapid growth of online shopping introduced new security concerns, and we worked hard to adapt our information security tools, processes and standards to keep customer data safe.

Anxiety around the COVID-19 pandemic has been used in malicious ways, including large numbers of phishing attempts, malware, and malicious domains – trying to leverage public panic through fake offers for masks, vaccines and relief funds. At the height of the pandemic, we captured over 17,000 unique phishing emails per day and have blocked over 85,000 malicious COVID-19 websites to date.

In addition to adapting our technology to prevent as many malicious attempts as possible, our brands continued to provide guidance to associates, for example, on how to work from home safely or use video conferencing tools in a more secure way. They also held a virtual information security awareness week to reinforce the key elements of keeping data safe and why information security is everyone's responsibility.

In addition, customers were provided with security tips during the pandemic, focused on phishing, cyber-attacks and usage of e-commerce sites.

Plexiglass shield at a Food Lion checkout.



Social distancing signs at a Stop & Shop store.

Cashier wearing a mask at Super Indo.

COVID-19: impact and our response continued

Protecting associate well-being
COVID-19 has put additional pressure on associates, especially those on the front line, who have had to handle increased sales volumes while working hard to ensure their own safety and the safety of customers. Associates also faced many challenges related to work-life balance, from a shift towards working from home, to caring for sick family members and for children at home because of child-care closures or e-learning. Our brands already had a strong focus on associate well-being and health in place before the pandemic, which put them in a good position to quickly adapt.

In addition to the many health and safety measures they put in place to help associates stay healthy through difficult and constantly shifting conditions, our brands performed pulse surveys, asking associates how they felt about safety and COVID-19 and what additional support they needed. The brands adjusted their response based on associate feedback. This enabled them to align efforts to support associates' needs and prioritize initiatives to help achieve better work-life balance in the midst of the pandemic, including flexible working policies around absenteeism, paid sick leave, opportunities for testing, rewards and recognition, ergonomic equipment for working from home, increased flexibility for parents and online training.

An important priority was to provide support for grieving associates who lost family, friends or coworkers to coronavirus. We were heartbroken by the loss of over 35 associates from our own teams. Our brands have provided mental health support, tools and resources, and ensured that associates had someone to talk to if they needed help during this difficult time.

In addition, associates had access to virtual coaches and webinars, workshops and other tools for building resilience, an effort that will continue in the future.

We accelerated our rollout of Microsoft Teams, which had started before the pandemic, to improve collaboration, build communities and increase the feeling of connection among associates. During the year, Growing Together, an initiative that aims to help associates cope with today's challenges and stay focused on being fit for the future, was launched.

As a general principle, our brands aim to provide competitive associate pay based on industry practices and local market conditions. In 2020, several brands implemented temporary pay enhancements, including appreciation pay and additional bonuses, due to special challenges related to the COVID-19 pandemic.

When local governments permitted a limited return to work, changes were implemented to make offices safer, and put policies in place for returning to work after being infected with coronavirus. Some of the U.S. brands provided associates with instructional videos and tool kits to help familiarize them with the new environment as they decided whether they felt comfortable returning to work. Similarly, the European brands set up "Returning to new ways of working" guidelines to help associates know what to expect. We have begun to prepare for a post-COVID-19 environment, including how the future of work will evolve. Based on internal and external feedback, a support office hybrid environment, including home and office work locations and new office collaboration zones, best positions associates to work most effectively.

We believe all of these actions made an impact, as we saw a higher engagement score on our associate engagement survey again this year, particularly in the area of our value, care. In 2020, 76% (2019: 76%) of associates, in aggregate, also said they found their brand or support office to be a healthy workplace. We believe this stable result was a good achievement in a year where associates would naturally have more concerns about safety and wellness.

Building on a strong omnichannel offering
As safety concerns drove more people to choose online shopping, demand in the e-commerce businesses rose sharply, requiring us to quickly accelerate our expansion into home delivery and pickup. For example, the U.S. brands opened 424 click-and-collect points, including converted pick-up points, in 2020. At bol.com, we supported our online growth by adding two new facilities (a dedicated XL facility and a returns handling facility) and also expanded capacity in fulfillment centers.

While the online operations saw significant expansion in 2020, our brands' brick-and-mortar store locations continue to account for the vast majority of our sales and profits. We were quick to respond to COVID-19 in securing the safety of customers and associates; you can read more above under *Safely meeting customer needs*. At the same time, our brands continued to reinvest back into their stores to provide consumers with an improved shopping experience, emphasizing fresh and affordable assortments, which continues to resonate with consumers.

As people become more willing to try online shopping and ordering through websites and apps and experience the benefits of their omnichannel solutions, our great local brands are forging a deeper connection with customers. We believe this is increasing loyalty to our brands and strengthening our long-term prospects. For more information on how store and online operations developed during the year, see *Drive omnichannel growth*.

Albert associate restocking bananas.

Supporting communities
It was important to us that our brands support communities and live up to their reputation as trusted partners in times of crisis. During 2020, the Ahold Delhaize brands collectively contributed nearly €20 million in charitable donations to local food banks, national and private health systems, the Red Cross, medical facilities to further research on COVID-19, and to feed first responders in critically hard-hit areas.

For example, in the U.S., Stop & Shop donated 5,000 free fresh meals every day for healthcare first responders in areas heavily impacted by the pandemic. Food Lion donated to scientists at UNC Health working on protective vaccines and public health initiatives for coronavirus. Giant Food supported Feeding America regional food banks, with cash and food product donations and facilitating customer donations. The GIANT Company donated to Children's Hospital of Philadelphia, to support the expansion of its Healthy Weight Food Pharmacy, which addresses food insecurity in the West Philadelphia community. Hannaford provided monetary support to farms throughout New England and New York adversely impacted by the pandemic.

COVID-19: impact and our response continued

Stop & Shop associates deliver healthy snacks to front-line hospital workers.

Food Lion associate holds appreciation messages from customers.

The GIANT Company associates volunteering at a local food bank.

In Europe, bol.com held a program to give children a great birthday despite COVID-19 by sending them personalized birthday packages with handwritten messages. Alfa Beta supported the Greek National Health System with a sizeable donation to help fight the COVID-19 pandemic.

Our pharmacies in the U.S. have been preparing to distribute the COVID-19 vaccine once it is available to them, through actions such as purchasing additional freezers and personal protective equipment, providing special training and education to associates and developing digital appointment forms and scheduling tools to decrease wait times and maintain social distancing.

In January 2021, in collaboration with the U.S. Department of Health and Human Services and the District of Columbia, Giant Food Pharmacies in D.C. were selected to receive an initial supply of a COVID-19 vaccine to be administered to healthcare associates who work in senior group home settings covered under Phase 1a of the vaccine distribution plan. The D.C. Department of Health is determining eligibility and scheduling appointments for those healthcare workers at one of the new immunization clinics set up at Giant Pharmacies.

Our brands expanded their workforces to better serve customers, hiring many people from their local communities who had lost their jobs as a result of COVID-19. During the height of the pandemic, more than 45,000 people were hired to help support the surge in demand for customers.

Safeguarding supply chains

COVID-19 put a stress on the supply chain the likes of which we've never experienced, requiring the entire chain to rethink how to collaborate. The close partnerships our businesses have developed with suppliers over the years helped to ensure they could meet customers' needs together.

As restaurants and food service businesses closed and people stocked up on products they were afraid they wouldn't be able to find later, we saw unprecedented demand for items such as yeast, flour, toilet paper and sanitizing products across almost all our markets. Our brands worked in close partnership with suppliers to ensure they could provide the essential items customers needed, limiting supply on less essential products. With some suppliers distributing less product to ensure they could cover all their retailers, sourcing teams had to also work with alternate and new vendors to ensure the shelves were stocked.

Some of the brands even repackaged food service products into normal retail volumes to sell in the stores and online. For example, Albert Heijn repackaged 10-kilogram bags of rice into one-kilogram bags.The team at Food Lion quickly pivoted to source chicken products originally destined for restaurants and food service, ordering 25 truckloads per week at the peak.

Our brands asked customers to only purchase what they needed, placed purchase limits on certain products and temporarily limited or cancelled promotions to allow stores to operate smoothly and suppliers to ensure product supplies.

The pandemic highlighted to us the need for open trading borders, not only in terms of the food supply but also packaging and spare parts, and we had discussions with governments on this topic.

The Not for Resale (NFR) Procurement function was tasked with the difficult challenge of sourcing sanitation and protective equipment to keep associates and stores safe. The teams leveraged our current base of trusted suppliers and also sought new sources to ensure associates had the safety supplies they needed despite fierce competition for these products.

In the early days of the pandemic, global demand for sanitation and protective equipment was sometimes 100 times larger than supply; it was impossible for suppliers to be prepared for this unprecedented development. Our NFR teams worked closely with them to ensure they could procure the products our brands needed. For example, when disinfectants became hard to obtain, they approached our own-brand liquor supplier; with minor adjustments to their production line, they were able to produce effective disinfectants. When markets and demand stabilized, prices for safety supplies dropped rapidly and the NFR teams started building safety stocks in preparation for the second COVID-19 wave.

NFR in the U.S. initiated and deployed a Supplier Risk Task Force that met each week. They focused on COVID-19-related operational and financial risks related to our top 300 suppliers and worked proactively with these business partners to develop contingencies to mitigate these risks.

The pandemic showed the great value of the work sourcing teams have done over the years to mitigate the risks involved in doing business with third parties, including our strong supplier search and due diligence process. It also showed us the important benefit the strong supplier relations they have built provide for the continuity of our business.

COVID-19: impact and our response continued

Maintaining financial stability
Our results and free cash flow were favorably impacted by the COVID-19 pandemic (see *Performance review* for more information).

We further strengthened our liquidity position by accessing the financial markets and refinancing our revolving credit facility. On April 2, 2020, we issued a €500 million bond on the public debt markets. On December 10, 2020, the Company closed a €1 billion, sustainability-linked revolving credit facility refinancing the existing 2015-dated €1 billion facility. This new facility reinforces the alignment of our funding strategy and the commitments laid out in our Healthy and Sustainable strategy.

While there was government assistance available to companies in several countries where our brands operate, we did not apply for any government assistance.

We did not experience material asset impairments as a result of COVID-19. We did not receive nor grant material rent concessions. See *Note 33* of the consolidated financial statements for more information.

Adapting to changing circumstances

As circumstances shifted, we remained – and still remain – flexible in order to keep up with changes happening around us and prepare for an uncertain future. For example, our brands performed a stress test on absenteeism to assess the level of potential disruption as the pandemic enters the second and third waves. The outcome demonstrated that brands would have severe disruptions and critical actions would need to be taken if the absenteeism rates go above 30% in store, distribution and logistics operations. Our brands put plans in place to prepare for absenteeism, including by hiring new associates or shifting associates to different areas of the business. So far, none of our brands has seen this level of absenteeism.

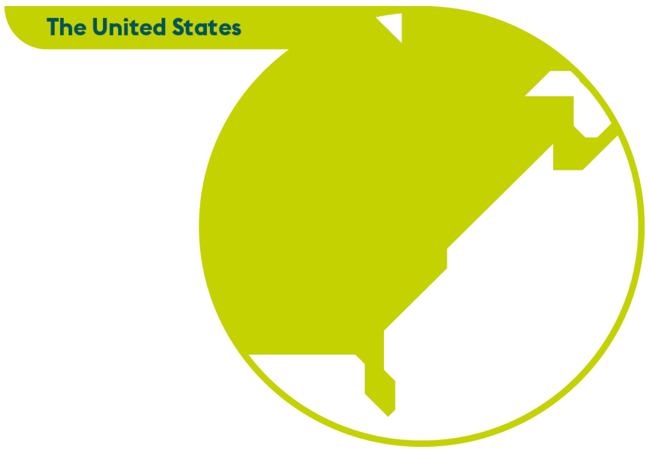
We also assessed our internal controls at the onset of the pandemic to find out which controls had to be delayed in the critical period of the pandemic; since then all assurance activities have resumed.

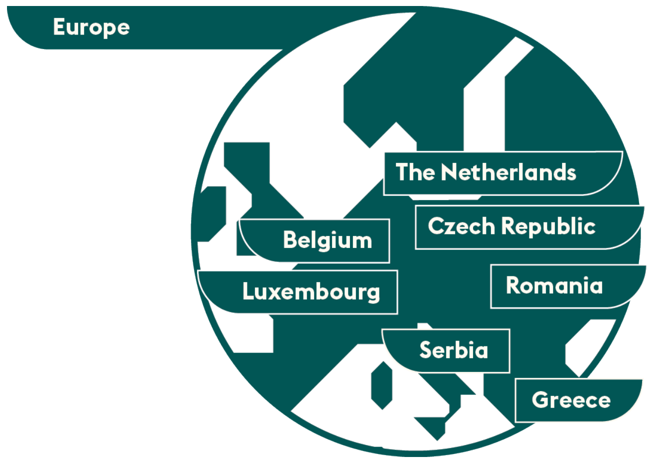
In all we did, our brands took the guidelines of local governments into account to keep associates and communities safe. While the situation kept changing, our brands adapted, but associates were the real heroes in adjusting to constantly shifting and challenging circumstances.

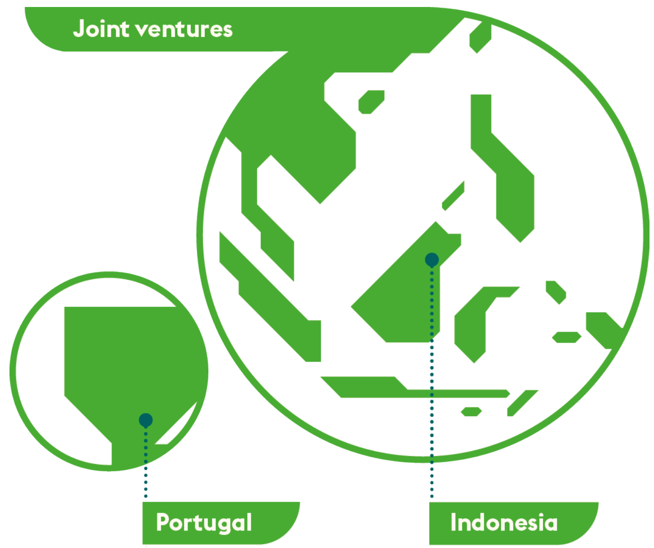
Associates across each local Ahold Delhaize brand masked up in 2020.

At a glance

Ahold Delhaize is a family of great local brands serving millions of customers each week in the United States, Europe and Indonesia.







414 thousand
associates

54 million
customers served every week, both in stores and online

18
great local consumer-facing brands[1]

7,137
stores serving our local communities in Europe and the United States[2]

Total net sales
€74.7bn

Total net consumer online sales
€7.6bn

1 Including our joint venture brands.
2 Excluding our joint venture brands' stores.

At a glance

Introducing...FreshDirect!

We are proud to introduce and welcome FreshDirect, the newest addition to the Ahold Delhaize family of great local brands. New York City-based FreshDirect is a leading online grocer in the U.S., delivering directly to customers across the New York, Philadelphia and Washington, D.C. metropolitan areas.

FreshDirect makes online grocery delivery and grocery shopping fast and easy. The brand is committed to sourcing the freshest and best-tasting meat, fish, produce, and specialty items through direct relationships with suppliers, growers and farmers. FreshDirect offers in-season fresh food, great local finds, chef-prepared quick meal solutions and customers' favorite grocery brands.

Launched in 2002 and headquartered in the Bronx, New York, FreshDirect was acquired by Ahold Delhaize and Centerbridge Partners in January 2021. We look forward to sharing more of their story.

For more information, visit the FreshDirect website: *www.freshdirect.com*.

Evolving market trends

2020 has been a year of unprecedented change, marked by three global crises: the health crisis brought about by the global spread of COVID-19, the resulting severe economic downturn, and social unrest in key markets around the world. These developments have reaffirmed our commitment to customers, associates and communities and showed us that our purpose – eat well, save time, live better – is more relevant than ever. The crisis created and accelerated six key trends across our business. For more on how we are responding to these trends, see *Our growth drivers.*

Rapid acceleration of online grocery

Fear of COVID-19 infection has led many consumers to try online grocery shopping for the first time, and current customers to use it more frequently. In fact, around 20% of U.S. consumers report shopping online for the first time during the COVID-19 crisis – and, despite initial product shortages in stores and difficulties in securing delivery times, they've reported a generally positive experience. Many have suggested they will continue to purchase groceries online after the crisis, and are willing to pay extra for it.

As a result of the increased demand, retailers had to rapidly scale up their supply chain and last-mile capacity; this increased demand has also resulted in the emergence and rapid growth of delivery intermediaries and online-only grocery companies.

Meaningful shift to at-home consumption

The closure of restaurants has driven a shift to in-home consumption of food. Even as social distancing restrictions are lifted, some customers may still have reservations about returning to restaurants, enabling grocery retailers to maintain the additional "share of stomach" – or the share of customers' total food purchases – captured during the COVID-19 pandemic.

Consumers are at home more, which has increased the time they have available to cook from scratch. As a result, 70% are eating more home-cooked meals. Meal solutions have become more relevant as an alternative when restaurants were closed or because of their affordability. This presents another opportunity for grocery retailers to offer better quality and healthier ready-to-eat options at a great value.

Difficult economic environment impacting consumption patterns

Higher unemployment rates versus pre-pandemic levels and tightening consumer wallets are changing consumption patterns and the way people shop. For example, 40% of U.S. consumers believe their finances will not return to pre-COVID-19 levels until the latter half of 2021 or even 2022 and beyond. This has impacted consumer sentiment, with approximately 60% of U.S. consumers indicating they delayed purchases in early 2020, limiting spending on some discretionary items. While total food expenditures remain above pre-pandemic levels, the effects of a challenging economic environment is evident in the expansion of government-assisted food purchases under programs such as SNAP (Supplemental Nutrition Assistance Program) in the U.S. This suggests that the emphasis on value has been enhanced for a segment of consumers.

Acceleration of changes in how customers shop

During the first wave of COVID-19, half of consumers said they were shopping less in physical grocery stores. They also had heightened expectations around hygiene standards – including continuous sanitation, availability of hand sanitizer and in-store social distancing – that we expect will remain as long as COVID-19 is still an issue.

To provide a safe shopping experience for customers, in 2020, retailers took significant precautions, including enhanced cleaning, employee health assessments, masks and gloves and communications to customers. They also designed and communicated a "contactless" experience in terms of food preparation, sealed packaging and contactless payment, pickup and delivery. Retailers have leveraged their brand reputations to build consumer confidence in these extraordinary times.

Heightened focus on social consciousness, health and sustainability

Consumers have shown an increased consciousness around health, sustainability and supporting local businesses during the pandemic. They are increasing their focus on brands and retailers that support their local communities and prioritizing locally sourced products. About half of consumers say they have made a purchase with the explicit intention of supporting their local community during COVID-19, a trend more pronounced among younger, more affluent consumers in urban areas. At the same time, public health issues beyond COVID-19 are impacting communities, with disease and obesity affecting millions of people. Healthy eating is becoming a lifestyle choice for many, with consumers expecting transparency from companies.

Finally, climate change and the loss of biodiversity are growing concerns that impact food production. Governments and companies are responding with initiatives such as the European Green Deal and ambitious climate plans involving suppliers, customers and employees.

Grocery retailers have an opportunity to embrace all these trends in their product assortments and communications.

Changes in ways of working

COVID-19 pushed us into the largest ever work-from-home experiment across the globe. To adapt, employers had to rapidly scale technology for remote work and change their management approaches. Many office-based employees are planning to continue to work from home, at least partially, once restrictions are lifted.

Other

Some additional trends from the previous year stayed relevant or accelerated in 2020. Technology is becoming increasingly important in grocery retail. For example, artificial intelligence and machine learning are being used to forecast demand and engage customers more effectively.

You can find more on the macro-economic trends impacting our business in *Macro-economic trends* under *Group review*.

Our Leading Together strategy

Our Leading Together strategy has served us well since 2018 and is still helping us deliver solid results.

At the same time, the world around us is changing fast, with consumer sentiment and behavior shifting and competitors evolving quickly to keep up. To make sure our strategic framework stays relevant, this year we simplified, focused and accelerated some areas. The result is the updated framework on this page.

You'll notice a few changes that reconfirm our direction and drive focus. We articulated a new vision that defines the dot on the horizon we are moving towards, which is to create the leading local food shopping experience. We tightened our focus to four key growth drivers that are helping us fulfill our purpose, achieve our vision and prepare our business for tomorrow. Technology is now integrated into all the growth drivers – it enables everything we do. We have incorporated our business model wheel – through which we save for our customers, drive same-store sales and fund growth – into our "strengthen operational excellence" growth driver.

Our four growth drivers enabled our brands to respond swiftly to consumers' evolving needs during the COVID-19 pandemic and supported our leading market share positions across our geographies.

While our promises are no longer visible on the framework, they have become an integral part of how we execute our strategy. In other words, they are part of our DNA. Our values remain unchanged – they are core to who we are and how we define our culture.

Our purpose

Eat well. Save time. Live better.

Our values

Courage
We drive change, are open minded, bold and innovative

Integrity
We do the right thing and earn customers' trust

Teamwork
Together, we take ownership, collaborate and win

Care
We care for our customers, our colleagues, and our communities

Humor
We are humble, down-to-earth, and don't take ourselves too seriously

Our vision

Create the leading local food shopping experience

Our growth drivers

Drive omnichannel growth
Create seamless **digitally-enabled** experiences with a compelling value proposition across all shopping and meal occasions

Elevate healthy and sustainable
Provide inspiring, healthy and affordable food options for all and achieve our sustainability commitments

Cultivate best talent
Attract, develop and retain the best talent with an engaging associate experience that drives high performance, inclusion and growth

Strengthen operational excellence
Save for our customer, leverage scale, and use **technology and data** to build the future

Our Leading Together strategy

Our purpose

Eat well. Save time. Live better.

Our purpose helps us to answer the question: What difference are we going to make?

Millions of customers around the world turn to our great local brands for their daily needs – and our brands are well-positioned to make a positive difference in their well-being.

People's wants and needs are diverse, but there are three things we believe they all deserve, and that we can have an impact on:

Not only do we want to make it easy for people to choose a healthy, balanced diet, but also have access to products that are high quality, responsibly sourced – and of course, delicious!

Eat well.
Save time.
Live better.

The three things everyone deserves from us.

People are busy. And in this hectic world, anything we can do to make things quicker, smoother and easier is a good thing.

For some, this means healthy eating. For others, shopping more inexpensively or more ethically. Whatever it means to our customers, associates and communities, we're committed to helping make it happen.

Our Leading Together strategy

Our vision

Create the leading local food shopping experience

Through our great local brands, we have a unique opportunity to leverage our scale while understanding and serving the needs of local customers and communities.

We always strive to be number one in our markets – not only in market share but also as a frontrunner in innovation.

Food is not the only thing we sell, but it has been at the core of our business for 150 years. We love food and pride ourselves on offering customers healthy, quality and delicious choices in all our markets.

Our brands serve the needs of customers from the time they start planning what they want to buy and eat, during the shopping trip, and all the way through to mealtime.

We stay connected with our customers so we can offer the seamless omnichannel shopping experience that gives them more time to enjoy the moments in life that matter most to them.

Our growth drivers

Drive omnichannel growth

95%

2020 net sales from markets where we have a #1 or #2 position

67.4%

2020 net online consumer sales growth (at constant rates)

1,419

pick-up points and click-and-collect locations by the end of 2020

11.7 million

number of monthly active mobile app users (straight average over 2020)

Our ambition

We want to help customers navigate the choices they encounter, from planning to shopping and all the way through to enjoying their meals. So, we're creating a seamless experience in all phases of the customer journey, enabled by technology. We believe that by doing this, we can deepen the relationship between our brands and our customers and become their one-stop shopping destination.

An important part of this, especially during COVID-19, was expanding our online offering, and we made good progress in 2020. After reaching our target of €7 billion in net consumer online sales one year ahead of schedule in 2020, we are planning for continued online sales growth while working towards improved e-commerce profitability. This is in line with our goal to solidify our position as an industry-leading local omnichannel retailer. We also continuously work to optimize our brick-and-mortar footprint. We already operate a portfolio of strong retail brands and strive to be the consolidator of choice in our markets.

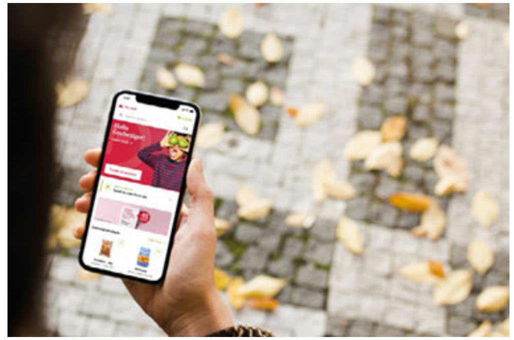
Strategic choices and challenges

Balancing e-commerce growth and profitability

Consumers want the flexibility to shop with our brands across multiple channels, whenever they want, wherever they are – to fulfill all their food needs over the course of a day. However, because of the added costs related to order fulfillment and delivery, e-commerce is less profitable in the short term compared to brick-and-mortar sales. To meet our customers' needs, we've made the strategic choice to continue to focus on growing our e-commerce business and providing a great online experience while optimizing our operations to increase profitability.

Increasing supply chain complexity for long-term customer benefit

We are working to broaden our assortment and improve product availability and freshness so we can serve more of our customers' food needs as they shop across multiple channels. Of course, this strategic choice creates a more complex supply chain, which may be less efficient. To meet this challenge, we are transforming our infrastructure by modernizing our supply chain distribution, transportation and procurement through a fully-integrated, self-distribution model in the U.S. After a multi-year transition period, this will reduce costs, improve speed to shelf, enhance relationships with vendors, and improve product availability and freshness for customers in the U.S. brands. In Europe, several brands are in the process of expanding capacity and using modernized distribution centers to better serve customers.



Delhaize's new SuperPlus app.

Bol.com fulfillment center.

Food Lion associate assembles order for customer pickup.

Our growth drivers
Drive omnichannel growth continued

Our progress and future plans

Our focus on driving omnichannel growth is centered around four areas:

Grow e-commerce and profitability
E-commerce demand surged during the pandemic, and our brands accelerated the online offering to meet customer needs. In the U.S., this included expanding delivery and pickup; making same-day pickup and delivery available to 87.0% of households. To support this growth, our U.S. brands added 424 click-and-collect locations, including converted pick-up points, in 2020 and opened three new online fulfillment facilities in December 2020 and January 2021.

These actions were part of a larger global initiative by our brands to provide more customers with access to convenient online shopping. In the Netherlands, Albert Heijn launched the "AH Compact" no-fee home delivery service targeting small households. Bol.com saw a further rise in third-party sellers (Plaza partners) on their platform, with more than 41,000 entrepreneurs now accounting for 57% of the brand's net consumer sales. Meanwhile, our Mega Image brand launched a 90-minute home delivery offering in Bucharest.

In addition to organic growth opportunities, we are also bolstering our online capabilities through acquisition. Ahold Delhaize finalized the acquisition of New York City-based online grocer FreshDirect in January 2021. This will enable us to expand our brands' reach in the New York area and serve customers' growing preference for convenient ways to shop.

At the same time, we are strengthening our e-commerce profitability by increasing network efficiencies and scale. In the U.S., we have announced plans for an additional micro-fulfillment center with a new partner, which we expect to go live towards the end of 2021.

Drive seamless omnichannel engagement
Our brands are continuously expanding the omnichannel offering to new customers and launching innovative services and programs. Albert Heijn's new home delivery service in Belgium's Antwerp region is off to a promising start. Our bol.com brand launched a French-language option in Belgium and has already attracted thousands of Belgian third-party sellers.

We are evolving our loyalty and reward programs to offer our customers even more personalized benefits. The GIANT Company is testing a new subscription model to drive increased loyalty and engagement. With an annual membership fee below $100, it offers even more value to customers, including the opportunity to secure preferential delivery time slots.

Optimize our brick-and-mortar footprint
Our brands continue to remodel and open stores with the most relevant offering for customers, focused on fresh products, meal solutions and a great shopping experience. In 2020, Albert Heijn remodeled an additional 112 stores to its "Real Fresh" format. The brand plans to remodel and open approximately 60 stores in the format in 2021, for a total of well over 300 Real Fresh stores operational by the end of the year. The refreshed stores are performing well and providing an uplift in both sales and customers. COVID-19-related disruptions slowed the pace of store remodels at Stop & Shop in the U.S.; the brand remodeled 33 stores in 2020, and will accelerate the program in 2021, planning to add 60 additional stores. The remodeled stores are performing well, with sales lifts in line with our expectations. Our brands are also driving innovation with new store formats that meet customers' needs. For example, Albert has introduced "Albert Fresh" stores in the Czech Republic, combining a bistro and Fresh Bar with a selected assortment of groceries. The new format allows consumers to purchase healthy on-the-go food items while stocking up on groceries.

Drive price, value and assortment
We are working to provide great value to customers with the right assortment of products and services. Our local brands are among the most prominent providers of fresh food and locally tailored own-brand products in their markets, including a diverse selection of affordable natural and organic goods. Our U.S. brands will launch 1,500-2,000 more own-brand items in 2021, growing from an existing base of over 15,000 items.

Following a successful launch in 2019, our brands have expanded the Nature's Promise Kids line in the U.S., which features products that are nutritionally equivalent to or better than similar traditional products, and free from synthetic colors, artificial flavors and preservatives, sweeteners, MSG and high fructose corn syrup.

Alfa Beta has launched the new "OceaniQ" brand in Greece, offering detergents and home cleaners with bottles made 100% from recycled abandoned fishing nets collected from the oceans. In addition, all OceaniQ products are certified vegan.

Our Fresh Kitchen food processing facility in the U.S., which opened in late 2019, is being used to develop distinctive new meal solutions and culinary innovations for our own-brand fresh food offering. We have plans in place to broaden the assortment and make it even more relevant to customers in 2021.

Our U.S. brands are also improving their meal solution offerings by opening a second central fresh meat processing facility that handles marinated and seasoned meats for "ready to cook" meal solutions, and in-store kitchen concepts across the brands. The aim is to offer consumers restaurant-quality offerings at a lower price point.

The U.S. brands will launch an "endless aisle" solution that adds an additional 80,000 to 100,000 general merchandise and food items to their offerings in the first half of 2021, using the Mirakl platform.

In Greece, our Alfa Beta brand ran a campaign called "Tastes of Greece" to promote the local and traditional products in its assortment and support local producers across the country.

New Albert Fresh format store.

FreshDirect is a new member of the Ahold Delhaize family.

Our growth drivers

Elevate healthy and sustainable

49.8%

of total own-brand food sales from healthy products in 2020

17%

food waste reduction in 2020 compared to our 2016 baseline

17%

reduction in absolute CO_2-equivalent emissions in 2020 compared to 2018 baseline

Our ambition

At Ahold Delhaize, we believe that what's healthy and sustainable should be accessible and available to all. We aim to ensure that every choice we and our brands' customers make is the better choice. From sourcing locally and helping farmers and other community and neighborhood producers get a fair deal, to working with suppliers to improve the overall food supply chain, the decisions we make are grounded in doing the right thing for people and our planet.

We collaborate closely with our partners and empower customers to join this journey with us. We are transparent in highlighting our progress and making better choices clear. Our brands' marketing, reward programs and store designs ensure that what's healthy and sustainable is affordable, accessible and inclusive for all. And we innovate to make products even healthier, more interesting and more varied. All of this helps us to make healthy and sustainable choices into easy choices, for everyone.

Strategic choices and challenges

Climate change

As the pace of climate change speeds up, the next decade is critical to ensuring a healthy future. So, we need to challenge assumptions in our current food system, such as the practice of providing large quantities and a great variety of products all year round that, in turn, wastes valuable food and energy. We face the dilemma of meeting customer expectations on variety and availability of food while reducing the cost to the planet. To address this challenge, we are accelerating our actions to engage customers and incentivize them to adopt healthier and more sustainable diets, reduce climate emissions across the entire value chain, promote biodiversity and reduce waste. For more information on our activities in this area, see *Climate change*.

Providing choice while promoting health

We strive to provide healthier choices and guidance to our customers while at the same time offering the wide range of products consumers demand. When these two objectives conflict, we have to make choices that can disappoint customers and have a financial impact on our businesses. For example, during 2020, we made the choice to stop selling alcohol at bol.com, as we felt that our identification checks at delivery were not enough to guarantee these products would not be sold to minors. Cigarette sales raise another dilemma, with some brands stopping sales and others continuing. Selling cigarettes doesn't exactly fit into our aim to help customers make healthy choices, but it is a product that a significant segment of customers expects our brands to provide.

Our progress and future plans

Our healthy and sustainable growth driver is centered around the following focus areas:

Enable customers to make healthier choices

Our brands work to help make customers and associates more aware of what they eat and how it impacts their health. They provide healthier food in stores and online, including by reformulating own-brand products to reduce salt, sugar and fat and increase vitamins, whole grains and fiber.

In October of 2020, Delhaize launched its innovative SuperPlus loyalty program in Belgium, which provides rewards and discounts on healthy and sustainable products. The SuperPlus Card gives customers automatic savings of 5-15% on more than 5,000 products with a Nutri-Score of A or B. With this program, Delhaize is making it easier for customers to develop healthier eating habits through a more balanced diet, whatever their budget.

Nature's Promise aisle in a Stop & Shop store.


Produce department.

Products with NutriScore labelling, officially launched in Maxi, Tempo and Shop & Go stores in Serbia in 2020.

Our growth drivers

Elevate healthy and sustainable continued

Electric truck used to deliver products from Albert Heijn distribution centers to stores.

Another way we are enabling healthy choices is through a cooperation with Partnership For A Healthier America, a U.S. nonprofit working to transform the food landscape and provide equal access to healthy foods.

Our U.S. brands have committed to reaching 54% of own-brand sales from products earning one to three Guiding Stars by June 2025. Our company-wide target is to raise sales of healthy own-brand products to 51% by the end of 2022.

We also provide information and advice. For example, The GIANT Company's nutrition team now offers customers personalized email, phone or online consultations, and the brand has launched webinars and an online nutrition series to help customers stay healthy.

Provide more product transparency
To help customers make healthier and more sustainable choices, we are driving transparency about where our fresh products come from and making the nutritional value of all products more transparent.

Ahold Delhaize USA brands have committed to make it easier for customers to understand what is in their products by placing clear bio-engineered food disclosures on all own-brand product packaging before January 1, 2022.

Maxi, Tempo and Shop & Go stores in Serbia officially launched the Nutri-Score food label in June 2020. It visually summarizes nutritional information on product packaging, helping customers make healthier choices.

Eliminate food and plastic waste
Our brands are working across the value chain, together with customers and suppliers, towards our target of reducing food waste by 50% from 2016-2030. We apply a three-pronged approach to managing food waste: first, reduce food waste before it happens; second, work with food banks to use food that might otherwise go to waste; and third, feed any remaining food to animals or send to compost or biogas production to keep it out of landfills. We are reducing waste by using electronic shelf labels in Europe to support discounting of food that is nearing its sell-by date. During the COVID-19 pandemic, Hannaford used its network to put local farmers and food producers in direct contact with food banks, supporting food waste reduction and improving food security.

As a signatory of the Ellen MacArthur Foundation's New Plastics Economy Global Commitment, Ahold Delhaize brands are working towards zero plastic waste from own-brand packaging by 2025 by making the plastic packaging we use 100% recyclable, compostable or reusable. Albert Heijn and Delhaize Belgium joined forces to change their mushroom packaging from the traditional blue trays to 100% recyclable transparent PET plastic, which can be easily recycled into new packaging material.

Reduce climate impact
We updated our climate strategy in 2020, in line with the Science Based Targets initiative and the goal to limit global warming to 1.5°C. Our strategy includes a target to reduce absolute carbon emissions (scope 1 and 2) by 50% by 2030 compared to our 2018 baseline. To meet this objective, our brands continue to increase use of renewable energy, update refrigerants and reduce energy consumption. For example, the Ahold Delhaize Coffee Company opened a new coffee roasting facility with a reduced climate footprint.

We also set a target to reduce absolute carbon emissions in the value chain (scope 3) by 15% by 2030, compared to our 2018 baseline. Most of our value chain emissions are embedded in the products we sell, and the brands are working with suppliers to improve our performance. For example, Delhaize Belgium was one of the first retailers in Europe to offer 100% carbon-neutral bananas.

During 2020, we also committed to support the Task Force on Climate-related Financial Disclosures (TCFD), aimed at improving and increasing reporting of climate-related financial information and identifying the potential impact of climate change on the company and its business. See *Climate change* for more detail.

Our growth drivers

Cultivate best talent

81%
Associate engagement score (2020)

73%
Associate development score (2020)

79%
Inclusive workplace score (2020)

Associates enjoying a socially distanced break outside the Zaandam Global Support Office in early 2020.

Our ambition

We're in the people business. The 414 thousand associates working across our brands and support offices focus every day on ensuring they serve their customers well and deepen connections with their communities. To be successful, our brands need the best people.

That's why at Ahold Delhaize and our great local brands, we strive to reflect the markets we serve and make sure associates' voices are heard and valued and we find purpose in our work, have equitable access to opportunities and can grow and contribute to our fullest.

Our brands place diversity and inclusion at the center of their ambitions. We have a bold aspiration to be a company whose brands and support offices are 100% gender balanced, 100% reflective of the markets they serve and 100% inclusive.

Strategic choices and challenges

Addressing persistent and increasing inequality

Diversity and inclusion is a business priority that continues to evolve at Ahold Delhaize. This came into even clearer focus during the social unrest of 2020. At Ahold Delhaize and our brands, we believe that, as retailers playing a significant role in society, we have a responsibility to set the right example and help dismantle structures that systematically disadvantage some and advantage others. Ahold Delhaize and our brands are committed to continually raising the bar on our diversity and inclusion ambitions. In 2020, this commitment enabled our brands' associates to demonstrate resilience and reimagine how they can work together to serve communities in uncertain times.

However, we still face challenges. For example, while our company, in aggregate, has a good overall gender balance, we have room for improvement at the top; one of our main challenges is to achieve a better balance of gender at Board level. We also want to become more representative and inclusive of our brands' communities. The events of this year illuminated the need for us to take a bolder stance in this overall ambition.

Preparing the workforce and workplace for the future

The way we work is changing, and COVID-19 has only accelerated that change. Like other businesses, our brands face questions about how to prepare the workforce and workplaces for the future. We have made the strategic choice to enable focus on four main areas as our brands prepare for the future of work:

- Analyzing the workforce implication and industry impact when unleashing automation, analytics, algorithms and artificial intelligence.
- Re-defining skills and capabilities, re-matching and re-deploying talent and mobilizing careers.
- Defining associate experience at the intersection of the customer experience.
- Designing models of the future and implementing new ways of working.

Progress and plans for the future

Our cultivate best talent growth driver centers around four priorities:

Create the future of work

Our local brands and functions are taking our vision of the future of work and bringing it to life through customer-centric operating models and strategic workforce plans that support omnichannel and digital ambitions. In 2020, Albert, Albert Heijn and The GIANT Company tested and co-created a toolkit to help our brands do this. In 2021, our brands are incorporating the lessons learned into their individual five-year strategic plans.

Pivot our culture

Our brands are supporting associates in defining how their own unique contributions can align with Eat well. Save time. Live better. They want to help associates maximize their potential by nurturing a mindset of continuous growth and lifelong learning. Five shared values guide this process, with an intensified focus on the three values of courage, care and teamwork.

In these challenging times, with racial inequity at the forefront of dialogue across our markets and organization, our brands' commitment to create a diverse workforce and an inclusive culture is stronger and more important than ever. We continue to listen to and learn from one another, joining millions of others who are seeking solutions and change. Our Human Rights Report, published in 2020, outlines the diversity and inclusion strategy and compensation principles.

Our growth drivers
Cultivate best talent continued

To enable a workplace where everyone is valued and can reach their full potential, we are developing an inclusive leadership curriculum, that enlightens leaders about how they impact the feeling of inclusiveness on their teams. After holding pilots with two vendors, the program will be available in the first quarter of 2021.

In 2020, we shared free Diversity and Inclusion classes from LinkedIn Learning – on key topics such as unconscious bias, addressing culturally sensitive issues, and how to hire and retain diverse talent – with members of the “Young Ahold Delhaize” Business Resource Group (BRG).

Transform our capabilities
As our brands prepare for the future of work, an important aspect is understanding what capabilities they need today, and in years to come, and then developing them in their workforce. They are proactively upskilling their workforce for the future needs of the company.

Albert Heijn associate demonstrates in-store scanner.

Our brands continue building a digital and data mindset and helping associates learn new skills. For example, Delhaize Belgium set up a mobility center in 2020 to re-skill associates for more “future-proof” roles, helping to retain and eventually redeploy these talents. In addition, our brands have many talent programs in place for future leaders.

We are also working to build a stronger community and an engaging culture for information technology (IT) associates, as well as a new curriculum for technology roles, to help us compete with tech companies in recruiting strong talent within our Global Support Office. In 2020, we provided webinars on various technology topics and offered a free artificial intelligence course to help associates understand this emerging technology.

Giant Food associate.

We are using technology to help us work, share knowledge and collaborate more effectively. Despite the pandemic, we went forward with an enormous project in the Netherlands to consolidate the legacy Human Resources (HR) IT applications into a unified HR and payroll platform based on SAP SuccessFactors. The new system also enables associates to access and manage their HR details in one secure place through mobile apps, handling tasks related to performance and talent management, recruiting and onboarding and even learning. In addition to the Netherlands, our brands have also rolled the platform out in some areas of the U.S. business. In 2021, our brands will continue to further implement it in the U.S. Their aim is to bring all associates on to one secure platform, improving their experience and readiness for the future.

Cultivate talent
This focus area is about assisting our brands in making sure they have the right associates and leaders for the future. By building robust, diverse talent pipelines, our brands will ensure their leaders can help drive the growth of their businesses. They are putting a strong focus on diversity and inclusion by making sure they have balanced slates of candidates for open roles, developing associates from all backgrounds, building more diverse succession pools and creating a more inclusive environment, overall.

Our brands work to attract, develop and accelerate the careers of associates who reflect their diverse communities and to have in place balanced candidate slates for roles at a Vice President level and above. We also encourage our brands to track candidate and succession slates for Director-level roles to ensure they have diverse representation.

Alfa Beta associate.

We measure inclusion annually through our associate engagement survey inclusive workplace index, and report on candidate and balanced slates to the Executive Committee on a quarterly informational basis.

Our brands and support offices introduced more BRGs in 2020 that support and represent different groups focused on ethnicity, age, interests and sexual orientation. These BRGs lead conversations on relevant topics, provide education and insights to the organizations, and enable a sense of belonging to associates. In 2020, Hannaford launched a MOSAIC BRG focused on race and ethnicity in retail. In Europe, the Young Ahold Delhaize BRG expanded from the Netherlands and Belgium to all brands.

During the year, our brands continued to grow and create new job opportunities in their markets. As people lost their jobs in connection with the pandemic, our brands partnered with other industries to hire more than 45,000 people to fill extra capacity in the stores. Despite the pandemic, they remained focused on helping associates develop, putting in place alternative solutions to continue with training programs.

Our growth drivers

Strengthen operational excellence

€844 million

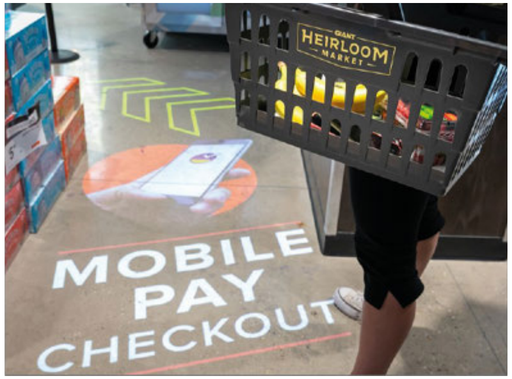
Save for our Customers savings in 2020

3.6%

Total cash capital expenditures as a percentage of net sales in 2020

1,992

Number of stores offering self-scanning solutions in 2020



Mobile pay checkout at GIANT Heirloom Market, The GIANT Company's urban format, store.

Our ambition

Our business wheel is a critical component of our operational excellence growth driver. Our brands constantly work to save for their customers by buying better, operating smarter and wasting less. They drive same store sales by offering fresher and healthier products with the best own brands for dependable value. They strive to be local, personal, convenient and sustainable. And lastly, they fund growth by creating the best customer experience across supermarkets, smaller stores, e-commerce and meal solutions.

Our great local brands are outstanding operators, with many decades of experience in running retail businesses and the ability to maintain a steady performance even in the midst of challenging circumstances. They work to continuously improve how they operate stores, distribution centers and home delivery and pick-up operations.

By operating as efficiently as possible today, we will be able to invest in evolving the shopping experience for the future. We continually look for opportunities to leverage our scale and save money to put back into the customer offering.

Technology and data are enablers for creating a seamless omnichannel experience – so, ensuring data privacy and information security is an increasingly important part of operating our business.

Our omnichannel growth ambitions are supported by our strong and predictable cash flow, efficient and scalable infrastructure and critical-scale technology projects.

Strategic choices and challenges

Global versus local technology

When delivering large-scale technology projects, we have to make trade-offs between achieving global scale and meeting local brand needs. Our strategic choice is to leverage global or regional economies of scale across the supply chain and IT landscape, while giving the local brands the flexibility to manage their businesses. We do this by standardizing processes behind the scenes while empowering the brands to adapt to local needs where it impacts customers.

Our progress and future plans

Our strengthen operational excellence growth driver is centered around four focus areas:

Save for Our Customers

We continue to find ways to save money that we can reinvest in the customer offering. In fact, we are over-delivering against our original three-year commitment of €1.8 billion in cumulative savings from 2019-2021, and have raised our target for that time period to €2.3 billion.

Going forward, we will continue to deliver savings in areas including cost of goods sold, logistics, distribution and store and administrative efficiencies. We will also focus on shrink, because this not only helps us reduce food waste and drive sustainability but is good for our business. And we will use technology to accelerate our savings.

Our growth drivers
Strengthen operational excellence continued

Improve our supply chain
We are investing heavily in distribution, particularly to ramp up our ability to fulfill demand that was triggered by the pandemic, but we expect will remain permanent. Over 2020 and 2021, we are increasing our online capacity by a total of nearly 100% in the U.S. and 50% in Europe. A new bol.com distribution center will become fully operational in 2021, boosting capacity by more than 50% over 2020 and 2021. We are also investing $480 million to transform and expand our supply chain operations on the U.S. East Coast, as part of our three-year strategy to move the U.S. supply chain into a fully integrated, self-distribution model by 2023. So far, we are progressing ahead of schedule, with the first integrated distribution center planned to open in 2021.

Our brands are also using robotics process automation (RPA) to increase efficiency and the quality of work.

Enhance store operations
Technology is helping us to enhance how our brands operate stores. For example, Albert Heijn and Delhaize rolled out electronic shelf labelling to 100% of company-owned stores in the Netherlands and in Belgium. Our brands will implement the technology at more than 50% of their European grocery stores in 2021. It enables them to offer dynamic markdowns that improve turnover on aging fresh items, reducing shrink, allowing for faster price changes and improving labor efficiency.

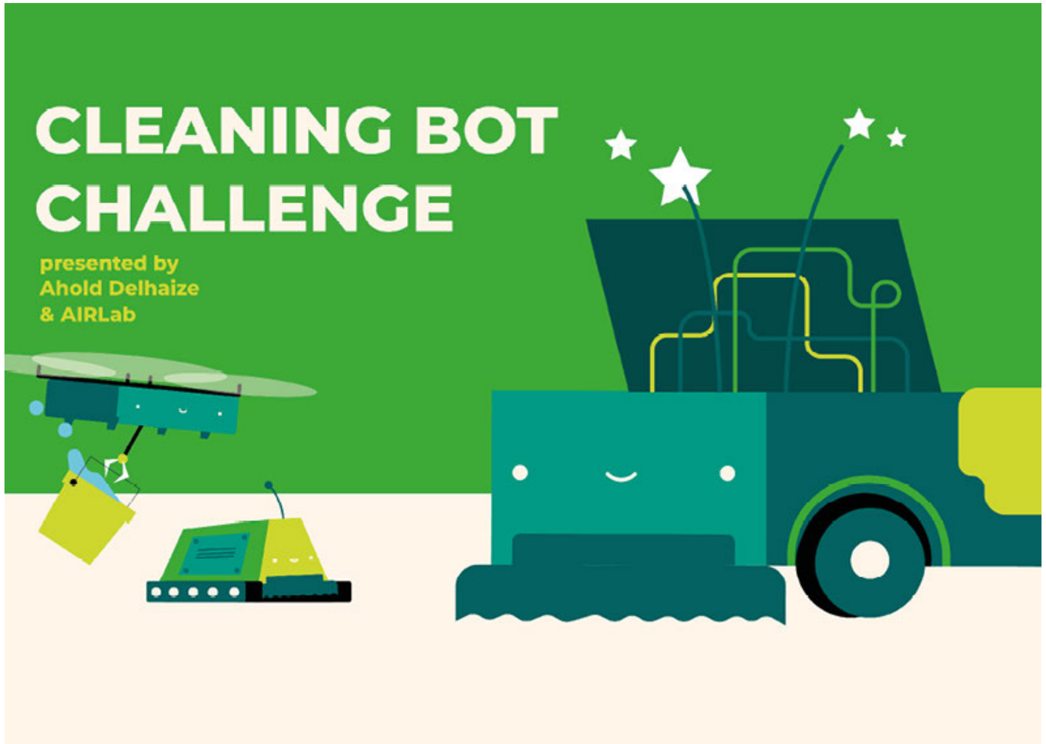
Especially during the pandemic, our brands' self-checkout with a mobile app option has grown in popularity as a no-contact way for customers to pay for their groceries. The number of monthly active mobile app users across our brands increased enormously from 5.4 million in 2019 to 11.7 million in 2020.

In 2020, we also selected the winners of our first-ever Cleaning Bot Challenge, a global competition to scout and select smart technology solutions for cleaning tasks in stores.

Strengthen internal operations across all functions
We are streamlining technology systems and processes in key areas to enhance how our functions operate.

Prior to the pandemic, our brands had initiated a project to roll out Microsoft Teams; in response to the need for associates to work from home, we accelerated the rollout, successfully distributing it to all office-based associates within weeks. Despite COVID-19, our brands have continued the successful global rollout of Windows 10.

Based on a global design template created in 2020 and that will later be used to roll out the same initiative across our European businesses, our U.S. brands are currently busy implementing a common core financial system, SAP S/4 HANA, which will go live in 2022.



Poster advertising the Cleaning Bot Challenge.

Electronic shelf labelling at Albert Heijn.

Self-checkout at a GIANT Heirloom Market store.

Our business model

Across Ahold Delhaize, each of our great local brands works hard to save for customers, drive same-store sales and fund growth.

We continuously evaluate every area of our businesses to see where we can do things smarter to save money, conserve resources and reduce waste. Our impact goes beyond what happens in stores and distribution centers: from farming to consumption, we work with our suppliers and partners to make our value chain more sustainable and provide customers with more of the meals they enjoy each day, and healthier choices to help them live better.

1 Raw materials and fresh produce

What we do

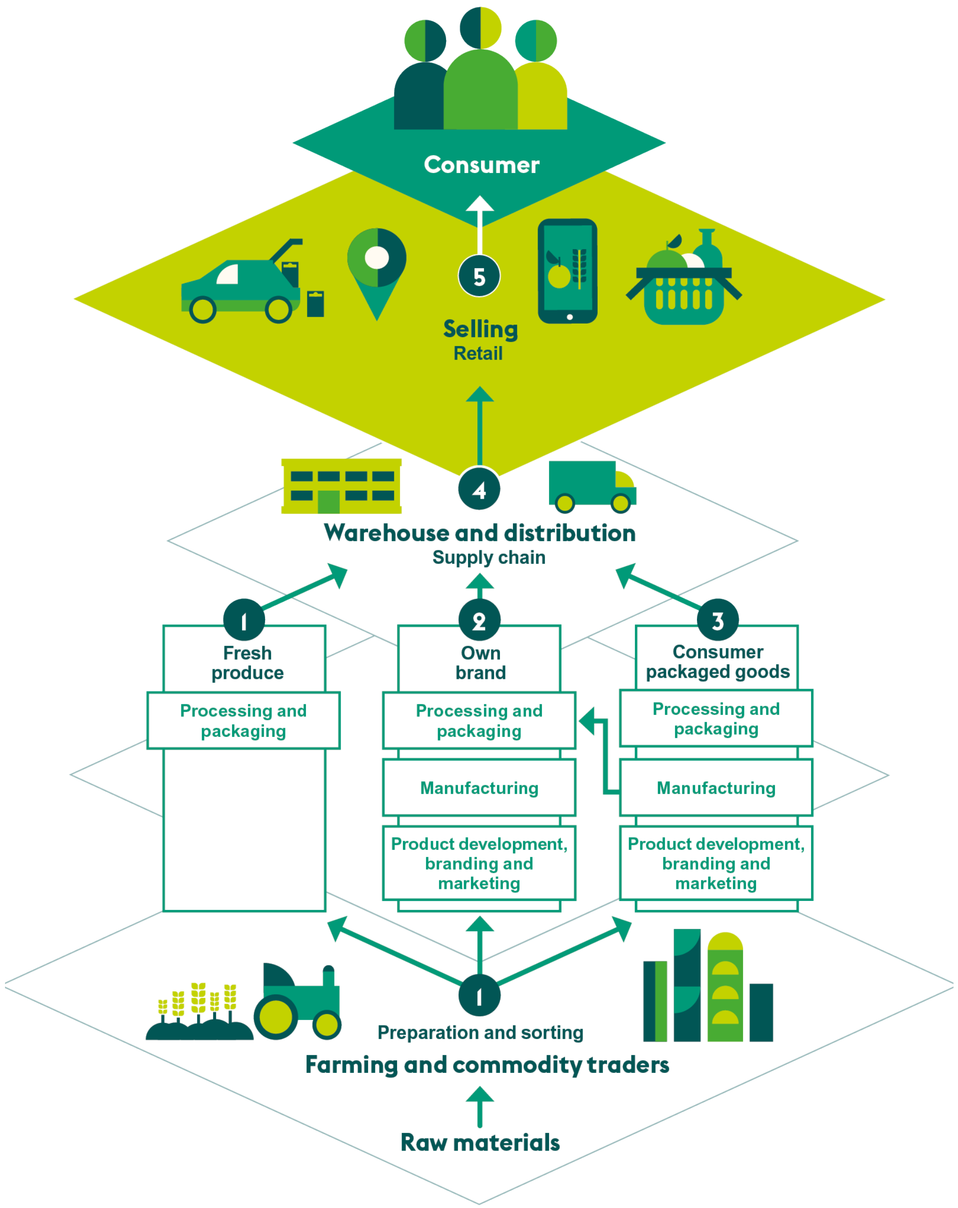
Many of our products originate from farms around the world. While Ahold Delhaize does not own or operate farms, our brands have long-standing strategic partnerships with farmers and local producers. The raw materials for our own-brand products are sourced from and processed by selected partners to ensure the highest quality.

We are committed to sourcing all of the tea, coffee, cocoa, palm oil, soy, wood fibers and seafood used in our own-brand products with certification against an acceptable standard. The commodities that we have identified as “critical” are linked to major environmental and social issues such as deforestation, carbon emissions, child labor, forced labor, illegal fishing and overfishing.

2 Own brand

What we do

Our products are made from raw materials and packaged for sale. Ahold Delhaize’s own-brand products offer great value across different price points and the most relevant local assortment. We develop them in-house, including branding and marketing, and actively work to reduce plastic and increase the use of recyclable materials in packaging. We are re-formulating many own-brand product recipes to reduce sugar, salt, colorants and additives, and our brands achieved 49.8% of own-brand sales from healthy products in 2020.



3 Consumer packaged goods (CPG)

What we do

Various suppliers manufacture branded products that are delivered to our distribution centers. We give small consumer packaged goods companies the chance to sell their product innovations in our brands’ stores and reach a wider audience. Our suppliers can benefit from our unique customer insights resulting from our strong local presence and over a century of experience in grocery retail. We share our expertise and scale with other food retailers as part of the Coopernic European Buying Alliance and through our partnership with AMS. This enables us to improve product quality and buy more efficiently

4 Supply chain

What we do

Products are delivered to our warehouses and prepared for transport to stores, pick-up points and customers’ homes. We are continuously adapting our supply chain to serve customers better. Our brands’ automated warehouses and fulfillment centers enable faster distribution to stores and delivery to customers’ homes. In the U.S., we are transforming our supply chain to a fully integrated, self-distribution model.

5 Retail

What we do

Customers can shop with our brands in stores and online. Ahold Delhaize is known for our great local brands, which serve 54 million customers each week. We create the leading local food shopping experience in more than seven thousand local grocery, small-format and specialty stores as well as our online stores. And we sell more than just food – our brands include the top online retailer in the Benelux.

Creating value for our stakeholders

Engaging our stakeholders

As a global company, Ahold Delhaize has a diverse range of stakeholders. But the four main groups we impact are customers, associates, communities and shareholders.

The value we create for them is not only influenced by our efforts within Ahold Delhaize, but also by the external environment, market developments (see *Evolving market trends*) and our relationships with our stakeholders.

Our stakeholders make us better by challenging us, sharing insights into their concerns, offering feedback on how we are doing and collaborating with us to solve problems. We commit to transparency and high integrity with everyone who has an interest in our company.

We engage with stakeholders in both formal and informal ways throughout the year. Their feedback drives our annual materiality assessment, which identifies the areas that are important to them and where they believe we can make an impact. This helps us to ensure that our strategy and reporting are in line with our most significant impacts and stakeholder expectations.

Associate assists customer at an Albert Heijn store.

Creating value for our stakeholders

Engaging our stakeholders continued

Customers

How we engage with them

Our great local brands engage with customers every time they visit the stores or shop online. In addition, they use third-party surveys, consumer studies, focus groups, and the immediate feedback customers provide to associates, customer service departments, websites and social media to stay tuned in to changing customer expectations.

What they tell us

Our brands have found that customers remain focused on value and ease of shopping, enabled by technology. They want high-quality products that are healthier while still tasting good and being affordable. Customers value products that are made with respect for people, animals and the planet, and they share our concerns about food and plastic waste. In 2020, convenience, health and online shopping options became even more important to our customers due to the pandemic.

Associates

How we engage with them

Associates in our local brands work together in collaborative, team-based settings in local stores, warehouses, and corporate functions. All our brands use formal touchpoints to engage associates, including a regular performance review process, recognition and reward programs, and interactive training programs. All our brands and support offices conduct an annual associate engagement survey. Our brands and support offices regularly hold informal virtual town halls and other meetings where associates can meet and ask questions to company leadership. In 2020, our brands connected with associates even more frequently through pulse surveys on their feelings around safety, COVID-19 and any additional support they needed.

What they tell us

Through the annual survey, we heard from associates that they take tremendous pride in working for Ahold Delhaize and the brands and they receive the necessary support and care to perform their jobs well. In additional pulse surveys, we heard that while the majority of support office associates feel comfortable working remotely, some highlighted challenges with this environment, and our brands responded swiftly by implementing resources to support well-being and resilience.

Communities

How we engage with them

Our brands foster dialogue with their communities, including with governments, civic organizations, schools, research institutes, industry bodies, charitable organizations, franchisees and affiliates, and suppliers. They engage with them in person, through partnerships, memberships, sponsorships, and in dialogue with key organizations that overlap with our work as food retailers. Each brand partners locally with community organizations to deliver on the brand strategy and to help people eat well, save time, and live better. With suppliers, they maintain multiple communication channels, including face-to-face meetings, online communication and supplier events. At a local and global level, we play an active role in industry associations, such as the Consumer Goods Forum and national retail federations.

What they tell us

Community stakeholders provide valuable feedback, for example, on how our brands can be stronger partners in creating healthier communities. Input from suppliers, both local and global, often focuses around how our brands can create better products for customers, find new ways to reduce food waste and increase economic, social and environmental value for the communities they source from throughout the supply chain.

Shareholders

How we engage with them

Shareholders monitor our company closely, supporting and challenging us on our strategy and how we manage our business. We communicate with them through quarterly disclosures and both financial and non-financial performance briefings, presentations and exchanges with analysts and investors, for example, during our annual General Meeting of Shareholders and Capital Markets Days.

To demonstrate our commitment to long-term success, our disclosures to shareholders cover both financial and ESG-related performance. We aim to be transparent about our progress on our Leading Together strategy, including performance against our targets to build a more sustainable business.

What they tell us

Some of the main reasons our shareholders tell us they invest with us are for our steady performance, strong free cash flow, and the healthy amount of cash returned annually to shareholders through our dividend and share repurchase programs. Some investors have also become increasingly focused on ESG topics, including human rights, the environment – including climate change – and the sustainability of the business.

Creating value for our stakeholders

Our value creation model

Creating value for our stakeholders

The most important capital and resources we used as input over the past year and the key value we created are summarized in the following table and explained in more detail, by stakeholder group, in the pages that follow. We created this model in alignment with the International Integrated Reporting Council's guidance, including its definition of six capitals an organization depends on for success.

Capital and resources

Our financial framework – Financial capital
We maintain a sustainable mix of debt and equity investments and a sound financial position.
- Net sales: €74.7 billion
- Free cash flow: €2.2 billion

Omnichannel network – Tangible capital
Our network of stores, pick-up points and delivery services, supported by state-of-the-art distribution and logistics networks.
- 7,137 stores
- Online penetration (excluding bol.com) of 4.5%
- Net consumer online sales growth (at constant rates) of 67.4%

Technology – Intellectual capital
Our knowledge, experience, thought leadership and strong brands ensure that our customers and associates can count on the highest quality retail offerings and concepts.
- We ensure we have processes in place to safeguard data privacy, product integrity and product safety.

Associates – Human capital
Our brands' motivated and talented associates are the key to their success.
- 414 thousand associates, in aggregate, worldwide, of which 53% are under collective labor agreements.

Communities – Social and relationship capital
We support the communities we operate in by providing information on healthy living and well-being, making donations, funding sponsorships and entering into partnerships that contribute to better living.
- 92% of own-brand suppliers GFSI-certified
- €34.4 million cash donated to charities in 2020
- 72% of net sales generated by loyalty card members

Products and operations – Natural capital
The products we sell and the operation of our businesses rely on natural resources. How products are grown and produced impacts soil, water resources, and biodiversity. We aim to make it easier for customers to shop for sustainably-sourced products while we continue to build a more sustainable business.
- Fossil and renewable energies
- Use of different materials, such as plastic and cardboard
- Use of natural resources from oceans, forests, land and other ecosystems

What we do

What?

Create the leading local food shopping experience

We seek to create stakeholder value by operating omnichannel businesses in the United States, the Netherlands, Belgium, the Czech Republic, Greece, Romania, Luxembourg and Serbia through our local brands, each uniquely connected to the local communities they serve.

See page 25 for a more detailed discussion around *our business model* and our place in the value chain.

Why?

Eat well. Save time. Live better.

How?

By implementing our strategy every day and driving value through our growth drivers:
- Drive omnichannel growth
- Elevate healthy and sustainable
- Cultivate best talent
- Strengthen operational excellence

And by living our values:
- Courage
- Integrity
- Teamwork
- Care
- Humor

The value we created/shared

Customers

- The ability for customers to shop wherever and whenever they want.
- Enhanced omnichannel presence and improved customer experience.

Read more on *page 29*.

Associates (aggregate numbers)

- 2020 associate engagement score of 81% (2019: 80%)
- €12.3 billion labor costs in 2020
- 54% women in workforce
- 23% reduction of serious injuries
- More than 6.7 million training hours in 2020

Read more on *page 31*.

Communities

It is our communities that provide us with our license to operate. In return, our brands play an active role in these communities, contributing to charitable activities, paying their fair share of taxes, providing healthy food choices and acting to reduce their environmental footprint and waste.
- 3,035 thousand tonnes CO_2 emissions; reduction of 558 thousand tonnes compared to 2019
- Food waste of 259 thousand tonnes; 2% increase compared to 2019
- 74% of own-brand production units in high-risk countries meeting social compliance standards

Read more on *page 34*.

Shareholders

- €0.90 per share dividend for 2020
- €1 billion returned to shareholders via share buyback program in 2020

Read more on *page 36*.

Creating value for our stakeholders

Customers

Our business is built on our relationships with customers. We help them eat well, save time and live better by creating the leading local food experience. We want to be there for them through the entire process from planning to shopping to enjoying our products at home or on-the-go.

Customer scans groceries using a mobile app.

Happy customers unpacking their online delivery.

Our brands serve customers every day in stores and through rapidly expanding delivery and pick-up services – all of which enable them to shop wherever and whenever they prefer.

Providing inspiring, healthy and affordable food options for all

Part of our purpose is to help customers live better. One way our brands do this is by supporting them in making healthier and more sustainable choices for themselves and the environment. With assortments that include affordable nutritious choices, our brands are making healthier eating easier. In 2020, Hannaford in the U.S. launched a new healthy snacking program with our own brand, Nature's Promise, offering high-quality products at a great price and free from artificial or synthetic ingredients.

We are increasing transparency on product nutritional value and traceability across our value chain, starting with raw materials. To help customers understand the progress toward a healthier and more sustainable offering, our brands communicate in stores, online, through social media and on packaging. We also disclose overall product performance data in our *ESG statements*.

Creating a seamless digitally enabled experience

Our brands provide a seamless omnichannel experience, offering a wide-ranging assortment of products to meet customers' diverse preferences and support the growing trend towards healthy eating. They enable consumers to shop where, how and when they want to, in stores and online. The strength of our omnichannel model enabled us to rise to the challenges of 2020. As in past times of need, we were there for communities; at the outset of the pandemic, our brands quickly adjusted store operations so customers could shop in a safe environment and scaled e-commerce capacity to meet increasing demand.

As we broaden our omnichannel offering, we face the challenge of scaling our operations to support our growing digital platform. Our brands continue to offer new delivery models with competitive fees and innovative delivery options. We see further opportunities to give more customers access to same-day delivery and pick-up as demand for digital solutions continues to rise.

Making shopping easier for everyone

Our brands work to provide an omnichannel shopping experience that is accessible to everyone. A great example was the "inclusive store" initiative Delhaize Serbia continued to develop in 2020. After doing extensive research, along with external partners, on the needs of people with disabilities, the Serbian team developed three concepts to make stores more welcoming and easy to shop. They are rolling the initiative out to two new Mega Maxi locations, and will continue to improve and expand on it in 2021.

Personalizing shopping through tech-enabled loyalty programs

Our brands' popular loyalty programs use technology to make the shopping experience even more relevant and personalized to each customer's specific needs. Millions of people have signed up to receive personalized offers and communications from our local brands, based on their shopping behavior and preferences. Food Lion's MVP Rewards program was named the #1 grocery retail program in the U.S. in Bond's Loyalty Report 2020, based on a survey of almost 70,000 consumers. The program allows customers to earn monthly rewards on items they already buy, save money with exclusive monthly coupons, and track their savings in a convenient online wallet.

Increasing our standards for product integrity

Our brands are increasing compliance with sustainability standards for the products they sell, while maintaining best-in-class standards for food safety. We introduced new animal welfare policies in the U.S. in 2020. We continued to increase the percentage of products containing "critical commodities" – such as palm oil, soy, cocoa, coffee, tea, seafood and wood fibers – that are certified against a sustainability standard. This helps our brands ensure customers are able to choose products that are safe, produced in clean, efficient facilities with good working conditions and made from sustainably sourced commodities.

Creating value for our stakeholders

Customers continued


Young customer shopping at a Delhaize store.

Attracting, developing and retaining the best talent to serve customers

Our brands' associates build close relationships with customers through their everyday interactions. They provide advice and support during the shopping trip, make sure online orders are accurate and complete and answer questions through the highly responsive customer service departments each of our local brands operates. This year, they played an even more crucial role for customers, helping to ensure they were able to safely shop for their essential daily needs during the pandemic. Our brands' HR strategies are centered around attracting the best talent to serve customers and ensuring associates have a great place to work where they feel valued and can achieve their personal goals. For more on how they create value for associates, see *Associates*.

Saving for our customers

We use our scale across the group to ensure our local brands can offer customers the best value and service. Our brands' 150 years of experience in food retail helps them source the highest quality products for customers. For more information on the Save for Our Customers program, see *Group performance*.

Data privacy

Customers, associates and business partners entrust our businesses with their personal data and it is of paramount importance that we safeguard this information at all times. At Ahold Delhaize and the brands, we always strive to use customer data to benefit customers, whether it is checking their home address for grocery deliveries, accessing their shopping history to receive personalized benefits or confirming account details for online orders.

Our key principles

Ahold Delhaize and the brands have established five principles that guide how personal data is managed:

1. We are committed to protecting the personal data of customers, associates, business partners and service providers.
2. We maintain personal data for legitimate business purposes only and are transparent about when and how personal data is collected, used, or shared.
3. We provide customers with reasonable notice and control over their data.
4. We strive to use customer data to benefit customers.
5. We are committed to complying with legal and regulatory obligations everywhere we do business.

Ahold Delhaize and each of the brands have a privacy notice for customers and associates, in line with local legal obligations. Each brand's privacy notice for customers is available on its website.

Creating value for our stakeholders

Associates

Working together across stores, distribution centers and support offices, associates bring to life the "local" in our vision. They are at the heart of our brands' ability to understand and serve the needs of customers and communities.

Delhaize associates greeting each other in a COVID-friendly way.

In return for all associates do, Ahold Delhaize and the brands want to make working a great experience, that enables associates to achieve their personal and professional goals and feel a sense of fulfillment at the same time.

Well-being and safety

Our brands' focus on well-being and safety includes not only workplace safety, but also helping associates take good care of their physical and mental health and wellness. They strive to make sure associates are working in a healthy and safe environment. They have programs in place to identify and reduce serious injury and fatality risks, and develop a comprehensive risk register for dangerous tasks, such as working at heights. Our brands have executive safety committees to oversee and drive their progress. The overall workplace injury rate improved by 22% in 2020 despite increased business and challenging work situations. We also saw a 6% improvement in the overall workplace absence rate related to work injuries and the rate of serious work injuries declined by 23%.

From a well-being perspective, our brands work to inspire associates to make healthier lifestyle choices through programs on topics including tobacco cessation, nutrition, weight loss, relaxation and exercise. They make healthy food available to associates through special discounts in some brands and providing healthy food choices at work.

Since well-being is not just about physical health, our brands also provide access to mental health counseling for associates who need it. On top of that, they offer flu shots for eligible associates, health screenings, fitness discounts, options for flexible working, sports events and other benefits. Our brands support associates in bringing purpose to their lives by connecting and contributing to communities, creating opportunities for associate volunteering and other initiatives to bring healthier eating and hunger relief to local neighborhoods.

For more on how our brands helped keep associates safe and well this year, see *COVID-19: impact and our response*.

Work-life balance

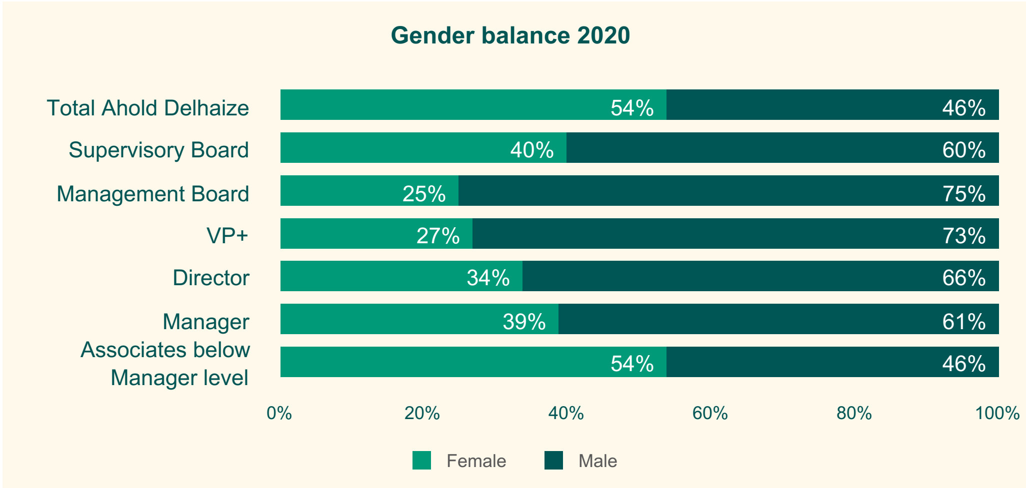
Work-life balance became a challenge for many associates during 2020. Because our brands have very different types of working locations – including stores, distribution centers and offices – and associates with varying needs, this was not always easy to respond to and manage. But our brands worked hard to provide mental health tools and resources to help associates achieve a good work-life balance in the midst of the COVID-19 pandemic. They offered webinars on resilience, opportunities to talk with others and receive mental support, virtual coaches and resources on working from home. You can read more about the support provided in *COVID-19: impact and our response*.

Our brands and support offices will continue to regularly survey associates to understand how their ways of working shape their personal experience and the company culture, in order to quickly understand and act on any changes in sentiment.

Diversity and inclusion (D&I)

In 2020, we put in place an aspiration to achieve gender balance at all levels, be reflective of the markets our brands serve and continue to build and foster an inclusive workplace. By working towards our aspiration, our brands will better serve customers and communities and grow in their markets.

We are tracking, on a quarterly basis, where we stand against our ambition for gender balance. We are proud that across Ahold Delhaize and the brands, women make up 54% of the workforce, but we also recognize there is still room for improvement, as we are not yet 100% gender-balanced at all levels. At the end of 2020, female representation at different levels of the company was as follows:



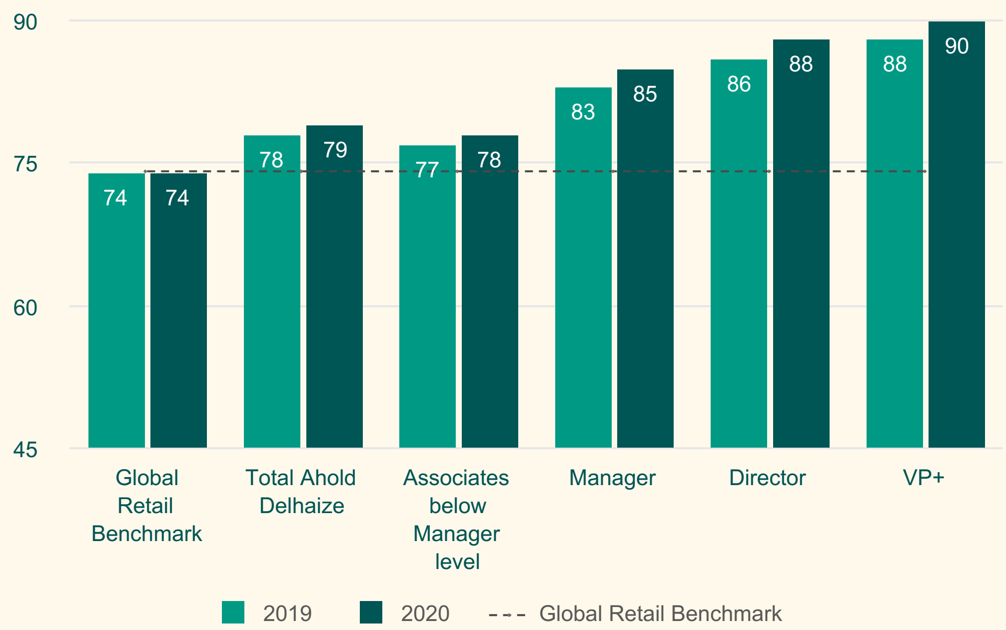
Creating value for our stakeholders

Associates continued

Each year, we use our annual associate engagement survey to measure progress on ambitions around inclusion, using an Inclusive Workplace Index that evaluates elements of respect, diversity and collaboration, and to what extent associates feel they are heard and can grow. For more information about the annual survey, see *Making sure associates have a voice* (in this section).

In the 2020 survey, the Inclusive Workplace Index increased by one point, from an overall score of 78% in 2019 to 79% in 2020; see the following chart for a breakdown of this score across the organization by level:

Inclusive Workplace Index score by organizational level



Global racial unrest and the growing awareness of the inequities faced by underrepresented groups required our brands to listen to and support associates and customers in new ways during the year. Ahold Delhaize USA committed $5 million to advance racial equality. Across the U.S. and Europe, our brands and leaders facilitated what we called "courageous conversations" to foster open dialogue in a safe space designed to encourage empathy, understanding and support. Associates shared what D&I means for them, and their experiences in both their personal lives and at work. For more information, see our *Reporting hub*.

Food Lion hosted over 100 D&I-related events in 2020, with 2,500 participants. Giant Food provided a full-day D&I workshop for associates in Vice President level and above. Alfa Beta continues to create awareness around D&I, signing the European Commission's Diversity Charter in Greece in 2020. Across our European and Indonesian businesses, a D&I Council was launched, which is helping each brand and its BRGs to assess where they stand with D&I in order to set local goals and KPIs. They are also creating a D&I toolkit to support the brands' efforts and help expand the creation of BRGs.

Ahold Delhaize and the local brands are committed to providing equal pay for equal work, regardless of gender. We made progress in 2020, but we are not yet satisfied.

Equal opportunities and respect in the workplace (Human rights)

All associates deserve a workplace where they are treated with dignity and respect. Our brands respect the rights of all associates and comply with applicable laws relating to equal employment opportunities, non-discrimination and the right to a workplace free from harassment and discrimination.

Our businesses are committed to the principles of freedom of association and respecting the legal right to collective bargaining. In 2020, 53% of associates were covered by collective bargaining agreements.

Our brands offer associate wages that are in line with market practice, and principles to guide fair compensation are included in our Human Rights Report, published on our website. For more information on the approach to Human Rights, see *Communities*.

Because we care about associates not only now but in the future, in 2020, our U.S. brands, Stop & Shop and Giant Food, reached agreements to terminate their participation in four large multi-employer plans. These agreements will improve the security of pension benefits for associates and reduce the financial risk for both associates and the company. See *Note 24 Pensions and other post-employment benefits* of the Consolidated Financial Statements and *Financial risk, Pensions and other post-employment benefits* for more information.

Creating value for our stakeholders
Associates continued

Associate development

Helping associates love what they do and unlock their full potential is at the core of the strategy of Ahold Delhaize and the brands. We believe the best way to achieve this is by supporting associates' development and growth, so our brands offer development programs tailored to fit their needs. While COVID-19 required a shift to delivering trainings as virtual learning programs, it also created the opportunity to try new approaches to foster a growth mindset.

In 2020, associates completed over 2.2 million learning modules, taking advantage of a wide variety of ways to learn and grow. This resulted in more than 6.7 million total training hours, or more than 26.93 training and development hours per full-time employee (FTE). Throughout 2020, our brands continued to evolve the way learnings are developed, making them more engaging and tailored to learning in the moment. As a result of these evolutions and some COVID-19-related changes to development programs, we see a slight decline in total learning hours compared to 2019, when we reported seven million training hours, or an average of 28.58 hours per FTE.

Each year, our brands encourage associates to create their own Individual Development Plans, and have recently seen that more and more associates are doing so. In fact, at Vice President level and above, we have seen an increase of 19% in 2020.

There are many talent programs in place to help support the growth of our future leaders, including internships, co-op programs, management traineeships, accelerated development and leadership development programs. The learning curriculum covers critical topics around leading inclusively and leading teams, including Gearing Up for Growth, a program that engaged some top talents in a personalized, virtual learning journey to prepare them to take the next step and lead a function. During this exceptional year, weekly topics related to COVID-19 were included in the learning journey. We offer programs specifically aimed at promoting the development of women leaders, through strategic partnerships with Signature Programs and the Network of Executive Women.

Our brands are always exploring new and innovative ways to build strategic capabilities and onboard associates into new roles through functional learning programs. This year, Albert Heijn launched a new and exciting pilot of mobile micro learnings to help new store associates learn the essential skills of their new jobs.

We have implemented the New World Kirkpatrick methodology to measure the success of learning programs on a quarterly basis. We analyze learners' experience, knowledge gained, learnings applied after the program and the impact these programs have on the business. We report the results on an internal quarterly scorecard that enables us to benchmark the programs, track results and revise them to improve their impact.

In the 2020 Dow Jones Sustainability Index, Ahold Delhaize scored 96 points on Human Capital Development, an increase of 30 points over 2019 and well above the average score in the Food and Staples Retailing sector of 36.

We believe we have room to improve in the category of Talent Attraction and Retention. While our aggregate score of 48 points in 2020 was still above the average score of 20 points, we feel we could do better in the areas of Human Capital and Labor Practice Indicators.

Connecting with communities

Associates connect the brands to their neighborhoods and communities – after all, this is where they live and work. Their knowledge of local needs and passion for being of service enables the brands to do good in a relevant way in all their communities. For example, Mega Image launched its internal volunteering program “12 Acts of Kindness.” In 2020, together with approximately 1,080 associates, they managed to support 27 social cases and help as many as 2,525 beneficiaries, working in partnership with 18 non-governmental organizations (NGOs).

Making sure associates have a voice

The annual associate engagement survey process in October assesses progress toward the culture Ahold Delhaize and our local brands aspire to. It assesses strengths and areas of opportunity when it comes to amping up the values of courage, care, and teamwork. In 2020, we saw a one-point improvement in the associate engagement survey scores around our brands' performance on all three values. We had a participation rate of 79% on the survey and an overall engagement score of 81%, up from 80% in 2019. We reported an associate development score of 73% (2019: 72%), an inclusive workplace score of 79% (2019: 78%) and a healthy workplace score of 76% (2019: 76%).

Compared to the Global Retail benchmark, we scored +2 on Engagement, +5 on Inclusive Workplace, and +5 on Development. For more information about benchmarks used for the associate engagement survey, see *Definitions: Performance measures*.

Food Lion associates working to fight hunger in their communities.

Creating value for our stakeholders
Communities

Our brands play a role in the lives of millions of people every day. We feel a deep sense of responsibility for helping people live better and making communities stronger. We work to create an impact locally and meaningful change globally.


Community work at Stop & Shop.


Hannaford associate packages fruit for donation.

Supporting communities when and where they need it most

Our local brands have always been there for their neighbors when disaster strikes. Most of the time this comes in the form of extreme weather events, but, this year, COVID-19 was the major catastrophe that touched lives across the world. As a result, in 2020, we made significant investments in COVID-19-related relief, including charitable donations to support local food banks, feed first responders in critically hard-hit areas, assist national and private health systems and the Red Cross, and fund medical facilities' research. For more information, see *COVID-19: impact and our response*.

Of course, each of our brands has a community engagement program in place to support local needs all year round. In total, during the year our brands donated 51,042 tonnes of food to food banks and €181 million to community projects. For example, throughout the month of December, Albert Heijn donated one euro per Christmas cake sold to their nonprofit partners, Voedselbanken Nederland, the Red Cross and the Linda Foundation, for a total grant of €1.6 million.

Respecting human rights

Ahold Delhaize and our brands are committed to respecting the human rights of associates, customers, communities and the people who work throughout supply chains. Building on the company's Code of Ethics, Ahold Delhaize published its Position on Human Rights in 2017, formalizing our commitment to respect human rights. Our next step was to perform a global human rights due diligence, to identify salient issues in our brands' operations and supply chains. After finalizing the due diligence in 2019, we published our inaugural Human Rights Report in 2020. The report, available on our website, shows the steps we are taking to safeguard human rights, across the brands, support offices and supply chain. We outline how we have embraced clear standards on human rights; developing roadmaps on the six salient issues identified in our Human Rights Report. In 2021, we will begin working with the brands to perform local human rights due diligence processes.

Promoting health and well-being, locally and globally

Helping people in our communities live better includes helping them make choices that have a positive impact on their health and well-being. Our brands provide nutritional guidance on our own-brand products through navigation systems, such as Guiding Stars and Nutri-Score, and continue to increase awareness among children of the importance of eating healthy food. They create educational programs and invite children into their stores to learn more about food retail, and in particular, healthier eating.

Albert in the Czech Republic educates almost 60,000 children each year on healthy lifestyles through its Healthy 5 program, which was adapted to be an entertaining and interactive online lesson during COVID-19. The brand also involved 600 children in an online Healthy 5 cooking competition in 2020, during which participants prepared a healthy and inexpensive snack that was then donated to people in need.

Creating value for our stakeholders

Communities continued

Focusing on our environment

We are working hard to eliminate waste, reduce the use of plastics in our operations and lower our carbon emissions. However, in 2020, our total waste increased to a total of 259 thousand tonnes. This was caused by a COVID-19-driven increase in sales and a focus by many of our brands and customers on fresh products. Food waste recycling decreased to 75%, missing our target of 90%. At the same time, we increased overall waste recycling by two percentage points to 79%, nearly hitting our target of 80%. Our results show that we need to increase our focus on reducing food waste and recycling. That is why we have partnered with the WRI initiative and are staying committed to halving food waste by 2030 compared to our 2016 baseline.

We are working towards our commitment to make 100% of our own-brand plastic packaging reusable, recyclable or compostable by the end of 2025. Many of our brands implemented initiatives toward this goal. For example, Albert Heijn and Delhaize Belgium introduced new packaging for mushrooms with a transparent design and a 100% recyclable model.

In 2020, carbon emissions from our stores, distribution centers and transportation were 3,886 thousand tonnes. This is a reduction of 36% compared to our 2008 baseline and enabled us to achieve our 30% reduction target for 2020.

For more information on our ESG measures, see *ESG statements*.

In 2020, we updated our climate strategy and announced science-based climate targets for 2030 that halve carbon emissions from our own operations compared to 2018 and that also aim to reduce emissions from the overall value chain by 15%. To achieve the new targets, we will accelerate investments in renewable energy and energy efficiency, improve refrigeration systems, move further toward low-carbon distribution and logistics systems, and engage suppliers.

See also *Climate change* for more information.

Partnering with suppliers to improve lives outside of our markets

We can have a positive influence on people's lives far beyond our own operating area by partnering with suppliers. Through them, our brands are connected to, and impact, communities across the globe. They use suppliers' input to help create better products for customers, find new ways to reduce food waste, and increase economic, social and environmental value for the communities they source from throughout the supply chain. Our brands aim for long-term relationships and have strategic partnerships with key suppliers.

For example, Albert Heijn is working with Dutch dairy supplier Royal A-ware on the "Better for cow, nature and farmer" program that works towards more sustainable dairy farming methods. Cheese and dairy products made from this milk are marked by a logo to communicate their benefits to customers.

In 2020, we audited 74% of own-brand production units in high-risk countries on social compliance, which was six percentage points below our target of 80%, as COVID-19-related travel restrictions made it difficult to perform audits this year.

Collaborating across the industry to have a global impact

In addition, we collaborate with other retailers and manufacturers, through memberships in industry associations and other partnerships, to improve global health, sustainability, product transparency, compliance monitoring and the well-being of workers in our communities and around the world. Ahold Delhaize has a strong collaboration with the Consumer Goods Forum (CGF), a platform bringing retailers and manufacturers together to work on non-competitive issues such as sustainability and health and wellness.

We are also a member of regional and local industry associations, such as the Food Marketing Institute, the Dutch Food Retail Association ("Centraal Bureau Levensmiddelenhandel"), the European Retail Round Table and Eurocommerce. During 2020, we participated in One Planet Business for Biodiversity, a cross-sectorial business coalition to promote cultivated and natural biodiversity interests. For over a decade, Ahold Delhaize has been a signatory of the United Nations Global Compact (UNGC) – an initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption. These principles are addressed in our policies, practices and Leading Together strategy.

Tax transparency and responsibility

Another way we seek to make a positive impact in the communities where we operate is by paying taxes in a socially responsible way. For more information on our approach, see *Tax transparency and responsibility* under *Group review*.

The Consumer Goods FORUM

United Nations Global Compact

We partner across our industry to promote health and sustainability, for example through the Consumer Goods Forum and the United Nations Global Compact.

Creating value for our stakeholders

Shareholders

Ahold Delhaize has a long and proud tradition of serving local communities and associates with care, building customer trust and developing strong brands. This enables us to retain leading market share positions almost everywhere we operate. Our brands' deep connections with local communities are fundamental to creating long-term shareholder value and underpin our consistent results.

Ahold Delhaize annual General Meeting of Shareholders in April 2020.

The case for investing

Our brands' connection with communities further deepened during the COVID-19 pandemic, strengthening our brand equities. This is evidenced by our consistent performance, leading and growing local market shares, best-in-class margins and robust free cash flow profile, which has enabled to us to consistently return a considerable amount of cash to shareholders.

Value drivers

Local brands, global scale

We have a strong portfolio of local brands across the U.S. East Coast, the Benelux region, and central and southeastern Europe. While all of these brands have different characteristics to suit their markets, our local operators benefit from the scale provided by a global company and can leverage knowledge and best practices from across our talent-rich and tech-enabled platform.

A leading local omnichannel retailer

We believe that our omnichannel approach differentiates us from competitors, because we can utilize both our proprietary online solutions and our leading local brick-and-mortar locations to meet customers wherever they are and whenever they need us. This point of distinction increased in importance during the pandemic, and we believe it is likely to have longer-term effects, which may attract new consumers and drive incremental share gains for our businesses.

Leading local market share positions are growing

We have a leading market share nearly everywhere we operate, with 95% of our sales in 2020 coming from brands that have a number one or two position in their markets. In 2020, we gained or maintained market share across the vast majority of our brands, reflecting strengthening brand equities, driven in part by our omnichannel approach, fresh assortment and operational excellence.

Best-in-class margins

We produce best-in-class underlying operating margins within the food retail industry, supported by our strong brand equities and operational efficiencies. Our margins have been consistently strong over time, which we expect to continue going forward. We believe our margin structure provides us with the resources to reinvest into the business in support of our brands and their customers, to drive same-store sales growth, creating a virtuous cycle.

Robust cost savings opportunities

We are in the midst of a three-year Save for Our Customers program, which initially targeted €1.8 billion in cumulative cost savings from 2019-2021, but which has subsequently been increased to €2.3 billion. These savings allow us to continuously improve our consumer value proposition and reinvest back into our omnichannel platform, to improve our digital and e-commerce capabilities and optimize our brick-and-mortar store and supply chain network. We will continue to explore new opportunities to save costs and gain efficiencies, to strengthen our brand propositions.

Consistently strong free cash flows

Our leading market share positions, best-in-class margins and cost savings initiatives allow us to produce strong and consistent free cash flows. We have returned over €8.6 billion to shareholders through dividends and our share buyback program since 2017. Going forward, we continue to feature a dividend payout policy of 40%-50% of underlying earnings and have an authorization for a €1 billion share repurchase program in 2021.

Environmental, Social and Governance leader

We have made significant strides as a healthy and sustainable retailer and are passionate about caring for the environment and our stakeholders. Our substantial efforts have been recognized, as we were the top ranked food retailer in the U.S. and Europe in the 2020 S&P Global Corporate Sustainability Assessment, which led to being recognized as a member of the Dow Jones Sustainability World Index. We believe we have the opportunity to build on this positive momentum, and have set an ambitious set of ESG targets for the coming years as part of our Healthy and Sustainable strategy.

We showed our commitment to these principles through the successful December 2020 closing of our new €1 billion sustainability-linked revolving credit facility. The new facility establishes a connection between our borrowing costs and our achievements in reducing food waste and carbon emissions and promoting healthier eating.

Committed to transparent communications

We aim to be transparent with our investors about our progress on our Leading Together strategy, including our performance against our Healthy and Sustainable targets.

We disclose information through both financial and non-financial performance briefings, such as during our quarterly results releases and conference calls, annual General Meeting of Shareholders and Capital Markets Days. In addition, we participate in investor conferences and organize roadshows. To demonstrate our commitment to long-term success, our disclosures cover both our financial as well as ESG-related performance.

See *Information about Ahold Delhaize shares* under *Performance review* for more details on our dividend, share performance and returns, share buyback programs, capital structure and major shareholders.

Risks and material ESG impacts

Integrated overview

Our Enterprise Risk Management (ERM) assessment is designed to identify, assess and plan for the most significant, or "principal" risks to the achievement of our strategic, operational, financial and regulatory business objectives. All of the principal risks identified are considered to present a material financial risk. The ERM assessment is integrated with the results of our ESG materiality assessment, which evaluates environmental, social and economic trends, and helps us to identify risk drivers within the principal risks facing Ahold Delhaize in the short term, and topics that may evolve and present risks in the foreseeable future.

The diagram[1] to the right provides an overview of the results of our integrated approach and depicts how material ESG topics intersect with and feed into the broader principal risks identified within our ERM assessment. These topics are considered by both assessments to have a material impact on our current business objectives from a ESG perspective and from a financial perspective. This is not a static exercise; we closely monitor how these topics evolve over time, tracking any emerging ESG and financial risks.

The outcomes of our ERM assessment and ESG materiality assessment, described in the sections that follow, serve as key inputs to our annual strategy setting and risk mitigation processes that drive the formation of policies, procedures and controls, the scope of internal audit activities, and our business planning and performance process.

See *How we manage risk* for more information about our Governance, Risk and Compliance (GRC) Framework, ERM Program and risk appetite. See *Material ESG impacts* for details on the ESG materiality assessment.

1 Topics within each section of this diagram are presented in alphabetical order.
2 Intersecting topics are depicted by dual icons or indentation of the material ESG impact topics that fit within one of the more broadly defined principal risk topics.

Principal risks

Topics that have a material impact on our current strategic, operational, financial and compliance objectives

- Business continuity
- Data privacy
- Information security
- Labor
- Omnichannel and digital growth
- Pensions and other post-employment benefits

Intersecting topics[2]

Topics that have a material impact on our current strategic, operational, financial and compliance objectives, **both** from an ESG and financial point of view.

- **Competitive environment:**
  - Available and affordable products
  - Food waste
  - Healthy products
- **Legislative environment and societal expectations:**
  - CO_2 emissions and climate change
  - Customer health and safety
- **People:**
  - Associate safety, health and well-being
  - Diversity and inclusion
- **Product safety:**
  - Product safety and quality

Material ESG impacts

Topics that have a material impact on our current business objectives from an ESG point of view, but not yet from a material financial impact point of view. These topics are expected to evolve and have a material financial impact over time.

- Fair labor practices in the supply chain
- Product transparency
- Sustainable agriculture
- Sustainable packaging

Principal risk identified via the annual ERM assessment
Material ESG impact identified via the annual ESG materiality assessment

Risks and material ESG impacts

Principal risks and uncertainties

While our principal risks have not changed significantly compared to those disclosed within our Annual Report 2019, the COVID-19 outbreak has directly impacted our business operations and increased our overall risk profile.

In particular, the principal risks relating to business continuity and the competitive environment are heightened, and our material topic and risk relating to the health and safety of our consumers and associates has also intensified. The Company and its brands have initiated several actions to mitigate the impact of the COVID-19 pandemic on our business, with a focus on protecting our associates and customers, ensuring the continuity of our operations, and reviewing our strategy to expedite additional planned investments in our digital and omnichannel capabilities. See *COVID-19: impact and our response* for more information.

In addition, we felt that it would be useful to provide a more detailed discussion on climate change, so we have included a separate section on this risk; see *Climate change*. See also the definition of risk appetite and risk categories in *How we manage risk*.

Our growth drivers

Drive omnichannel growth	Elevate healthy and sustainable	Cultivate best talent	Strengthen operational excellence

The following section provides an overview of the principal risks identified, including a description of the risk, developments noted during 2020, and a brief description of the primary mitigating actions in place to manage each risk.

The principal risks have been categorized by their relationship to strategic, operational, financial or compliance business objectives; and a link has been made to the related growth driver. We further differentiate these principal risks by the severity of the net risk (e.g., "critical" or "high") to the organization and the change in that trend over the course of the year. The severity categorization incorporates our assessment of the likelihood of the risk occurring, the potential financial and/or reputational impact, and relevant mitigating actions in place.

The assessment of the potential net risk severity and change in risk trend categorizations are defined as follows:

- Critical: permanent reduction of global or local brand reputation and/or monetary loss greater than €100 million.
- High: long-term impairment of global or local brand reputation and/or monetary loss less than €100 million.
- ▲ Risk trend increasing.
- ◀ ▶ Risk trend flat.
- ▼ Risk trend decreasing.

It is important to note that these categorizations and how they are assigned to each risk are subjective in nature, and the actual materialization and impact of a risk may differ from what is disclosed here.

The overview of risks should be read carefully when evaluating the Company's business, its prospects and the forward-looking statements contained in this Annual Report. These risks are not the only risks that the Company faces, which may or may not actually materialize and/or have a material adverse effect on Ahold Delhaize's financial position, reputation, results of operations and liquidity or cause actual results to differ materially from the results contemplated in the forward-looking statements contained in this Annual Report, as further set out in the *Cautionary notice*.

Risks and material ESG impacts

Principal risks and uncertainties continued

Strategic risks

Competitive environment

Changes to the competitive landscape relating to non-traditional competition, the expansion of omnichannel offerings, and an increased focus in the market on healthy products and sustainability topics (e.g., food waste, sustainable agriculture, climate change, packaging and data integrity) that, without a distinct response by Ahold Delhaize, could result in a loss of competitive advantage, decrease in sales, erosion of margins and an inability to deliver on our strategic objectives.

Developments in 2020

The COVID-19 pandemic has accelerated changes in the retail landscape, particularly relating to consumer shopping preferences, a focus on value, healthy eating, and the overall channel shift from in-store to online purchasing. Traditional and non-traditional retailers have responded by adjusting product assortments, pricing and promotional offerings; focusing on the health and safety of consumers; and ramping up investment in home delivery or click-and-collect capabilities.

How we manage this risk

We have updated our Leading Together strategy, which has continued to serve us well during 2020. Our four key growth drivers are designed to ensure that our brands continue to meet the changing needs and expectations of consumers while offering a competitive value proposition in the markets they serve. For more details on our Leading Together strategy and growth drivers, see *Our Leading Together strategy* and *Our growth drivers*. See the *Material ESG impacts* section for details on our management approach to these sustainability topics.

Related growth driver

Omnichannel and digital growth

Our ability to drive omnichannel growth and expand our offerings is dependent upon striking an appropriate balance between growth and profitability, which is largely reliant on our capacity and the ability to meet demand while maximizing the cost efficiency of operations. We have a number of initiatives underway to better leverage our scale and drive operational improvements. Failure to successfully execute these initiatives may prevent us from realizing our growth ambition, and may impede us from keeping pace with our competition and consumer expectations. This risk is broken out separately from the competitive environment risk given its importance to our overall strategy.

Developments in 2020

With the closure of restaurants and other out-of-home eating options, demand for home delivery and click-and-collect offerings has significantly increased. This has accelerated the omnichannel shift which, in turn, has challenged our supply chain's capacity and increased overall costs. Looking ahead to 2021 and 2022, we expect some of this additional demand to taper off gradually. In the medium term post-COVID-19, some consumer habits, such as working from home, are likely to continue, preventing a sudden swing in demand back to pre-COVID-19 levels. We will continue to monitor and respond to these evolving consumer habits and adjust our omnichannel offering accordingly.

How we manage this risk

While omnichannel and digital growth was already at the core of our Leading Together strategy, the impact of the COVID-19 pandemic has led us to re-evaluate and re-prioritize our investments in our omnichannel offering, capacity and internal capabilities. In addition, we have expanded our portfolio of brands through the acquisition in January 2021 of a majority interest in New York City-based FreshDirect, which is located in a market that is strategic for the U.S. operations. For more information on the progress we have made on omnichannel and digital initiatives, see *Drive omnichannel growth*.

Related growth driver

Operational risks

Business continuity

Disruption of critical business processes, due to a long-term or permanent loss of key personnel, facilities, utilities, IT infrastructure or key suppliers, may result in non-availability of products for customers and have a significant adverse impact on commercial operations, revenues, reputation and customer perception.

Developments in 2020

The COVID-19 pandemic has led to disruption in virtually all aspects of our business, in particular, the stability of our supply chains and distribution centers in meeting in-store and online demand. We have also experienced disruption within our key service providers, who have also been impacted due to COVID-19 illness or government-imposed restrictions. Support office personnel have been instructed to work from home and non-essential work travel has been prohibited, in line with local guidance and regulations.

How we manage this risk

Ahold Delhaize has established a global business continuity strategy, policy and governance structure and framework for ensuring the continuity of operations. This program is supported and facilitated by dedicated business continuity managers globally and within each of our brands, who facilitate and activate crisis response protocols and reporting, and provide regular training (including simulations) to senior leadership on crisis management and response to high-impact events. Our business continuity program also includes insurance coverage in key areas and regular monitoring of vendors and third-party service providers. In response to the COVID-19 pandemic, various crisis response protocols were activated in order to balance demand across distribution networks and support remote working for associates and key vendors. For more information on our response to COVID-19, see *COVID-19: impact and our response*.

Related growth driver

Risks and material ESG impacts

Principal risks and uncertainties continued

Operational risks continued

Information security

Our brands' business operations are dependent on the uninterrupted operation of IT systems. Information security threats or malicious exploitation of a system vulnerability may result in a compromised IT system, system failure, or a breach of sensitive company information.

Developments in 2020

The omnichannel shift and digital transformation has been accelerated during 2020, increasing our "attack surface." We have observed an increase in the level of malicious attempts on our networks and internet-facing sites and applications. Working remotely has also presented additional information security risks, considerations and responses.

How we manage this risk

We have in place a global Information Security organization and a policy and control framework across all of our regions and brands that governs and defines our procedures for mitigating risks to information systems. These procedures include a variety of prevention and detection measures, including, but not limited to, associate training and monitoring of third-party service providers. We are consistently improving and tightening our cyber defense capabilities to keep pace with the evolving threats facing our company.

Related growth driver

Labor

Our brands may not be able to negotiate acceptable terms for extensions and replacements of contracts as a result of unfavorable demands and/or expectations from unions, which may lead to organized work stoppages or other operational, legal, financial or reputational impacts.

Developments in 2020

Additional terms and conditions were agreed upon by the brands with the relevant unions regarding personal protective equipment, appreciation pay, and other benefits to ensure the continued health and safety of our associates. In several areas of the business, additional part-time labor has been contracted to meet the increase in demand and also to temporarily fill in for absent associates.

How we manage this risk

The HR function in each of the brands partners to manage their relationships with relevant labor unions and associates. For more information on the efforts to protect associates and focus on health and safety during 2020, see *Associates* and *COVID-19: impact and our response*.

Related growth driver

People

Ahold Delhaize and its brands may not be able to attract, develop and retain top talent in support of current and long-term needs and capabilities.

Developments in 2020

The COVID-19 pandemic year has put the topics of well-being, physical and mental health and safety, and diversity and inclusion more into focus. With the accelerated shift to online and mobile purchasing, competition for digital talent has also increased.

How we manage this risk

At Ahold Delhaize, our brands are committed to embedding their shared values, capabilities and behaviors within their workforce. They deploy many measures to achieve this, including, but not limited to, embedding competitive employee value propositions to attract the best talent in line with their strategic capability plans and needs, a formal talent management cycle and development conversations, and a variety of diversity and inclusion (D&I) initiatives to drive a workforce that is representative of the markets they serve. Furthermore, they listen to and act upon the feedback of associates through an annual engagement survey and pulse surveys, which have increased in frequency during 2020. For more information on the commitment to associate well-being, health and safety, and D&I, see *Associates*.

Related growth driver

Risks and material ESG impacts

Principal risks and uncertainties continued

Financial risks

Pensions and other post-employment benefits

Pension and healthcare funding obligations may be impacted by interest rate fluctuations, stock market performance, changing pension laws, longevity of participants and increased costs in specific markets. In addition, our brands participate in several multi-employer plans (MEPs) which may become insolvent and they may be required, in certain circumstances, to increase their contributions to fund the payment of benefits by the MEP.

For more information on the financial risks related to the MEPs see *Note 24* to the consolidated financial statements.

Developments in 2020

Our U.S. brands Stop & Shop and Giant Food reached agreements to terminate their participation in four large MEPs. These agreements will improve the security of pension benefits for associates and reduce the financial risk for the company. Stop & Shop reached an agreement to terminate its participation in the United Food & Commercial Workers International Union (UFCW) – Industry Pension Fund (the "National Plan") and the United Food & Commercial Workers (UFCW) – Local 1500 Pension Fund ("1500 Plan"). Giant Food, UFCW Locals 27 and 400 (collectively the "Union Locals") and the U.S. Pension Benefit Guaranty Corporation ("PBGC") reached an agreement on Giant Food's funding obligations with respect to two MEPs: the Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund ("FELRA") and the Mid-Atlantic UFCW and Participating Employers Pension Fund ("MAP"). As a result of this agreement, the PBGC has approved the combining of MAP into FELRA (the "Combined Plan") and has agreed to provide financial assistance to the Combined Plan following its insolvency, which is currently projected to occur in 2022. For information about these agreements, see *Note 24* to the consolidated financial statements.

With these agreements, Ahold Delhaize has greatly reduced the Company's financial exposure to the MEPs of Giant Food and Stop & Shop.

How we manage this risk

Our governance structure includes a pension committee responsible for monitoring pension plan funding as well as the status of our MEPs. Management of each MEP is administered by a board of trustees appointed by the management of the participating employers (plan sponsors) and unions. The relevant Ahold Delhaize brands have been represented as a board of trustee member on several MEP boards and, through these positions, manage and monitor the MEPs' funding.

Related growth driver

For a summary of other financial risks identified through our annual ERM assessment, see the additional risks and uncertainties section

Compliance risks

Data privacy

A lack of security around, or non-compliance with, privacy requirements relating to the capture, usage, processing and retention of customer and associate data may lead to the exposure, misuse or misappropriation of data, which could have a significant legal, financial, or reputational impact.

Developments in 2020

In a year with a significant increase in online and mobile purchasing coupled with increased social expectations and regulations regarding data privacy, the risks relating to the use and protection of associate and consumer data have also intensified.

How we manage this risk

We have established and implemented several mitigating measures across the organization, including a global Personal Data Protection policy and procedures, Code of Ethics training, our "Living Data" (data protection) awareness program, the establishment of various ethics committee reviews of new projects and the rollout of data privacy principles aligned with consumer expectations around the ethical use of data. We extend these measures to key third parties who agree and are obligated to abide by our Standards of Engagement and to certain vendors who are required to provide regular internal control assurance reports. For more information on our commitment to data privacy see *Customers*, as well as the results of our sensitivity analysis in the section below.

Related growth driver

Risks and material ESG impacts

Principal risks and uncertainties continued

Compliance risks continued

Legislative environment and societal expectations

Changes in, or failure to comply with, laws and regulations or the expectations of our external stakeholders could impact the operations and reduce the profitability of Ahold Delhaize or its businesses, affecting its financial condition, reputation or results of operations. In addition, Ahold Delhaize and its businesses are subject to a variety of antitrust and similar laws and regulations in the jurisdictions in which they operate, which may impact or limit the their ability to realize certain acquisitions, divestments, partnerships or mergers.

Developments in 2020
Governments in all of our brands' markets have put in place restrictions and measures to curb the spread of the COVID-19 outbreak, and have imposed fines on people and companies who have failed to meet these requirements. In conjunction with an increased focus on people's health and safety, extreme weather events have accelerated and intensified the discussion about climate change and other ESG topics (e.g., human rights, product packaging and transparency), which is likely to lead to further legislation and expectations from our stakeholders.

How we manage this risk
At Ahold Delhaize, we have implemented a global policy framework with procedures and internal controls that are designed to ensure compliance with certain critical company standards and regulations. Our global policies are supported by brand-level policies tailored to maintain compliance with local regulations. Our global and brand-level Legal, Tax and Compliance teams also maintain real-time knowledge about proposed, upcoming or new legislation through participation in industry associations and lobbying industry bodies. We estimate the exposure to any legal proceedings and record provisions for these liabilities where it is reasonable to estimate and where the potential realization of a loss contingency is more likely than not. For more information on contingencies see *Note 34*.

During 2020, our brands and support organizations implemented additional company-wide measures to ensure the health, safety and well-being of their associates and consumers, while maintaining compliance with local laws and government restrictions. We also published our inaugural Human Rights Report, which outlines the steps Ahold Delhaize and its great local brands are taking to safeguard human rights, both within the organization and across our supply chain (for more information see *Communities*). We announced Science Based Targets to combat climate change and are including climate-related risk metrics in our financial disclosures under the structure of the TCFD. For more information see *Climate change* and the *Material ESG topics* section, which provides details on our management approach to these topics.

Relevant growth driver

Product safety

There is a risk that customers may become injured or ill from the use or consumption of food and non-food products sold by Ahold Delhaize brands, whether they are contaminated or defective, intentionally tampered with, or impacted by food fraud in the supply chain.

Additionally, negative impacts on human rights or the environment during the production of our products (e.g., human rights violations by suppliers) may negatively impact the reputation or results of Ahold Delhaize and/or its brands.

Developments in 2020
The COVID-19 outbreak has not only heightened our focus on the health and safety of associates and customers, but also on the cleanliness and safety of the products our brands sell. COVID-19-related absenteeism at several of our key suppliers has resulted in the temporary shutdown of production or manufacturing in certain cases. In several locations, in-person quality assurance audits have been temporarily suspended due to travel or other restrictions.

How we manage this risk
We have implemented a global Product Integrity organization, policies, control framework and standard operating procedures at all of our brands. We also ensure that third-party suppliers sign and adhere to the Ahold Delhaize Standards of Engagement, which outline standards on product safety and ethical and human rights guidelines. Our brands perform a variety of quality assurance reviews and audits in stores, distribution centers, and at key suppliers and preferred alternative suppliers. During 2020, these audits have continued in a virtual format. We further mitigate our risks in this area through different types of insurance coverage within our brands. For more information on the commitment to respecting human rights, see *Communities*.

Relevant growth driver

Risks and material ESG impacts

Principal risks and uncertainties continued

Additional risks and uncertainties

In addition to the principal risks identified, the following risks were identified and considered in conjunction with our annual ERM assessment:

Insurance risks
Ahold Delhaize and its brands manage the insurable risks through a combination of self-insurance and commercial insurance coverage for workers' compensation, general liability, property, vehicle accident and certain healthcare-related claims. Our self-insurance liabilities are estimated based on actuarial valuations. While we believe that the actuarial estimates are reasonable, they are subject to changes caused by claim reporting patterns, claim settlement patterns, regulatory economic conditions and adverse litigation results. Our process enables us to monitor claim and settlement patterns and evaluate third-party risk.

Other financial risks
Other financial risks include foreign currency translation risk, credit risk, interest risk, liquidity risk, tax-related risks, liabilities to third parties relating to lease guarantees, contingent liabilities and risks related to the legislative and regulatory environment, including litigation. For information on these financial risks, see *Note 25*, *Note 30* and *Note 34* to the consolidated financial statements. See also *Note 24* for financial risks related to pensions and other post-employment benefits.

Sensitivity analysis
At Ahold Delhaize, we closely follow the impact of different internal and external risk factors on operations. The purpose of our sensitivity analysis is to assess these risks in the context of the Company's current strategy to determine their impact on our business and the viability of our business model, as well as on our ability to meet our financial liabilities and other obligations.

Our strategy is based on assumptions relating to: the global economic climate, changes in consumer behavior, competitor actions, market dynamics and our current and planned structure, among other factors.

The following are two risk scenarios related to our strategy that, according to our sensitivity analysis, are considered severe but possible. Neither of these scenarios individually threaten the viability of the Company; however, the compound impact of these scenarios has been evaluated as the most severe stress scenario.

Scenario	Associated principal risks	Description
Competitive pressure	Competitive environment	A sustained failure to effectively design and execute our Leading Together strategy could lead to an inability to adapt to new market dynamics driven by consumer behaviors and competition and result in a loss of market share to new market entrants or new shopping channels. These factors may have a material adverse effect on the Company's financial position, results of operations and liquidity.
Information security and/or data breach and business disruption	Business continuity Information security and data privacy	In the event of a successful data breach, the Company or its brands could be subject to material monetary penalties, loss of customers and damage to our corporate reputation; it could also lead to potential litigation. A serious breach could also impact the operation of significant business processes and result in non-availability of products for customers and the inability to operate the day-to-day business at the stores and distribution centers and at brand level.

Risks and material ESG impacts

Material ESG impacts

Through our annual ESG materiality assessment, we ask stakeholders for feedback on the scale of Ahold Delhaize's impact on relevant topics and how much these topics influence their decision making on environmental, social and economic concerns. We use their feedback to determine our material ESG impacts, which, in turn, inform our Leading Together strategy.

The overall process we used in the 2020 analysis included three steps.

- First, we selected the most relevant topics to use as a starting point by referencing international reporting standards (including the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and the United Nations Sustainable Development Goals (SDGs)), media research, a peer review, and a risk and trend analysis of the food industry.
- Second, we determined the specific relevance of each topic to Ahold Delhaize through online surveys and interviews. We received input from customers, associates, investors, NGOs, suppliers, producers, farmers and governmental organizations. We also asked Company management, through an online survey, to identify the topics that they believe are most important for Ahold Delhaize.
- As a final step, we created a materiality matrix, which was discussed and approved in one of the meetings of the Executive Committee.

To understand the connections with the principal risks within each of these material ESG impacts, see the *Integrated overview* of material ESG impacts and principal risks.

Boundary refers to where the material ESG topic has an impact in the value chain. For more information on the value chain, see *Our business model*.

We use the Sustainable Development Goals (SDGs) as a reference for our material ESG impacts.

Each material ESG impact is linked to one or more SDGs; therefore, our approach to each impact also supports the respective SDG(s). A focus on SDG 17, Partnerships for the goals, runs through our approach to all the material ESG topics, as partnerships are necessary for successfully achieving our goals.

The SDGs that we contribute to the most through our global strategy:

Risks and material ESG impacts

Material ESG impacts continued

Food waste

Promote responsible handling to reduce food waste and increase reuse of food waste along the supply chain: including in distribution and operations as well as in customers' homes.

Our approach
We aim to contribute to a food system that ensures everyone has access to nutritious food for generations to come. We continuously review our operational processes to reduce food waste, and we divert unsold food to relieve hunger in our communities.

We have a three-pronged approach to driving down food waste. First, we reduce food waste across our brands' operations, including stores, warehouses and transport. Second, we divert surplus food to food banks, charities and innovative operations such as restaurants that cook with unsold food. And third, we send food no longer suitable for human consumption to other recycling methods, to prevent it from going to landfill. These methods can include animal feed production, green energy facilities or industrial uses.

As Ahold Delhaize is a founding member of the 10x20x30 Food Loss and Waste Initiative, the brands are partnering with key suppliers to tackle the challenge across the supply chain.

For more information, see *Elevate healthy and sustainable*.

Metric
- 50% reduction in food waste by 2030 compared to our 2016 baseline. We measure this with a relative metric, which is total tonnes of food waste per €1 million of food sales.

For more information, see *ESG statements*.

Relevant principal risk
Competitive environment

Boundary
All parts of the value chain.

Related growth driver and link to SDG

Healthy products

Increase the share and availability of healthy products in our assortment and provide information to facilitate healthier and more sustainable diets for our customers and associates.

Our approach
We aim to make healthier eating commonplace. By making fresh, nutritious and delicious food available and affordable for everyone, we contribute to healthier communities. Our strong local brands and broad range of products offer fresh inspiration every day. With an assortment that includes affordable nutritious choices, and with recipes, support services and transparent labeling, we are making healthier eating easier. With engaging activities, we are making healthier food appealing and fun.

For more information, see *Elevate healthy and sustainable*.

Metric
- 51% of own-brand food sales coming from healthy products by 2022.

For more information, see *ESG statements*.

Relevant principal risk
Competitive environment

Boundary
Manufacturing, product development, branding and marketing, selling, consumer.

Related growth driver and link to SDG

Sustainable agriculture

Promote agricultural practices that support healthy ecosystems, economic viability and social equity.

Our approach
By applying sustainable sourcing standards to specific commodities and working closely in partnership with our suppliers, we continue to improve the sustainability of agricultural practices in our supply chain. We require sustainability criteria to be met for seven commodities: coffee, tea, cocoa, palm oil, soy, seafood and wood fibers. Three of these commodities (palm oil, soy and wood fibers) have direct impacts on global deforestation; moving to sustainable sourcing is part of our overall work to limit deforestation in our supply chains.

Ahold Delhaize brands work directly with suppliers to adopt sustainable agriculture practices. For example, Mega Image has built a partnership with Romanian vegetable farmers over the past several years and Albert Heijn relaunched its sustainable dairy program in 2020. Overall, 3% of food sales meet organic certification standards, which address aspects of sustainable agriculture, such as soil health and chemical use.

We continue to work on further integrating sustainable agriculture expectations into our sourcing requirements.

Metric
- 100% sustainable sourcing for seven commodities in our own-brand products by 2020.
- 15% reduction in absolute climate emissions from our value chain (scope 3) by 2030 compared to our 2018 baseline.

For more information, see *ESG statements*.

Boundary
Farming and commodity traders.

Related growth driver and link to SDG

Risks and material ESG impacts

Material ESG impacts continued

CO_2 emissions and climate change

Reduce greenhouse gas emissions in our supply chain and own operations (stores, distribution centers and logistics) and increase energy efficiency in our own operations.

Our approach
Ahold Delhaize is committed to supporting the well-being of the communities we serve and enabling a healthy, low-carbon food system that secures healthy and sustainable diets for future generations.

To achieve our ambition, we focus on three areas in our own operations: energy consumption, refrigerants and owned transport. To reduce carbon emissions in our value chain we focus on supplier engagement, a transition to more low-carbon products, managing waste and outsourced transport services.

In 2020, we conducted our first global analysis of climate-related risks and potential material impacts on our business. We will continue to analyze the impact of climate change on Ahold Delhaize in the coming years.

For more information, see *Climate change*.

Metric
- 50% reduction in absolute greenhouse gas emissions from our own operations (scope 1 and 2) between 2018-2030.
- 15% reduction in absolute greenhouse gas emissions from our value chain (scope 3) between 2018-2030.

For more information, see *ESG statements*.

Relevant principal risks
Competitive environment, *legislative environment and societal expectations*.

Boundary
All parts of the value chain.

Related growth driver and link to SDG

Sustainable packaging

Reduce the use of plastic and other packaging materials, decrease the weight of packaging, and increase the recyclability, reusability and recycled content of packaging.

Our approach
We aim to move to a more circular system to reduce the negative impacts of plastic. The focus of Ahold Delhaize and the local brands to date has been on where we can make a direct impact: optimizing own-brand product packaging, reducing single-use plastics used for carrier bags, and recycling plastic waste generated in our own facilities.

In 2018, Ahold Delhaize signed the New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in collaboration with UN Environment, to help us drive momentum and ensure transparency in our approach to sustainable packaging.

For more information, see *Elevate healthy and sustainable*.

Metric
- 100% of own-brand plastic product packaging being reusable, recyclable or compostable by 2025.
- 25% of own-brand plastic product packaging made from post-consumer recycled content by 2025.

Boundary
Processing and packaging, product development branding and marketing, selling, consumer.

Related growth driver and link to SDG

Available and affordable products

Ensure product availability and affordable pricing of our products to meet the (dietary) needs of our customers.

Our approach
Part of our purpose is to help customers live better. One way the brands do this is by supporting them in making healthier and more sustainable choices for themselves and the environment. With an assortment that includes affordable nutritious choices, the brands are making healthier eating easier.

Metric
- Delivery on our Save for Our Customers program (target of €600 million for 2020; delivery of €844 million).

Relevant principal risk
Competitive environment

Boundary
Selling, consumer.

Related growth driver and link to SDG

Risks and material ESG impacts
Material ESG impacts continued

Fair labor practices in the supply chain

Promote respect for human rights, wages and incomes and labor practices throughout the supply chain and pay a fair price to suppliers and farmers.

Our approach
Our brands strive to maintain a professional and ethical relationship with suppliers and other members of the business community. These relationships contribute to the brands' success, and are based on good business judgment, mutual trust and fair dealing.

We strive to ensure that all suppliers demonstrate a high standard of business ethics and regard for human rights, and that products are safe, high quality, and produced in clean, safe and efficient facilities with good working conditions. Our expectations are outlined in the Standards of Engagement that are part of every buying agreement.

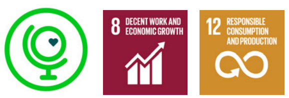
Our brands work together with industry organizations to drive food safety and social and environmental sustainability. In addition, we take an active role in various industry committees and working groups, including those of the amfori Business Social Compliance Initiative (BSCI) and the Sustainable Supply Chain Initiative, to address human rights issues in collaboration with the business community and other relevant stakeholders.

Metric
- 80% of own-brand production units in high-risk countries meeting social compliance standards by 2020.

For more information, see *ESG statements*.

Boundary
Farming and commodity trading, manufacturing, processing and packaging.

Related growth driver and link to SDG



Product safety and quality

Guarantee the highest safety and quality standards for the products we sell and, at minimum, comply with applicable local legislation.

Our approach
We take responsibility for maintaining the highest levels of safety for our products, while also improving their environmental and social footprints. Our main focus is on our own-brand products. We work to ensure they are safe, produced in clean, efficient facilities with good working conditions, made from sustainably sourced commodities, and clearly and accurately labeled. To drive global food safety and social and environmental sustainability, we take an active role in various standards committees and working groups.

We support the CGF's Global Food Safety Initiative (GFSI) standards to advance the safety of food products. As an active member of organizations such as RSPO, GSSI, GlobalGAP and GFSI, we help develop and maintain the highest standards for sustainable production of commodities including tea, coffee, cocoa, palm oil, soy, seafood and wood fibers..

Metric
- 100% of our own-brand food products GFSI-certified, or compliant with an acceptable level of assurance standard by 2020.
- 100% of our seven critical commodities certified with acceptable standards by 2020.

For more information, see *ESG statements*.

Relevant principal risk
Product safety

Boundary
All parts of the value chain.

Related growth driver and link to SDG

Product transparency

Ensure transparent and traceable product information with regard to ingredients, nutritional value, origin of products and environmental and social impact in our supply chain.

Our approach
We will drive transparency about where our fresh products come from and make the nutritional value of all own-brand products more transparent. We believe our brands can help customers understand the impact of their shopping decisions and enable them to make choices that fit their needs, their tastes, and their values.

To achieve this, our brands will use the latest technologies, such as blockchain and artificial intelligence, to bring customers more transparency by 2025 – starting with fresh fruits and vegetables and then moving to the seafood and meat supply chains. By giving customers access to personalized information – through loyalty apps or online advice, for example – our brands will empower and enable busy customers to make better choices.

Metric
- 100% of own-brand seafood product sales with an identified farm/fishery of origin by 2020.

Boundary
Selling, consumer.

Related growth driver and link to SDG

Risks and material ESG impacts

Material ESG impacts continued

Diversity and inclusion

Ensure equal treatment of all associates independent of gender, age, religion, race, caste, social background, disability, ethnic and national origin, nationality, membership in workers' organizations including unions, political affiliation, sexual orientation, gender identity and expression, or any other personal characteristic protected by law.

Our approach
We updated our overall qualitative ambition to state, "At Ahold Delhaize, we reflect the markets we serve, our voices are heard and valued, and we find purpose in our work, have equitable access to opportunities and can grow and contribute to our fullest." We also put in place a quantitative aspiration to achieve 100% gender balance at all levels, to be 100% reflective of the markets we serve and to strive for 100% inclusion. By aiming to achieve 100/100/100, we hope that our brands will better serve customers and communities and grow in their markets. For more information, see *Associates*.

Metric
- 50/50 gender representation by brand and by level.
- Market mix representation by brand and by level.
- Positive trend Inclusive Workplace Index.

For more information, see *ESG statements*.

Relevant principal risk
People

Boundary
Warehouse and distribution, selling.

Related growth driver and link to SDG

Customer health and safety

Provide a safe and healthy shopping experience for customers, especially during the COVID-19 pandemic.

Our approach
Part of our purpose is to help customers live better. One way our brands do this is by supporting them in making healthier and more sustainable choices for themselves and the environment, in part by offering a wide variety of products. Many of our brands have nutritional guidance systems in place, such as Nutri-Score or Guiding Stars.

When COVID-19 spread to our markets, our brands responded quickly with a multitude of health and safety measures to provide a safe shopping experience for both associates and customers. Our businesses were among the first in the industry to put in place certain preventative measures. For more information see *COVID-19: impact and our response*.

Metric
- All brands to have customer-facing nutritional guidance systems in place by 2025.

Relevant principal risks
Legislative environment and societal expectations, *product safety*.

Boundary
Selling, consumer.

Related growth driver and link to SDG

Associate safety, health and well-being

Create a healthy and safe work environment that fosters associate well-being.

Our approach
Our brands' commitment to workplace safety is non-negotiable; all associates should feel safe and comfortable, both physically and mentally, at work. Providing a workplace that meets that need enhances goodwill and the value of the brands, and more importantly, aligns with our values of integrity and care.

Our brands' safety program addresses regulations and initiatives that contribute to physical safety and mental health at work. In the stores, offices and distribution centers, our brands integrate safe working practices right into the designs, equipment purchases and operational practices. Our brands improve safety not only through visible leadership, but by engaging associates to play their part, keeping an eye out for dangerous situations or harassment.

In addition, our brands have long had a strong strategic focus on the health and well-being of associates, their families and communities and show this by providing benefits in line with a focus on healthy life, work-life balance and financial security, in the spirit of our value, care. Our brands inspire associates to make healthier lifestyle choices through programs for healthier behaviors. For more information see *Associates: well-being and safety*.

Metric
- Number of injuries that result in lost days per 100 FTE.
- Occupational illness frequency rate.
- AES Well-being Index.
- Healthy Workplace Index.

For more information, see *ESG statements*.

Boundary
Warehouse and distribution, selling.

Relevant principal risks
People, labor, *legislative environment and societal expectations*.

Related growth driver and link to SDG

Risks and material ESG impacts
Climate change

Climate change is impacting society at large, including how food is grown around the world – and will change our business in years to come. Ahold Delhaize is committed to supporting the well-being of the communities we serve and enabling a healthy, low-carbon food system that secures healthy and sustainable diets for future generations. In line with the latest climate science to limit global warming, we are committed to reducing carbon emissions across our value chain. We have identified climate change to be a material ESG impact. For more information on how we determine our risks and material topics, see *Risks and material ESG impacts*.

Ahold Delhaize advocates for policies that advance the Paris Agreement on Climate Change's goal to limit the increase in the global average temperature to well below 2°C, and ideally no more than 1.5°C, above preindustrial levels by the end of the century.

We recognize the importance of disclosing climate-related risks and opportunities in line with the recommendations of the TCFD. This will enable market forces to drive efficient allocation of capital and support the transition to a low-carbon economy. In June 2020, Ahold Delhaize formally became a supporter of the TCFD.

This section explains Ahold Delhaize's approach to climate change, both from an impact and risk perspective, along the structure of the TCFD recommendations.

Governance

Our commitment to addressing climate change is established and is supported globally through our Management Board and our Supervisory Board and implemented locally through our brands. Our Chief Executive Officer has direct responsibility for our elevate healthy and sustainable growth driver, which includes climate impact, and brand leadership teams are responsible for implementing climate-related actions in the brands. All Supervisory Board members actively participate in the Sustainability and Innovation Committee, which reviews the company's Healthy and Sustainable strategy and progress on a semi-annual basis. In 2020, this Committee addressed climate-related risks in one of its meetings. The Management Board has set climate change as a priority risk to be further addressed in 2021 and beyond.

Each Ahold Delhaize brand has dedicated teams working to reduce their climate impact from own operations. These teams consist of associates from departments such as store development and store maintenance as well as sourcing managers.

In support of our Healthy and Sustainable ambition, 20% of the achievable 2021 annual cash incentive for our Management Board, Executive Committee and senior and mid-level leadership will be tied to ambitious targets for healthier eating and the reduction of food waste and carbon emissions. This will be in addition to the 15% of our long-term share-based incentive that was already tied to sustainability targets, which means that a substantial part of our executive pay will now be linked to transparent and measurable ESG factors. See the *Remuneration report* for more information.

Strategy

In 2020, Ahold Delhaize conducted its first global analysis – in line with TCFD recommendations – of climate-related risks and potential material impacts on our business. We took fresh products as the scope for this first assessment, given their vulnerability and relatively short supply chains, and looked at our major markets in the United States and Europe. Leveraging existing climate modeling, we developed two climate scenarios in line with two-degree and four-degree Celsius trajectories, assessing political, economic, social, environmental, and technological trends. Overall, we identified 17 climate-related vulnerabilities that could impact our supply chain, stores, warehouses and revenues by 2030 and beyond.

Based on this analysis, our updated climate strategy focuses on three objectives:

1. Reducing carbon emissions in own operations
2. Reducing carbon emissions in the value chain; and
3. Mitigating the impact of climate change on Ahold Delhaize as a company. The third objective is explained under Risk management in this section.

Risks and material ESG impacts

Climate change continued

Reducing carbon emissions in our own operations

The Ahold Delhaize brands continue to invest in energy efficiency, using the best available technologies to reduce energy consumption in stores and distribution centers. This effort includes reducing the energy usage of all lighting, heating and refrigeration. Going forward, our brands will strengthen renewable energy procurement plans and increase energy production on site.

Our brands continue to improve their refrigeration systems and accelerate the replacement of hydrofluorocarbons with the latest available alternatives. Where possible, our brands use natural sources for refrigeration.

Moving toward low-carbon distribution and logistics, our brands will further modernize the fleet and opt for eco-friendly fuels.

In 2021, we will also start including an internal carbon price model into our investment proposals. We believe this model will help us consider the impact our new investments will have on carbon emissions, layering an additional environmental discipline into our framework.

For more information on our performance see the *Environmental* section of our *ESG statements*.

Reducing carbon emissions in the value chain

In 2019, we estimated greenhouse gas emissions for scope 3 to be 70,800 kilo tonnes CO_2 equivalent. For an overview of the breakdown of scope 3 emissions by category, see the *Environmental* section of our *ESG statements*. We will refine this data in the coming years as we improve the accuracy of our value chain reporting.

To reduce carbon emissions along the value chain, we focus on four areas:

Supplier engagement

As most of the greenhouse gas emissions from our value chain are embedded in the products our brands sell, engaging with suppliers to reduce their emissions is where we will have the biggest impact. The food industry is already taking action to reduce emissions, and some of the world's largest food manufacturers have adopted science-based targets. With the announcement of targets for 2030, our brands are beginning the journey to engage with their key suppliers and support them in their transition to less carbon-intensive production.

Low-carbon products

Customer demand for healthy, low-carbon diets, including plant-based proteins, is on the rise in many of our markets. Building on a history of product innovation, our brands continue to increase the number of low-carbon products in their assortments and, together with suppliers, bring new alternatives to the market. Our brands can help people further understand the impact of their buying decisions and make choices that fit their needs, their tastes and their values. To achieve this, our brands will use the latest technologies, such as blockchain and artificial intelligence, to bring customers more transparency – starting with fresh fruits and vegetables and then moving to the seafood and meat supply chains. By giving customers access to personalized information – for example, through loyalty apps or online advice – our brands will empower and enable customers to make better choices.

Managing waste

Every year, around one-third of all food produced for human consumption is lost or wasted. According to the World Resources Institute, if Food Loss and Waste were its own country, it would be the world's third-largest greenhouse gas emitter, surpassed only by China and the United States. Our target to reduce food waste by 50% by 2030 also contributes to reducing carbon emissions, in addition to the other benefits of improving food security and conserving natural resources. To achieve this target, we have a three-pronged approach: reduce food waste by our brands' operations, including stores, distribution centers and transport; divert surplus food to food banks and charities and to innovative operations such as restaurants that cook with unsold food; and divert food no longer suitable for human consumption to recycling to prevent it from going to landfill.

In September 2019, Ahold Delhaize joined the World Resources Institute's "10x20x30" initiative, which brings together 10 global food retailers that will each engage with 20 of their priority suppliers to halve their rates of food loss and waste by 2030. Ahold Delhaize joined this exciting initiative to support momentum across our industry and create new innovations for reducing waste in partnership with suppliers.

Outsourced transport services

Roughly half of our transportation today is handled by third-party service providers. Our brands will use service procurement policies to encourage service providers to reduce their emissions. These policies will reduce emissions associated with the delivery of the goods to stores as well as emissions related to associates' business travel.

Risks and material ESG impacts

Climate change continued

Risk management

As part of the global analysis performed in 2020, 17 vulnerabilities applicable to Ahold Delhaize were identified, including physical, regulatory, technological, market, reputational and social risks; see below. For example, we identified a vulnerability to a changing regulatory environment in which we could see the introduction of labeling or carbon taxation. We applied a regional lens to the possible financial impact these risks could have on Ahold Delhaize.

- In general, all physical risks (connected to the direct impact of climate change) and social risks have a similar risk rating in the two scenarios by 2030, but physical risks differ by 2050 for the four-degree scenario.
- A significant part of our revenue is generated in coastal areas that have a potential risk of sea level rise and flooding by 2030 and come from areas in the U.S. that will be increasingly impacted by hurricanes by 2030. This may lead to supply chain disruption or temporary closure of stores.
- In the short term, the transition risks of moving to a low-carbon economy will be more impactful to Ahold Delhaize in a two-degree-scenario world than in a business-as-usual scenario, due to the accelerated regulatory landscape and behavior of consumers. This could lead to higher raw material prices or a decrease in the sale of products with a high-carbon footprint.

Physical
- Increase in extreme weather (acute)
- Increasing extreme heat waves (acute)
- Increase in temperature and droughts (chronic)
- Sea level rise (chronic)
- Land scarcity (chronic)

Regulatory
- Mandatory labelling
- Regulation/pricing on GHG emissions
- Regulation/pricing on water
- Legislation on imported products with externalities
- Legislation on carbon sinks depletion
- Legislation on land scarcity

Technology
- Development of new technologies for low-carbon solutions

Market
- Shift in consumer expectations
- Shift in business partners expectations

Reputation
- Reputation damage
- Lack of visibility of brands' commitment to fighting change

Social
- Increase in social issues

The next steps we will take include further analyzing the results in order to more narrowly define the scope of risks and perform more detailed assessments at brand level. We will also start integrating climate risk assessments and monitoring into our business operations at brand level.

For more information on our general approach to risk management see *How we manage risk*.

In our scenario analysis, we have applied our current risk management approach and have integrated the results from the scenario analysis into our risk management processes.

Metrics and targets

In recognition of the urgency of climate change and in support of Sustainable Development Goal 13, Ahold Delhaize adopted science-based climate targets in 2020, approved by the Science Based Targets initiative (SBTi), as follows:

- We will reduce absolute emissions from our own operations (scope 1 and 2) by 50% between 2018-2030.
- We will reduce absolute emissions from our value chain (scope 3) by 15% between 2018-2030.

See also *ESG statements* for more information on metrics currently measured and reported.

During 2021, we will perform more detailed assessments on the identified risks for several brands using different scenarios. Based on the outcomes of these assessments, we can identify additional metrics to measure the possible impact on the identified risks.

Performance Review

Performance review
Group review

Key financial targets	Target 2020	Results in 2020	Target 2021
Group underlying operating margin	Broadly in line with 2019 (4.2%)	4.8%	≥ 4.0%
Diluted underlying EPS growth[1]	Mid-single-digit % growth	33.3%	Mid-to-high single-digit % vs. 2019
Capital expenditures, net	€2.5 billion	€2.6 billion	~ €2.2 billion
Free cash flow[2]	~€1.5 billion	€2.2 billion	~ €1.6 billion
Dividend payout ratio[3]	40-50%	40%	40-50% and year-over-year increase in dividend per share
Share buyback[3]	€1 billion	€1 billion	€1 billion

1 At current rates.
2 Target excludes M&A; actuals show reported capex.
3 Management remains committed to the share buyback and dividend program, but given the uncertainty caused by COVID-19, they will continue to monitor macro-economic developments. The program is also subject to changes in corporate activities, such as material M&A activity. The dividend payout ratio for results in 2020 is calculated as a percentage of underlying income from continuing operations on a 52-week basis.

Targets are based on previous year's full year results unless stated otherwise.

Performance review
Group review continued

Drive omnichannel growth	Target 2020	Results in 2020	Target 2021
Net consumer online sales[1]	Progress to achieving €7 billion by 2021	€7.6 billion	≥ 30%
U.S. online sales growth[1]	> 30%	+105%	≥ 60%
Stop & Shop store remodels[2]	48	33	~ 60
Bol.com net consumer online sales	Progress to achieving €3.5 billion by 2021	€4.3 billion	≥ €5 billion
Bol.com EBIT and return on capital (RoC)[3]	–	Positive EBIT and double-digit RoC	Positive EBIT and double-digit RoC

Elevate healthy and sustainable			
Healthy own-brand sales of (%)	50.0%	49.8%	50.5%
Food waste reduction (%)	10%	17%	16%
CO_2 emission reduction (%)[4]	7%	17%	17%

Cultivate best talent			
Associate engagement score (%)[3]	–	81% (2019: 80%)	≥ 81%
Associate development score (%)	73%	73%	≥ 73%
Healthy workplace score (%)	75%	76%	≥ 76%
Inclusive workplace score (%)	79%	79%	≥ 79%

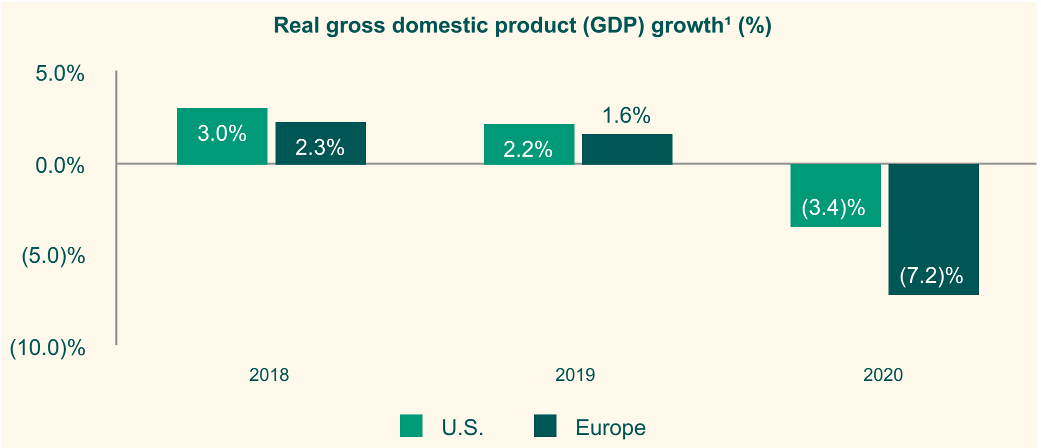
Strengthen operational excellence			
Save for Our Customers savings	€600 million	€844 million	≥ €750 million
Supply chain initiatives[2]	–	Acquisition of facilities from C&S Wholesale Grocers completed	Transition of five facilities into the integrated network
In store initiatives[2]	–	New stock system feature implemented at Albert Heijn, resulting in reduced labor costs	≥ 50% of European grocery stores with electronic shelf labeling
Improving online productivity[2]	–	Multi-brand proprietary e-commerce platform launched in the U.S.	Launching U.S. Autostore/Swisslog micro-fulfillment center and increasing automated capacity at bol.com

1 U.S. online sales include FreshDirect sales starting in 2021.
2 2020 target excludes 17 King Kullen stores, which were not acquired from the communicated target of 65 for 2020. The 33 store remodels reported for 2020 are based on the construction completion end date. 23 stores re-opened in 2020 and 10 in 2021. It excludes 1 relocated store.
3 No target communicated in 2020.
4 Target is based on the cumulative trajectory towards the 50% reduction of absolute CO2-equivalent emissions by 2030 compared to our 2018 baseline. This target was announced in 2019 and replaced our previous 2020 target to reduce carbon equivalent emissions per square meter compared to the 2008 baseline.

Note: Targets are based on previous year's full year results unless stated otherwise. Sales growth is calculated at constant rates. Sales growth targets for 2021 are calculated adjusting 2020 for 52 weeks.

Group review
Macro-economic trends

In 2020, Ahold Delhaize achieved strong operational and financial improvements in a year of unprecedented change. Our business was impacted by a number of specific, localized market trends (see *Evolving market trends*), and also by the following general macro-economic trends:



Source: IMF (various reports in 2020 and 2021)

1 GDP represents the total value at constant prices of final goods and services produced within a country within a specific time period.

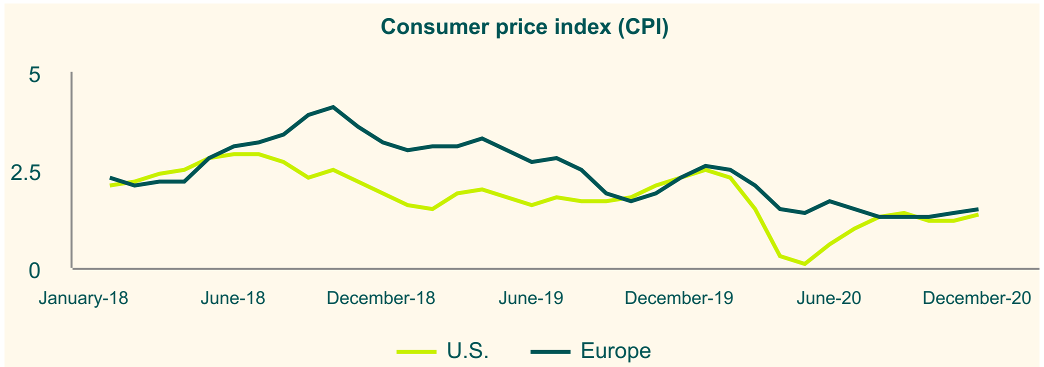
COVID-19 has delivered an enormous global financial shock, leading to economic downturns in many countries. In 2020, we saw a contraction of 3.5% in global real GDP – the deepest decline in decades. U.S. real GDP contracted by 3.4%, contrasted with a growth of 2.2% in 2019. Meanwhile, European real GDP decreased by 7.2%, compared to an increase of 1.6% in 2019.

Foreign exchange rates
Average exchange rates 2019-2020

Currency		2020	2019	Change in the average annual value of the currency
U.S. dollar	USD/EUR	**0.8770**	0.8934	(1.8%)
Czech crown	CZK/EUR	**0.0378**	0.0390	(2.9%)
Romanian leu	RON/EUR	**0.2067**	0.2108	(1.9%)
Serbian dinar	RSD/EUR	**0.0085**	0.0085	0.2%

Source: Bloomberg

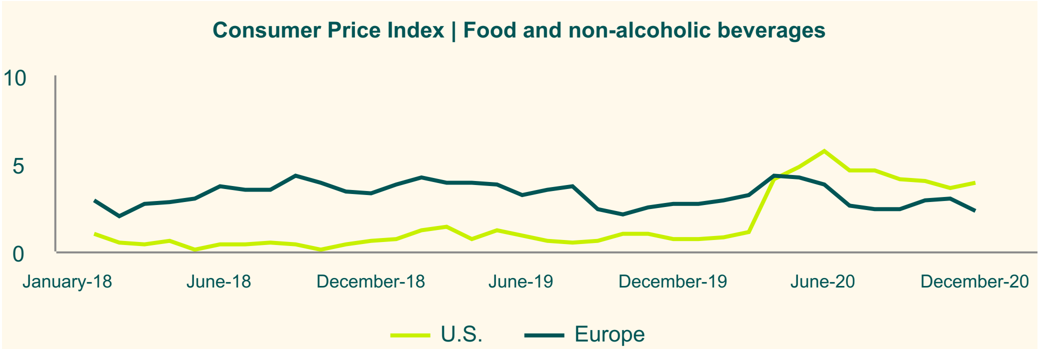
The majority of Ahold Delhaize's operations are located in the United States and, thus, denominated in U.S. dollars. The U.S. dollar developed in an unfavorable direction, devaluing in strength relative to the euro, during the second half of 2020. This resulted in modest full year foreign currency translation headwinds to group sales and earnings in 2020. In 2021, foreign currency translation will present a further headwind to sales and earnings if current spot rates persist. For more information, see *Note 2* to the consolidated financial statements.



Source: IMF (various reports in 2020)

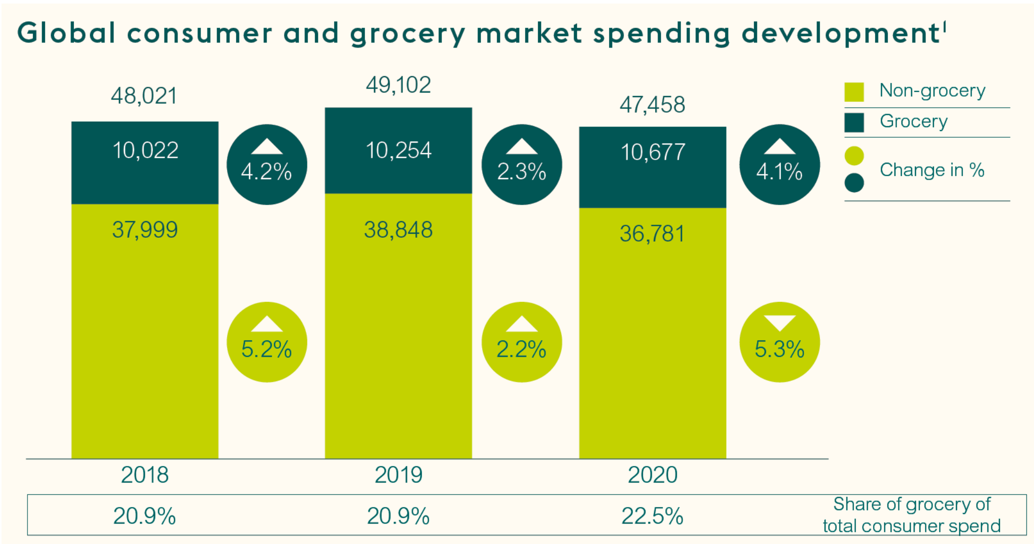
After consistent low-single-digit CPI growth rates over the preceding two years, U.S. CPI growth decelerated at the onset of the COVID-19 pandemic during the spring of 2020; however, it showed signs of recovery over the remainder of the year and ended 2020 with a growth rate of +1.36% in December. Meanwhile, after peaking at more than 4% in late 2018, European CPI has gradually decelerated over the past two years, reaching 1.50% in December of 2020.

Group review
Macro-economic trends continued



Source: IMF (various reports in 2020)

Following a period of relatively low food inflation, food-at-home CPI in our markets saw significant inflation at the beginning of the COVID-19 pandemic, during the spring of 2020. This was influenced by surging consumer demand coupled with mounting pressures on food supply chains. As supply chains began recovering, food-at-home CPI inflation rates in our markets moderated.



Source: Edge Retail Insight by Ascential (various reports in 2020)

1 Grocery sales measures the total consumer spend on edible groceries (food, drink and tobacco), household and petcare and health and beauty. It excludes spending on wholesale and food service.

Consumer spending split 2018-2020

	2020	2019	2018
World			
Growth grocery spending	**4.1%**	2.3%	4.2%
Grocery as % of total consumer spending	**22.5%**	20.9%	20.9%
United States			
Growth grocery spending	**5.6%**	3.3%	4.2%
Grocery as % of total consumer spending	**10.5%**	9.5%	9.6%
Europe			
Growth grocery spending	**5.1%**	(1.6)%	4.7%
Grocery as % of total consumer spending	**19.1%**	17.3%	17.3%

Source: Edge Retail Insight by Ascential (various reports in 2020)

Total worldwide consumer spending showed a decrease from $49.1 trillion in 2019 to $47.5 trillion in 2020. The outbreak of the COVID-19 pandemic led to a drastic shift in consumer spending. Due to local lockdowns and measures taken to contain the virus, unemployment rose and people spent more time at home in 2020. As the pandemic spread, consumer demand shifted from restaurants, food service and other forms of “out-of-home” dining towards food consumed in the home. Restaurant reservations declined sharply in early March and later reached practically zero as strict lockdown measures were enforced, which limited the capacity of restaurants to operate. This, in turn, drove strong retail food sales, as food-at-home consumption gained share versus food away from home.

The adjacent graph shows a steep decline of 5.3% in non-grocery sales during 2020, which contrasts with the 4.1% growth witnessed in grocery sales. As such, grocery’s share of total global consumer spending increased by +160 basis points in 2020 to 22.5%, up from 20.9% in both 2019 and 2018.

Group review

Group performance

Net sales

€74.7bn

14.2%[1]

12.8% vs. 2019

Comparable sales growth (excluding gasoline sales)

12.5%

Operating income

€2,191m

(16.6)%[1]

(17.7)% vs. 2019

Underlying operating income

€3,594m

31.2%[1]

29.4% vs. 2019

Underlying operating margin

4.8%

Free cash flow

€2.2bn

1 At constant rates.

€ million	2020	2019	Change	% change
Net sales	**74,736**	66,260	8,476	12.8%
Of which: online sales	**5,547**	3,493	2,054	58.8%
Cost of sales	**(54,053)**	(48,200)	(5,853)	(12.1)%
Gross profit	**20,683**	18,060	2,623	14.5%
Operating expenses	**(18,492)**	(15,397)	(3,094)	(20.1)%
Operating income	**2,191**	2,662	(472)	(17.7)%
Net financial expense	**(485)**	(528)	44	8.2%
Income before income taxes	**1,706**	2,134	(428)	(20.1)%
Income taxes	**(331)**	(417)	87	20.7%
Share in income of joint ventures	**22**	50	(28)	(56.8)%
Income from continuing operations	**1,397**	1,767	(370)	(20.9)%
Income (loss) from discontinued operations	**—**	(1)	1	(114.6)%
Net income	**1,397**	1,766	(369)	(20.9)%

Operating income	**2,191**	2,662	(472)	(17.7)%
Adjusted for:				
Impairment losses and reversals – net	**48**	89	(42)	
(Gains) losses on leases and the sale of assets – net	**(57)**	(53)	(4)	
Restructuring and related charges and other items	**1,413**	78	1,335	
Underlying operating income	**3,594**	2,777	817	29.4%

Underlying operating income margin	**4.8%**	4.2%	0.6 pp	
Underlying EBITDA[1]	**6,435**	5,510	925	16.8%
Underlying EBITDA margin[1]	**8.6%**	8.3%	0.3 pp	

1 Underlying operating income was adjusted for depreciation and amortization in the amount of €2,840 million for 2020 and €2,732 million for 2019. The difference between the total amount of depreciation and amortization for 2020 of €2,844 million (2019: €2,758 million) and the €2,840 million (2019: €2,732 million) mentioned here relates to items that were excluded from underlying operating income.

Group review

Group performance continued

Shareholders

€ unless otherwise indicated	2020	2019	% change
Net income per share attributable to common shareholders (basic)	**1.31**	1.60	(17.9%)
Underlying income per share from continuing operations	**2.28**	1.71	33.4%
Dividend payout ratio	**40%**	44%	(4.0) pp
Dividend per common share	**0.90**	0.76	18.4%

Other information

€ million unless otherwise indicated	2020	2019	Change
Net debt[1]	**11,434**	11,581	(1.3)%
Free cash flow[2]	**2,199**	1,843	19.3%
Capital expenditures included in cash flow statement (excluding acquisitions)	**2,659**	2,218	19.9%
Number of employees (in thousands)	**414**	380	8.9%
Credit rating/outlook Standard & Poor's	**BBB / stable**	BBB / stable	—
Credit rating/outlook Moody's	**Baa1 / stable**	Baa1 / stable	—

Certain key performance indicators contain alternative performance measures. The definitions of these measures are described in the *Definitions: performance measures* section of this Annual Report.

1 For reconciliation of net debt, see *Financial position* in this report.
2 For reconciliation of free cash flow, see *Cash flows* in this report.

Week 53

Our financial year normally consists of 52 weeks and ends on the Sunday nearest to December 31. Every five years, our financial year consists of 53 weeks.

Financial year 2020 consisted of 53 weeks, while 2019 consisted of 52 weeks. Net sales in 2020 were positively impacted by the additional week, while the impact on operating margin was negligible. In some of the discussions below, we have included comparisons of the 53 weeks of 2020 with a 53-week period consisting of the 52 weeks of 2019 plus the first week of 2020 (referred to as pro forma 2019).

COVID-19 pandemic

Our 2020 results were unusually strong, due to a shift towards more food-at-home consumption driven by the pandemic. This affected our volumes and led to double-digit comparable sales growth. Net consumer online sales also increased, as more consumers shifted to online shopping during the pandemic. To accommodate higher demand, Ahold Delhaize made investments to increase capacity, for example, opening 424 click-and-collect points in the U.S. and new e-commerce distribution centers in the Netherlands, Greece and Romania.

The operational execution, driven by our teams, positively impacted our group underlying operating margin. This was related to higher operating leverage, due to the higher sales trends related to COVID-19.

These results were offset, in part, by significant costs related to COVID-19. Investments in additional safety measures, enhanced associate pay and benefits and significant charitable donations resulted in approximately €680 million in COVID-19-related costs for the year.

Our Save for Our Customers program benefited by leveraging higher sales to achieve greater efficiencies, resulting in over-achievement of our target of €600 million savings for 2020.

Zoning and permit-related challenges caused by the pandemic have delayed our store development projects, impacting our capital expenditure. Despite these challenges, we spent €2.6 billion of net capital expenditure by promptly responding to the pandemic and prioritizing investments in vertical integration and our omnichannel offer to respond to changing consumer needs.

While there was government assistance available to companies in several countries where our brands operate, we did not apply for any government assistance.

Our higher sales, mainly driven by COVID-19, had a positive effect on our free cash flow, which we partially invested for the benefit of our employees by means of additional pension payments of €609 million.

The COVID-19 pandemic did not trigger any asset impairments.

Group review

Group performance continued

Net sales

Net sales for the financial year ended January 3, 2021, were €74,736 million, an increase of €8,476 million, or 12.8%, compared to net sales of €66,260 million for the financial year ended December 29, 2019. At constant exchange rates, net sales were up by €9,293 million or 14.2%.

€ million	2020	2019	Change versus prior year	% change	Change versus prior year at constant exchange rates	% change at constant exchange rates
Net sales	**74,736**	66,260	8,476	12.8%	9,293	14.2%
Of which gasoline sales	**667**	952	(285)	(29.9)%	(267)	(28.6)%
Net sales excluding gasoline	**74,069**	65,308	8,761	13.4%	9,560	14.8%
Of which online sales	**5,547**	3,493	2,054	58.8%	2,076	59.8%
Net consumer online sales	**7,576**	4,547	3,029	66.6%	3,051	67.4%

Gasoline sales decreased by 29.9% in 2020 to €667 million. At constant exchange rates, gasoline sales decreased by 28.6%, driven by the pandemic, resulting in a decrease of both gasoline prices and volumes.

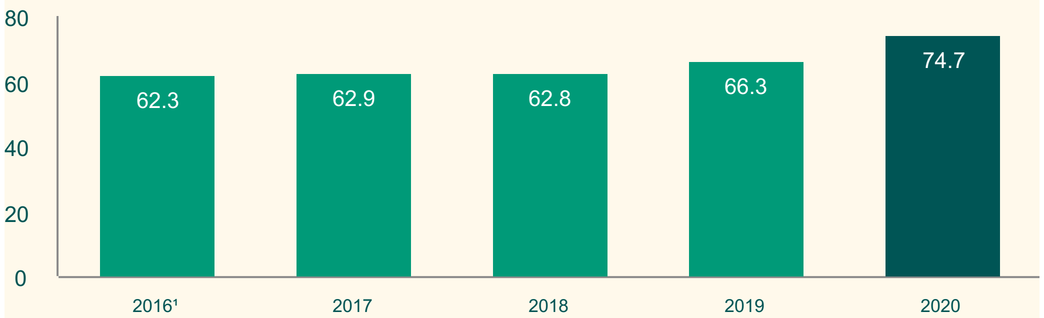
Net sales excluding gasoline increased in 2020 by €8,761 million, or 13.4%, compared to 2019. At constant exchanges rates, net sales excluding gasoline increased in 2020 by €9,560 million, or 14.8%, compared to 2019. Sales growth was mainly driven by demand related to COVID-19, although underlying sales growth (excluding the impact of COVID-19) is still estimated to have been more rapid than in 2019.

Net sales overview on a pro forma basis

€ million	2020 (53 weeks)	2019 (53 weeks)	Change versus prior year	% change	Change versus prior year at constant exchange rates	% change at constant exchange rates
Ahold Delhaize	**74,736**	67,410	7,326	10.9%	8,214	12.3%

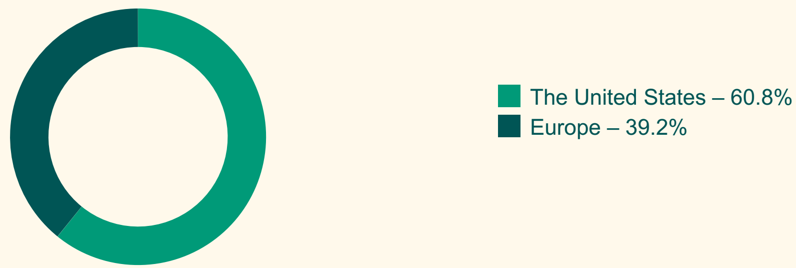
Compared to the pro forma 2019 sales based on 53 weeks and at constant exchange rates, net sales increased in 2020 by €8,214 million, or 12.3% at constant exchange rates.

Net sales (€ billion)



1 The 2016 figures presented in the graphs are pro forma figures. To read more about the 2016 pro forma figures, please refer to our Annual Report 2016.

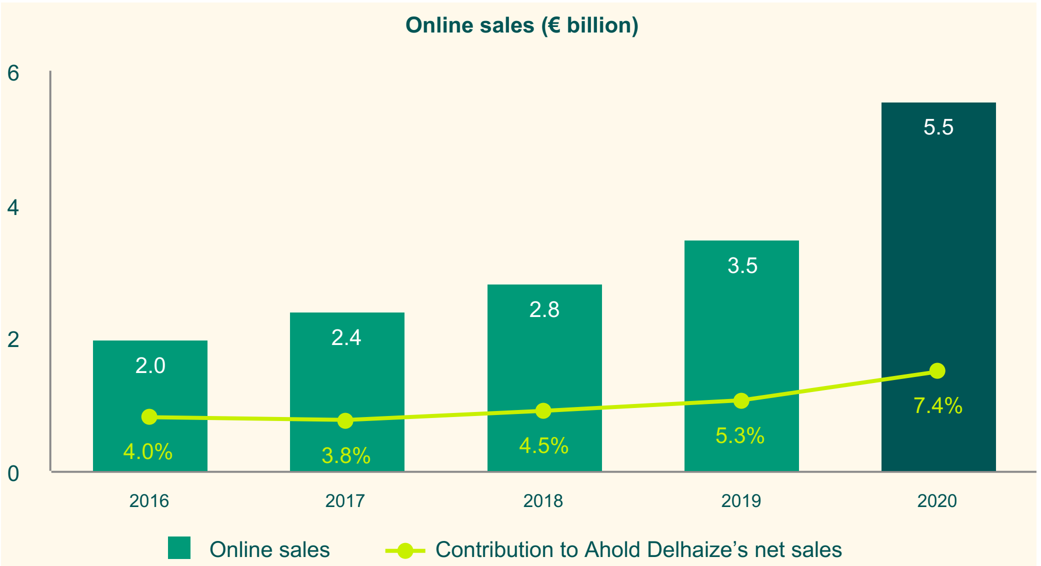
Net sales contribution by segment



Group review
Group performance continued

Online sales

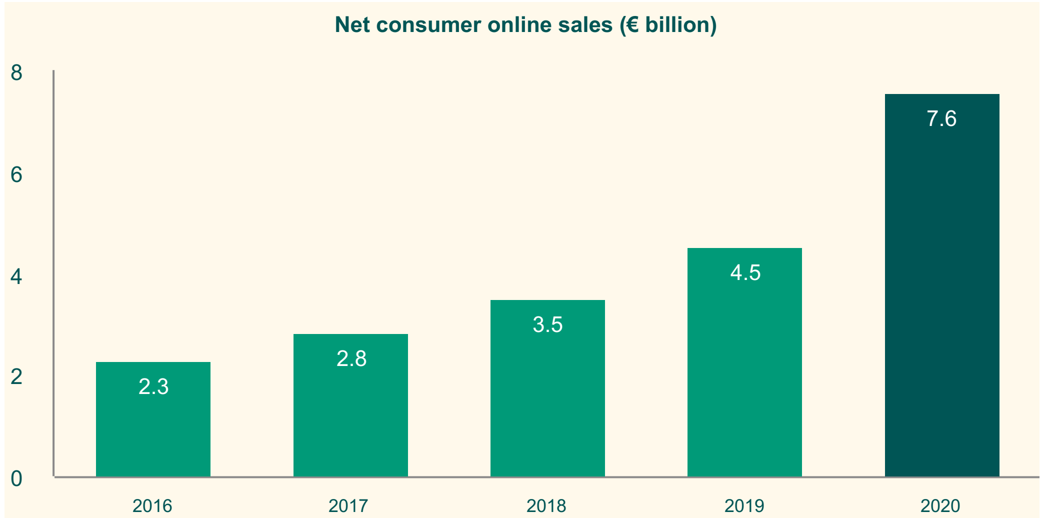
We continued to see strong sales growth in our online businesses, which contributed €5,547 million to net sales in 2020 (2019: €3,493 million). Net consumer online sales amounted to €7,576 million and increased in 2020 by 67.4% at constant exchange rates.



The increase in online sales was driven by the impact of COVID-19 and consumers shifting to online shopping. We saw positive trends across all the brands with online acceleration in the United States supported by more click-and-collect points and third-party delivery, and growth in Europe mainly driven by our online brands, bol.com and ah.nl.

	2020	2019	Change vs. previous year
% of online grocery penetration[1]	**4.5%**	2.8%	1.7 pp

1 See the Definitions: performance measures for more information on how this is calculated.



Group review
Group performance continued

Healthy sales

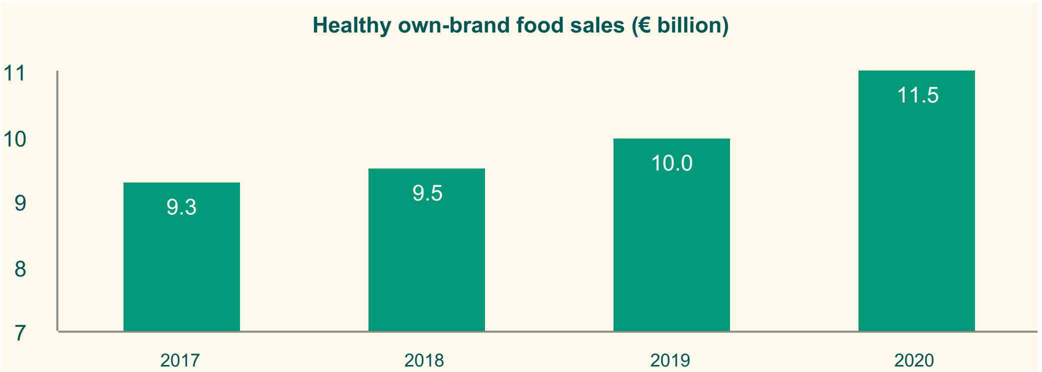
	2020	2019[1]	2022 target
% of healthy own-brand food sales as a proportion of total own-brand food sales[1]	**49.8%**	47.9%	51.0%

1 2019 figure includes Peapod.

During 2020, we further increased the sale of healthy own-brand products as a proportion of total own-brand food sales to 49.8%, slightly lower than the 2020 target of 50.0%

This increase in healthy own-brand sales was driven by customers' heightened focus on healthy foods during the COVID-19 pandemic, marketing campaigns, continued product reformulations and increased transparency of healthy products in stores and online through the use of nutritional navigation systems. In the U.S. brands, bottled water, which was previously unrated by Guiding Stars, was included in the nutritional navigation system's ratings in 2020, helping to increase overall healthy sales.

See also *ESG statements* for more information.



Gross profit

Gross profit was up by €2,623 million, or 14.5%, compared to 2019. At constant exchange rates, gross profit increased by €2,855 million, or 16.0%. Gross profit margin (gross profit as a percentage of net sales) for 2020 was 27.7%, an increase of 0.4 percentage points compared to 27.3% in 2019, benefiting largely from favorable sales mix and positively impacting the cost of sales and lower shrink as a percentage of sales. Improvement in gross profit was also driven by an increase in media and data monetization. Solid gross profit results will be sustained by continuous savings efforts and own-brand sales leverage supported by healthy market positions.

Food waste

	2020	2019	2030 target
Tonnes of food waste per food sales (t/€ million)	**4.53**	5.00	2.70
% reduction in food waste per food sales (t/€ million)[1]	**17%**	9%	50%

1 The reduction is measured against the 2016 baseline of 5.48 t/€ million. See *ESG statements* for more information.

Ahold Delhaize brands were able to further reduce tonnes of food waste per million euros of food sales to a total of 4.53 (-17%) in 2020, compared to 2016. This result was mainly driven by an increase in food sales.

Absolute food waste increased by 1.9% compared to 2019. When compared to the 2016 baseline, absolute tonnes of food waste decreased by 3.9%. Due to COVID-19, the brands faced restrictions in the way they could support food banks, which increased absolute food waste and reduced the percentage of unsold food donated to feed people.

In our calculations, in contrast to shrink, food waste excludes donations from hunger relief organizations, theft and cash shortages. We measure food waste using the Food Loss and Waste Protocol.

See also *ESG statements* for more information.

Group review
Group performance continued

Operating expenses

In 2020, operating expenses increased by €3,094 million, or 20.1%, to €18,492 million, compared to €15,397 million in 2019. At constant exchange rates, operating expenses increased by €3,290 million, or 21.6%. As a percentage of net sales, operating expenses increased by 1.5 percentage points to 24.7%, compared to 23.2% in 2019. Excluding gasoline sales and at constant exchange rates, operating expenses as a percentage of net sales increased by 1.4 percentage points. Operating expenses were influenced by costs related to COVID-19 and U.S. multi-employer plan withdrawal and settlement agreement, which are explained below.

Operating expenses include impairments, gains (losses) on leases and the sale of assets, restructuring and related charges, and other items that management believes can distort an understanding of the trend related to the development of our underlying business. Impairment losses and reversals – net, gains (losses) on leases and the sale of assets – net, and restructuring and related charges are summarized below.

Carbon emissions

	2020	2019	2030 target
Absolute CO_2-equivalent emissions from own operations (scope 1 and 2) (thousand tonnes)	**3,035**	3,593	1,814
% reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2)[1]	**17%**	2%	50%

1 Reduction is against 2018 baseline of 3,658 thousand tonnes CO_2-equivalent emissions

CO_2-equivalent emissions are mainly driven by energy consumption, refrigerant leakage and transport.

Our brands continued to install energy-efficiency measures in stores and distribution centers and generate their own energy. During 2020, several brands continued to expand their use of energy from low-carbon-emission sources by procuring it directly from the energy companies supplying energy to their stores and distribution centers.

As part of store remodeling, the brands implement more environmentally friendly refrigeration systems. We decreased the Global Warming Potential (GWP) of the refrigerants used in stores further and the leak rate remained stable. Overall, this had a positive effect on the total carbon-equivalent emissions over 2020.

Fuel consumption increased to 158 million liters (+6%) in 2020; as sales increased compared to 2019, more transport was needed to bring products from distribution centers to stores.

See also *ESG statements* for more information.

Impairment losses and reversals – net

Ahold Delhaize recorded the following impairments and reversals of impairments of assets – net in 2020 and 2019:

€ million	2020	2019
The United States	**(27)**	(67)
Europe	**(21)**	(22)
Total	**(48)**	(89)

Impairment charges in 2020 were €48 million, down by €42 million compared to 2019. The impairments in both years mainly related to underperforming stores and investment property.

Gains (losses) on leases and the sale of assets – net

Ahold Delhaize recorded the following gains (losses) on leases and the sale of assets – net in 2020 and 2019:

€ million	2020	2019
The United States	**20**	39
Europe	**37**	9
Global support office	**—**	4
Total	**57**	53

The gains (losses) in 2020 were €57 million, which was €4 million higher than 2019, due to the €28 million increase in Europe, explained mainly by the sale and partial leaseback transactions in Czech Republic and Belgium, only partially offset by a €20 million decrease in the United States.

Group review

Group performance continued

Restructuring and related charges and other items

Restructuring and related charges and other items in 2020 and 2019 were as follows:

€ million	2020	2019
The United States	**(1,454)**	(16)
Europe	**39**	(52)
Global Support Office	**2**	(10)
Total	**(1,413)**	(78)

Restructuring and related charges and other items in 2020 were €1,413 million, up by €1,335 million compared to 2019. The increase in 2020 is driven by the U.S. and mainly related to €676 million of the settlement agreement for FELRA and MAP at Giant Food, €183 million of Stop & Shop's withdrawals from the 1500 Plan and €559 million of the National Plan. Other main charges included the costs related to the acquisition of FreshDirect and the Peapod closure. In Europe, the income related to the pension plan amendment in the Netherlands has been only partly offset by other costs.

Operating income

Operating income in 2020 went down by €472 million, or (17.7)%, to €2,191 million compared to €2,662 million in 2019. The decrease of €472 million is mainly explained by restructuring and related charges and other items in 2020 and higher operating costs related to COVID-19, partly offset by higher gross margin. At constant rates, operating income was down €435 million, or (16.6)%.

Net financial expenses

Net financial expenses in 2020 decreased by €44 million, or 8.2%, to €485 million compared to €528 million in 2019. The decrease was primarily due to other gains (losses) mainly related to transaction results from the redemption of the cumulative preferred shares in 2019, which resulted in a one-off cost of €22 million. The redemption of the cumulative preferred shares also resulted in an €8 million decrease in net interest expense in 2020. As a result of the U.S. dollar weakening against the euro, the translation of the interest component on leases in the U.S. has led to a €10 million decrease of interest expense.

Income taxes

In 2020, income tax expense was €331 million, down by €87 million compared to €417 million in 2019.

The effective tax rate, calculated as a percentage of income before income tax, was 19.4% in 2020 (2019: 19.6%). In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) tax deductible expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans, as explained in *Note 24*. These incremental pension liabilities reduced our U.S. earnings before tax significantly, impacting the effective tax rate. When we exclude these incremental pension liabilities, our reported effective tax rate would increase from 19.4% to 23.0% on a pro forma basis.

Share in income of joint ventures

Ahold Delhaize's share in income of joint ventures was €22 million in 2020, or €28 million lower than last year. This decrease is mainly explained by our 49% shareholding in JMR. Our share of JMR results decreased by €20 million compared to last year, which was negatively impacted by COVID-19-related government restrictions and lack of tourists reducing traffic at smaller, high-frequency stores in Portugal. Our share of individually immaterial joint ventures decreased by €11 million compared to last year. The decrease was partly offset by the impact of the 51% share in Super Indo. Our share of Super Indo's results increased by €3 million compared to last year. For further information about joint ventures, see *Note 15* to the consolidated financial statements.

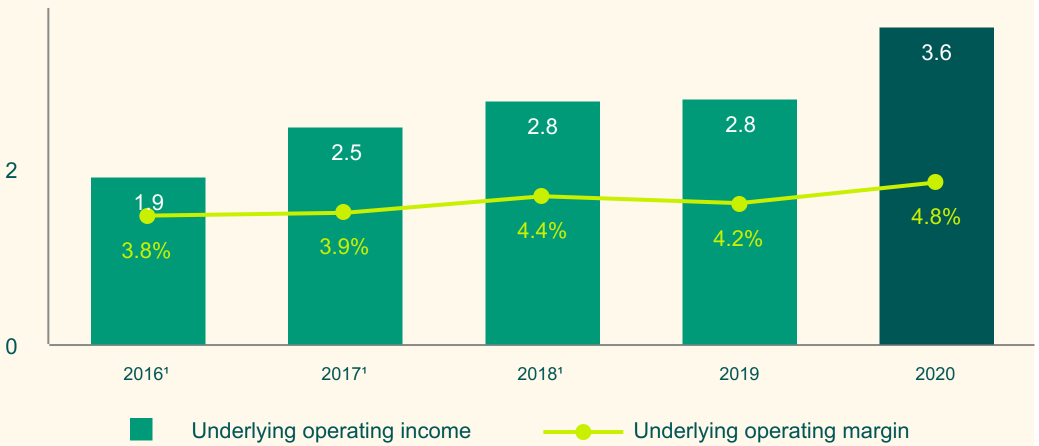
Group review
Group performance continued

Underlying operating income and underlying operating income margin

Underlying operating income was €3,594 million in 2020, up €817 million, or 29.4%, versus €2,777 million in 2019. Underlying operating income margin in 2020 was 4.8%, compared to 4.2% in 2019. At constant exchange rates, underlying operating income was up by €855 million, or 31.2%, compared to 2019. Our 2020 results were impacted by higher operating leverage due to higher sales trends, partly offset by higher operating expenses related to COVID-19.

Tight cost management remains a core objective of our business model. Our Save for Our Customers program delivered €844 million this year, positively impacting our gross profit and operating expenses. This program drives our efforts to provide our businesses with optimized store processes and improved sourcing conditions, and enables us to continue to invest in our customer proposition.

Underlying operating income (€ billion)



1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated to reflect the impact of the implementation of IFRS 16 Leases.

Underlying operating income contribution by segment[1]

1 Before Global Support Office costs.

Group review

Financial position

Ahold Delhaize's consolidated balance sheets as of January 3, 2021, and December 29, 2019, are summarized as follows:

€ million	January 3, 2021	% of total	December 29, 2019	% of total
Property, plant and equipment	**10,696**	**26.3%**	10,519	25.4%
Right-of-use asset	**7,455**	**18.3%**	7,308	17.6%
Intangible assets	**11,565**	**28.4%**	12,060	29.1%
Pension assets	**78**	**0.2%**	43	0.1%
Other non-current assets	**1,970**	**4.8%**	1,990	4.8%
Cash, cash equivalents and short-term deposits and similar instruments, and current portion investment in debt instruments[1]	**3,119**	**7.7%**	3,863	9.3%
Inventories	**3,245**	**8.0%**	3,347	8.1%
Other current assets	**2,563**	**6.3%**	2,360	5.6%
Total assets	**40,692**	**100.0%**	41,490	100.0%
Group equity	**12,432**	**30.6%**	14,083	33.9%
Non-current portion of long-term debt	**12,305**	**30.2%**	12,325	29.7%
Pensions and other post-employment benefits	**1,235**	**3.0%**	677	1.6%
Other non-current liabilities	**1,908**	**4.7%**	1,816	4.4%
Short-term borrowings and current portion of long-term debt and lease liabilities[1]	**2,249**	**5.5%**	3,119	7.5%
Payables	**6,795**	**16.7%**	6,311	15.2%
Other current liabilities	**3,768**	**9.3%**	3,159	7.7%
Total equity and liabilities	**40,692**	**100.0%**	41,490	100.0%

1 See footnotes to next table (on the next page) for a reconciliation of amounts to the figures included in the consolidated financial statements.

Total assets decreased by €797 million. Property, plant and equipment increased by €178 million, primarily due to capital expenditure levels, which were higher than depreciation. In addition, the balance was also impacted by the devaluation of the U.S. dollar relative to the euro. For more information, see *Note 11* to the consolidated financial statements.

Right-of-use assets increased by €147 million. Investments and reassessments and modifications to leases were higher than depreciation, and the balance was impacted by the weakening of the U.S. dollar against the euro. For more information, see *Note 12* to the consolidated financial statements.

Intangible assets decreased by €494 million. Investments in intangibles are partly offset by amortization, but the balance is primarily impacted by exchange rate differences of the U.S. dollar against the euro. For more information, see *Note 14* to the consolidated financial statements.

Our total pensions and other post-employment benefits were €1,235 million at year-end 2020, and consisted of defined benefit plans (€763 million) and other long-term pension plan obligations (€472 million). Our defined benefit plans showed a net deficit of €685 million at year-end 2020 compared to a net deficit of €633 million at year-end 2019. This increase was mainly the result of €108 million of actuarial remeasurements, partly offset by higher contributions over annual expenses (€26 million) and foreign exchange gains (€30 million). The other long-term pension plan obligations are related to the FELRA and MAP settlement agreement (see *Note 24*).

A number of union employees in the United States are covered by multi-employer plans. Our U.S. brands Stop & Shop and Giant Food reached agreements to withdraw or settle their participation in four large multi-employer plans during the year. With these agreements, Ahold Delhaize has greatly reduced the Company's financial exposure to the multi-employer pension plans. With the help of external actuaries, we have updated the most recently available information that the remaining U.S. multi-employer plans have provided (generally as of January 1, 2019) for market trends and conditions through the end of 2020. We estimate our proportionate share of the total net deficit to be $79 million (€65 million) at year-end 2020 versus $962 million (€861 million) in 2019. This decrease is the result of the aforementioned agreements at Stop & Shop and Giant Food. These amounts are not recognized on our balance sheet. While this is our best estimate based on the information available to us, it is imprecise and a reliable estimate of the amount of the obligation cannot be made. For more information, see *Note 24* to the consolidated financial statements.

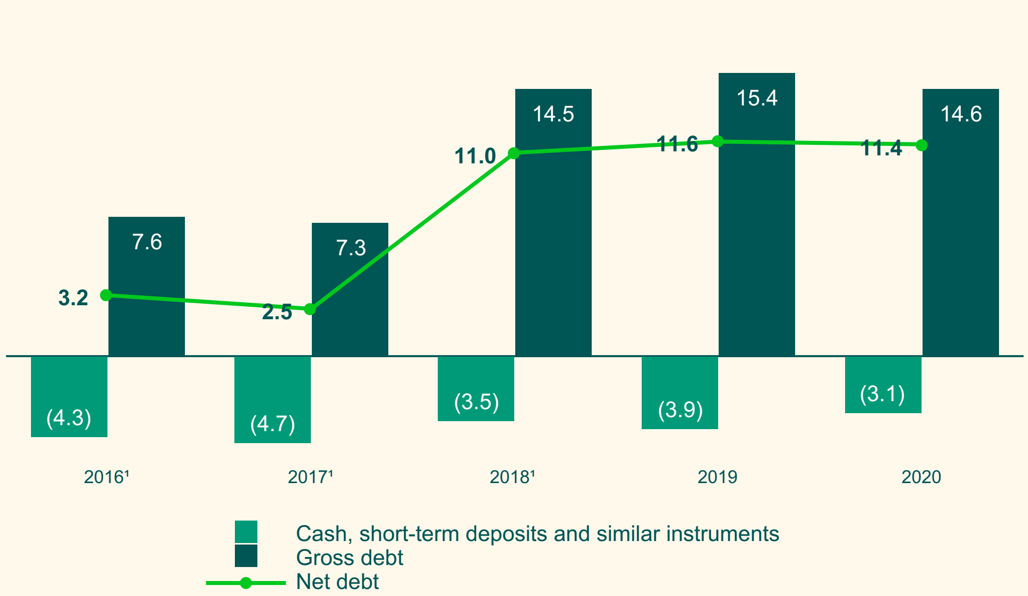
Group review
Financial position continued

Other non-current liabilities increased by €92 million. The increase is mainly driven by the financial liability for the withdrawal from the National Plan and the 1500 Plan (see Note 23), partly offset by a decrease in deferred tax liabilities (see Note 10). Other current liabilities increased by €610 million, mainly due to increased deferred income and increased accrued expenses (see Note 27).

€ million	January 3, 2021	December 29, 2019
Loans	**3,863**	3,841
Lease liabilities	**8,442**	8,484
Non-current portion of long-term debt	**12,305**	12,325
Short-term borrowings and current portion of long-term debt[1]	**2,249**	3,119
Gross debt	**14,554**	**15,445**
Less: cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments[2, 3, 4, 5]	**3,119**	3,863
Net debt	**11,434**	**11,581**

1 Short-term borrowings and current portion of long-term debt comprise €1,143 million lease liabilities, €74 million short-term borrowings, €683 million bank overdrafts and €348 million current portion loans (for more information see Note 26 to the consolidated financial statements).
2 Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at January 3, 2021, was €58 million (December 29, 2019: €15 million) and is presented within Other current financial assets in the consolidated balance sheet.
3 Included in the short-term portion of investments in debt instruments is a U.S. treasury investment fund in the amount of €129 million (December 29, 2019: €130 million).
4 Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at January 3, 2021, was €441 million (December 29, 2019: €277 million).
5 Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €681 million (December 29, 2019: €1,391 million). This cash amount is fully offset by an identical amount included under Short-term borrowings and current portion of long-term debt.

Gross and net debt (€ billion)



1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated to reflect the impact of the implementation of IFRS 16 Leases.

In 2020, gross debt decreased by €891 million to €14,554 million, primarily due to exchange rate movements on the U.S. dollar and a decrease of the overdraft position of the notional cash pooling arrangement. Other gross debt changes included the issuance in April of €500 million fixed rate bonds maturing in 2027, partially offset by the repayment of the €400 million bonds that matured in 2020.

Ahold Delhaize's net debt was €11,434 million as of January 3, 2021 – a decrease of €147 million from December 29, 2019. The decrease in net debt was mainly the result of free cash flow generation (€2,199 million), which was more than offset by the payment of the common stock dividend (€1,026 million) and the completion of the €1 billion share buyback program.

Group review
Liquidity

€ million	January 3, 2021	December 29, 2019
Total cash and cash equivalents (*Note 20*)	**2,933**	3,717
Short-term deposits and similar instruments (*Note 19*)	**58**	15
Investments in debt instruments (FVPL) – current portion (*Note 19*)	**129**	130
Cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments	**3,119**	3,863
Less: Notional cash pooling arrangement (short-term borrowings)	**681**	1,391
Liquidity position	**2,438**	2,472

Ahold Delhaize views available cash balances and funds from operating activities as its primary sources of liquidity, complemented by external sources of funds when deemed to be required. Ahold Delhaize manages short-term liquidity based on projected cash flows. As of January 3, 2021, the Company's liquidity position primarily consisted of €2,438 million of cash (including short-term deposits and similar instruments and current portion of investments in debt instruments, adjusted for cash held under a notional cash pooling arrangement), and the undrawn portion of the €1 billion revolving credit facility.

Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities, the available cash balances and the undrawn portion of the revolving credit facility will be sufficient to fund working capital needs, capital expenditures, interest payments, dividends, the announced €1 billion share buyback program, and scheduled debt repayments for the next 12 months. In addition, the Company has access to the debt capital markets based on its current credit ratings.

Group credit facility
Ahold Delhaize has access to a €1.0 billion committed, unsecured, multi-currency and syndicated revolving credit facility. On December 10, 2020, the Company closed a €1 billion, sustainability-linked revolving credit facility refinancing the 2015-dated €1 billion facility. This new facility reinforces the alignment of the funding strategy and the commitments laid out in the Healthy and Sustainable strategy.

The new credit facility matures in December 2023 and includes two one-year extension options. The credit facility contains customary covenants and a financial covenant that requires Ahold Delhaize, in the event that its corporate rating from Standard & Poor's and Moody's is lower than BBB / Baa2 respectively, not to exceed a maximum leverage ratio of 5.5:1. The maximum leverage ratio was unchanged compared to the prior credit facility dated 2015.

During 2020 and 2019, the Company was in compliance with these covenants. However, it was not required to test the financial covenant, due to its credit rating. As of January 3, 2021, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $178 million (€146 million).

Credit ratings
Maintaining investment grade credit ratings is a cornerstone of Ahold Delhaize's financial strategy because such ratings optimize the cost of funding and facilitate access to a variety of lenders and markets. Ahold Delhaize's current credit ratings from the solicited rating agencies remained unchanged in 2020:

- Standard & Poor's: corporate credit rating BBB, with a stable outlook since June 2009 (previous rating BBB- assigned in 2007).
- Moody's: issuer credit rating Baa1, with a stable outlook since February 2018 (previous rating Baa2 assigned in August 2015).

Group review
Cash flows

Ahold Delhaize's consolidated cash flows for 2020 and 2019 are as follows:

€ million	2020	2019
Operating cash flows from continuing operations	**6,343**	5,449
Purchase of non-current assets (cash capital expenditure)	**(2,659)**	(2,218)
Divestment of assets/disposal groups held for sale	**108**	144
Dividends received from joint ventures	**16**	36
Interest received	**24**	56
Lease payments received on lease receivables	**99**	94
Interest paid	**(149)**	(189)
Repayments of lease liabilities	**(1,584)**	(1,530)
Free cash flow	**2,199**	1,843
Proceeds from long-term debt	**507**	596
Repayments of loans	**(438)**	(656)
Changes in short-term loans	**(556)**	689
Changes in short-term deposits and similar instruments	**(60)**	253
Dividends paid on common shares	**(1,026)**	(1,114)
Share buyback	**(1,001)**	(1,002)
Acquisition/(divestments) of businesses, net of cash	**(7)**	(54)
Other cash flows from derivatives	**2**	(5)
Other	**(3)**	(15)
Net cash from operating, investing and financing activities	**(383)**	535

Operating cash flows from continuing operations were higher by €893 million. At constant exchange rates, operating cash flows from continuing operations were higher by €975 million, or 18.2%. The purchase of non-current assets was higher by €441 million, or €468 million higher at constant exchange rates.

Free cash flow

Free cash flow, at €2,199 million, increased by €355 million compared to 2019, driven by operating cash flow related to higher profits and better working capital positions following the strong sales results, only partly compensated by pension payments related to the withdrawal agreements of the National Plan and the 1500 Plan, an additional contribution to the Dutch pension plan and higher investments.

In 2020, the main uses of free cash flow included:

- Share buyback program, for a total amount of €1,001 million.
- Common stock final dividend of €0.46 per share for 2019 and common stock interim dividend of €0.50 per share for 2020, resulting in a total cash outflow of €1,026 million.

Group review

Capital investments and property overview

Capital expenditure, including acquisitions and additions to right-of-use assets, amounted to €4,456 million in 2020 and €3,604 million in 2019. Total cash capex for the year amounted to €2,659 million in 2020, an increase of €441 million compared to the previous year.

€ million	2020	2019	Change versus prior year	% of sales
The United States	**2,621**	2,021	600	5.8%
Europe	**1,802**	1,455	347	6.2%
Global Support Office	**25**	36	(11)	
Total regular capital expenditures	**4,448**	3,512	936	6.0%
Acquisition capital expenditures	**8**	92	(84)	—%
Total capital expenditures	**4,456**	3,604	852	6.0%
Total regular capital expenditures	**4,448**	3,512	936	6.0%
Right-of-use assets[1]	**(1,756)**	(1,296)	(460)	(2.3)%
Change in property, plant and equipment payables (and other non-cash adjustments)	**(33)**	1	(34)	—%
Total cash capex (cash capital expenditure)	**2,659**	2,218	441	3.6%
Divestment of assets/disposal groups held for sale	**(108)**	(144)	36	(0.1%)
Net capital expenditure	**2,550**	2,074	476	3.4%

1 Right-of-use assets comprises additions (€630 million), reassessments and modifications to leases (€1,102 million) (for more information see *Note 12* to the consolidated financial statements) as well as additions (€18 million) and reassessments and modifications to leases (€5 million) relating to right-of-use assets included within investment properties (for more information see *Note 13* to the consolidated financial statements).

Capital investments were primarily related to the construction, remodeling and expansion of our stores and supply chain (including online), as well as IT infrastructure improvements. The increase in cash capex, compared to 2019, of €441 million can mainly be explained by approximately $300 million of investments in the U.S. supply chain. To create a fully integrated, self-distribution model, Ahold Delhaize is investing an estimated total of $480 million over a period of three years. The U.S. supply chain will enable the U.S. businesses to reduce costs, improve speed to shelf, enhance relationships with vendors and improve product availability. In addition, the Company accelerated its investments in omnichannel to support higher demand driven by COVID-19.

As of January 3, 2021, Ahold Delhaize operated 7,137 stores. The Company's total sales area amounted to 9.5 million square meters in 2020, an increase of 0.7% over the prior year.

The total number of stores (including stores operated by franchisees) is as follows:

	Opening balance	Opened/ acquired	Closed/sold	**Closing balance**
The United States	1,973	5	(8)	**1,970**
Europe	4,994	223	(50)	**5,167**
Total number of stores	6,967	228	(58)	**7,137**

	2020	2019	Change versus prior year
Number of stores operated by Ahold Delhaize	**5,344**	5,232	**112**
Number of stores operated by franchisees	**1,793**	1,735	**58**
Number of stores operated	**7,137**	6,967	**170**

Franchisees operated 1,793 stores in the Netherlands, Belgium, Luxembourg and Greece.

The total number of pick-up points is as follows:

	2020	2019	Change versus prior year
The United States	**1,121**	770	351
Of which: click-and-collect	**1,116**	692	424
Europe	**298**	217	81
Total	**1,419**	987	432

At the end of 2020, Ahold Delhaize operated 1,419 pick-up points, which was 432 more than in 2019. These are either stand-alone, in-store or office-based, and include 1,116 click-and-collect points in the United States.

Group review
Capital investments and property overview continued

Ahold Delhaize also operated the following other properties as of January 3, 2021:

Warehouse/distribution centers/production facilities/offices	**153**
Properties under construction/development	**101**
Investment properties	**831**
Total	**1,085**

The investment properties consist of buildings and land. The vast majority of these properties were subleased to third parties. Of these, most were shopping centers containing one or more Ahold Delhaize stores and third-party retail units generating rental income.

The total number of retail locations owned or leased by Ahold Delhaize was 5,902 in 2020. This total includes 546 stores sub-leased to franchisees and 12 pick-up points in stand-alone locations. Ahold Delhaize also operates 238 gas stations in the premises of some of the group's stores. The total number of retail locations owned or leased increased by 126 compared to 2019.

The following table breaks down the ownership structure of our 5,902 retail locations (inclusive of stores subleased to franchisees) and 1,085 other properties as of January 3, 2021.

	Retail locations	Other properties
Company owned % of total	22%	51%
Leased % of total	78%	49%

Group review
Earnings and dividend per share

Income from continuing operations per common share (basic) was €1.31, a decrease of €0.29 or 17.9% compared to 2019. The main driver of this decrease was the withdrawal and settlement agreements relating to U.S. multi-employer pension plans. The decrease in the number of outstanding shares as a result of a €1 billion share buyback program carried out in 2020 provided a partial offset (see *Note 21* to the consolidated financial statements for more information on the share movements). Underlying income from continuing operations per common share (diluted) was €2.26, an increase of €0.57, or 33.3%, compared to 2019, driven by higher underlying operating profits after tax and the share buyback program.

Ahold Delhaize's policy is to target a dividend payout ratio range of 40-50% of its underlying income from continuing operations. The payout ratio is assessed on a 52-week-year basis to permit a sustainable comparable year-on-year dividend per share growth. Underlying income from continuing operations for 52 weeks amounted to an estimated €2,358 million in 2020 and €1,888 million in 2019. As part of our dividend policy, we adjust income from continuing operations as follows:

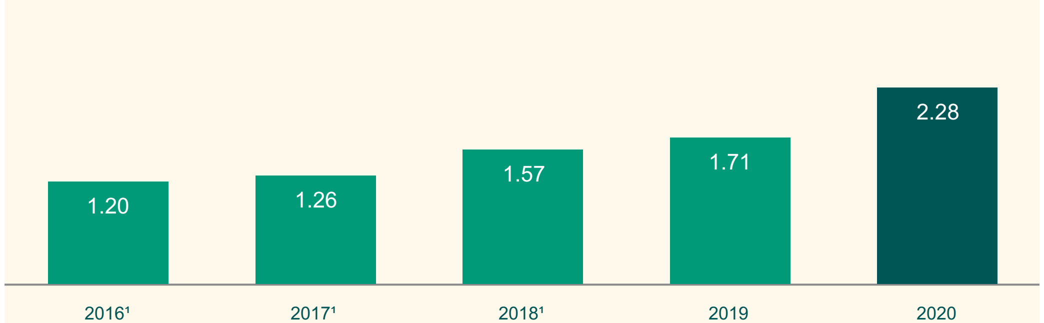
€ million	**2020 (based on 53-weeks)**	2019 (based on 52-weeks)
Income from continuing operations	**1,397**	1,767
Adjusted for:		
Impairment losses and reversals – net	**48**	89
(Gains) losses on leases and the sale of assets – net	**(57)**	(53)
Restructuring and related charges and other items	**1,413**	78
Unusual items in net financial expense	**—**	37
Tax effect on adjusted and unusual items	**(373)**	(30)
Underlying income from continuing operations	**2,427**	1,888
Income from continuing operations per share attributable to common shareholders	**1.31**	1.60
Underlying income from continuing operations per share attributable to common shareholders	**2.28**	1.71
Diluted underlying income per share from continuing operations	**2.26**	1.70

We propose a cash dividend of €0.90 per share for the financial year 2020, an increase of 18.4% compared to 2019, reflecting our ambition of sustainable growth of the dividend per share. This represents a payout ratio of 40% of underlying net income from continuing operations for 52 weeks.

If approved by the General Meeting of Shareholders, a final dividend of €0.40 per share will be paid on April 29, 2021. This is in addition to the interim dividend of €0.50 per share, which was paid on August 29, 2019. The estimated total dividend payment for the full year 2020 would therefore total €948 million.

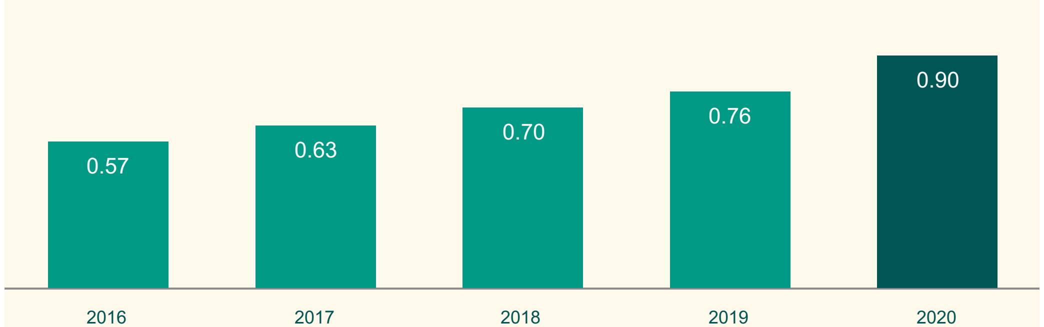
Please refer to *Information about Ahold Delhaize shares* for further details.

Underlying income from continuing operations per common share (basic)



1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated to reflect the impact of the implementation of IFRS 16 Leases.

Dividend per common share



Group review

Tax transparency and responsibility

At Ahold Delhaize, we seek to make a positive impact in the communities where we operate and be a good neighbor. One way we do this is by paying taxes in a way that takes into consideration social and corporate responsibility and the interests of all our stakeholders. Our overall tax approach is in line with Ahold Delhaize's Business Principles, Healthy and Sustainable strategy and Code of Conduct.

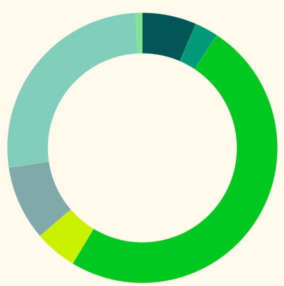
Our tax policy consists of five main tax principles: transparency, accounting and governance, compliance, relationships with authorities and business structure. Our tax principles are aligned with the B Team responsible tax principles.

Transparency

We are proud of the fact that by paying our share of taxes in the countries where we operate, we contribute to economic and social development in these countries. Also, with our total tax contribution, we support the UN Sustainable Development Goals.

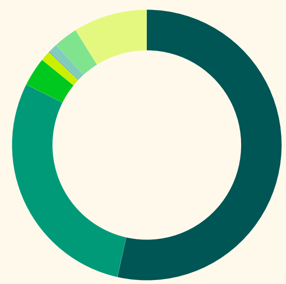
In 2020, Ahold Delhaize collected and paid many types of taxes: payroll tax, corporate income tax, net-value-added tax (VAT), sales and use tax (S&U), property tax and real estate tax, dividend tax, excise and customs duties and others (e.g., packaging tax).

Ahold Delhaize total tax contribution 2020 is €5.4 billion (€ million)



For more details on our corporate income tax financial position see *Note 10* to the consolidated financial statements. The corporate income tax payments reported per country are summarized below.

Ahold Delhaize's 2020 total corporate tax payments is €486 million (€ million)



For Belgium, the income tax paid in 2019 and 2020 was impacted by available operating losses carry forward, which were (partly) offset by taxable income. Other Europe included a tax payment in 2020 of €16 million, related to a tax claim. This claim is being disputed by Ahold Delhaize and we will continue to defend our tax position in this matter.

Our effective income tax rate (ETR) over 2020 was 19.4%. This is our worldwide income tax expense for the financial year 2020 amounting to €331 million, shown as a percentage of the consolidated income before income taxes. In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) tax deductible expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans as explained in *Note 24*. These incremental pension liabilities reduced our U.S. earnings before tax, significantly impacting the effective tax rate. When we exclude these incremental pension liabilities, our reported effective tax rate increases from 19.4% to 23.0% on a pro forma basis.

Group review

Tax transparency and responsibility continued

Accounting and governance

Ahold Delhaize has a well-equipped and professional Tax function. This function reports directly to the CFO and has direct access to the Management Board and the Supervisory Board. At least once a year, a tax update is presented to the Audit and Finance Committee of the Supervisory Board. The global tax policy is approved by the Management Board.

Our tax risk appetite is based on Ahold Delhaize's overall compliance-related risk appetite, which is very low. We recognize the risk that non-compliance with applicable tax laws and regulations could result in damage to Ahold Delhaize's reputation or to the relationship with our host countries. For more information, see *How we manage risk.*

To assess and control tax risks, we have a "Tax Control Framework" in place. Tax controls resulting from risk assessment exercises are defined, implemented and tested by various monitoring functions – comprising senior management and the Risk & Controls (second line of defense) and Internal Audit teams – making use of specific Ahold Delhaize tools developed for this purpose. Based on the annual internal audit plan, selected taxes and/or jurisdictions are audited. This results in an audit report rating the design and operating effectiveness of the tax controls.

Each quarter, our brands approve a letter of representation, which includes a confirmation on the accuracy and completeness of our tax position. We have a tax strategy in place that is proactively communicated throughout the company and we organize training for selected brands and jurisdictions, during which the Tax Policy and its main principles are explained in the form of tax risk workshops.

Ahold Delhaize associates have access to a whistle-blower line for reporting any ethical or compliance concerns related to company practices, including tax matters.

We are also actively involved in the field of tax technology and have drafted a global tax technology strategy and roadmap to track and trace improvement projects and monitor future digital tax developments. We currently have various initiatives underway within our direct as well as indirect tax disciplines to optimize and upgrade our tax processes. We closely align with broader finance implementations and the IT function assists us with our tax technology projects. The Ahold Delhaize-wide implementation of a new core finance system will be an important enabler of our tax technology roadmap.

Compliance

Our tax compliance is based on the following examples of good tax practices:

- We aim to file our taxes in full compliance with local laws and regulations.
- We base our tax compliance on a reasonable and responsible interpretation of tax laws.
- We aim to comply with the spirit as well as the letter of the law.
- We attempt to discuss and clarify uncertainties about the tax treatment upfront with the tax authorities.
- We only seek rulings from tax authorities to confirm the applicable treatment of laws and regulations based on full disclosure of the relevant facts.
- We only make use of tax incentives when they are aligned with our business and operational objectives, follow from the tax law and are generally available to all market participants.

Relationships with authorities

Ahold Delhaize engages with tax authorities based on mutual trust, and we seek open and transparent working relationships with them. We provide the tax authorities with any information they require within a reasonable timeframe. This helps both the tax authorities and Ahold Delhaize to foster timely and efficient compliance. In the Netherlands, we concluded a covenant (horizontal monitoring) with the Dutch tax authorities in 2005. In 2021, this will convert into an individual monitoring plan. In Belgium, we are entering a cooperative compliance program with the tax authorities.

As a company close to society, we value constructive dialogue regarding taxes with the governments in the countries where we operate and respond to government consultations on proposed changes to legislation, with the aim to achieve sustainable legislation.

Business structure

We have a physical presence in all jurisdictions and we follow internationally accepted norms and standards (Organisation for Economic Co-operation and Development/Action Plan on Base Erosion and Profit Shifting/European Union). Our tax decision-making process is based on the following examples of good tax practices:

- We do not transfer value created to jurisdictions listed on the EU list of non-cooperative jurisdictions for tax purposes (the EU "blacklist") updated by the Council of the European Union on October 6, 2020, or jurisdictions listed on the Netherlands' blacklist published in the Government Gazette on December 31, 2020 (low-tax jurisdictions).
- We pay tax on profits according to where value is created within the normal course of business.
- We base our transfer pricing policy on the arm's length principle.
- We do not use opaque corporate structures or those situated in low-tax jurisdictions to hide relevant information from the tax authorities.
- We do not have businesses in countries listed in low-tax jurisdictions.
- We are transparent about the entities we own (see *Note 35* to the consolidated financial statements).
- We will not engage in arrangements, with any employee, customer or contractor whose sole purpose is to create a tax benefit in excess of what is reasonably understood to be intended by relevant tax rules.

Performance review

Financial review by segment

Key financial and non-financial information

The key financial and non-financial information per region for 2020, 2019 and 2018 is presented below:

	The United States			Europe		
	2020	2019	2018 restated[2]	**2020**	2019	2018 restated[2]
Net sales (€ millions)	**45,470**	40,066	37,460	**29,266**	26,194	25,331
Net sales ($ millions)	**51,838**	44,841	44,174			
Of which: online sales (€ millions)	**1,968**	985	751	**3,579**	2,508	2,066
Of which: online sales ($ millions)	**2,259**	1,101	886			
Net sales growth in local currency	**15.6%**	1.5%	1.9%	**12.1%**	3.5%	3.4%
Comparable sales growth[1]	**13.3%**	1.1%	2.3%	**9.5%**	2.7%	2.8%
Comparable sales growth (excluding gasoline sales)[1]	**14.4%**	1.4%	2.1%	**9.6%**	2.7%	2.8%
Net consumer online sales (€ millions)	**1,968**	985	751	**5,608**	3,562	2,743
Net consumer online sales ($ millions)	**2,259**	1,101	886			
Operating income (€ millions)	**1,006**	1,668	1,633	**1,380**	1,140	1,123
Operating income ($ millions)	**1,064**	1,867	1,924			
Underlying operating income (€ millions)	**2,466**	1,712	1,699	**1,325**	1,205	1,164
Underlying operating income ($ millions)	**2,789**	1,916	2,002			
Underlying operating margin	**5.4%**	4.3%	4.5%	**4.5%**	4.6%	4.6%
Number of employees/headcount (at year-end in thousands)	**239**	215	207	**175**	165	165
Number of employees/FTEs (at year-end in thousands)[3]	**158**	143	136	**91**	88	88
Contribution to Ahold Delhaize net sales	**60.8%**	60.5%	59.7%	**39.2%**	39.5%	40.3%
Contribution to Ahold Delhaize underlying operating income[4]	**65.0%**	58.7%	59.3%	**35.0%**	41.3%	40.6%

1 Comparable sales growth includes the 53rd week for 2019.
2 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases.
3 Included in the 91 thousand FTEs in Europe (2019: 88 thousand FTEs and 2018: 88 thousand FTEs) are 32 thousand FTEs in the Netherlands (2019: 31 thousand FTEs and 2018: 32 thousand FTEs).
4 Before Global Support Office costs.

Financial review by segment
The United States

Net sales
€45.5bn 15.6%[1]

2019: 40.1bn 13.5% vs. 2019

Comparable sales growth (excluding gasoline sales)
14.4%

Operating income
€1,006m (43.0)%[1]

2019: 1,668m (39.7)% vs. 2019

Underlying operating income
€2,466m 45.5%[1]

2019: 1,712m 44.1% vs. 2019

Underlying operating margin
5.4%

Online sales
€1,968m 105.1%[1]

2019: €985m 99.8% vs. 2019

1 At constant rates.

€ million	2020	2019	Change versus prior year	% change	% change at constant rates
Net sales	**45,470**	40,066	**5,404**	13.5%	**15.6%**
Of which online sales	**1,968**	985	**983**	99.8%	**105.1%**
Comparable sales growth	**13.3%**	1.1%			
Comparable sales growth excluding gasoline	**14.4%**	1.4%			
Operating income	**1,006**	1,668	**(662)**	(39.7)%	**(43.0)%**
Adjusted for:					
Impairment losses and reversals – net	**27**	67	**(40)**		
(Gains) losses on leases and the sale of assets – net	**(20)**	(39)	**19**		
Restructuring and related charges and other items	**1,454**	16	**1,438**		
Underlying operating income	**2,466**	1,712	**754**	44.1%	**45.5%**
Underlying operating income margin	**5.4%**	4.3%			

Net sales overview on a pro forma basis	2020	2019	Change versus prior year	% change	% change at constant exchange rates
€ million	**(53 weeks)**	(53 weeks)			
The United States	**45,470**	40,880	4,590	11.2%	13.4%

Financial year 2020 consisted of 53 weeks, while 2019 consisted of 52 weeks. Net sales in 2020 were positively impacted by the additional week, while the impact on operating margin was negligible.

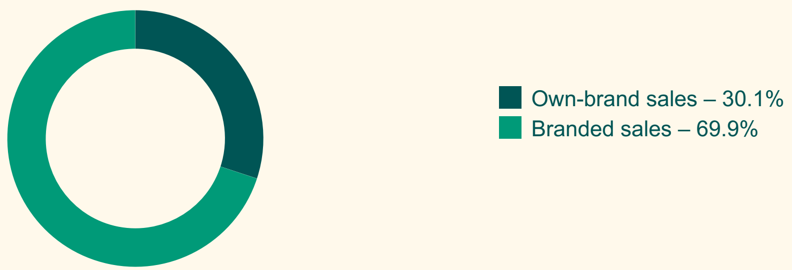
In 2020, net sales were €45,470 million, up by €5,404 million or 13.5% compared to 2019. At constant exchange rates, net sales were up by 15.6%. Sales growth was positively impacted by the pandemic, the additional week of sales and cycling last year's strike at Stop & Shop. The additional week of sales amounted to $967 million and the direct and indirect impact of the strike is estimated at $345 million loss on previous year net sales.

Online sales were €1,968 million, up by 105.1% compared to last year at constant exchange rates. The increase was mainly driven by the pandemic, as customers changed their shopping habits and leaned towards the e-commerce market. We responded to this shift with the launch of over 424 additional click-and-collect points, an extended partnership with a third-party delivery service and an expanded e-commerce offering across all brands.

Financial review by segment
The United States continued

The Ahold Delhaize USA brands are enhancing their strong value propositions by leveraging their leading own-brand offerings. In 2020, own-brand sales as a percentage of total sales was 30.1%.

Own-brand sales



Within the different overall sales categories, the relative share of fresh and non-perishables increased, while the share of non-food, gas and pharmacy in the total sales decreased.

Net sales by category

Comparable sales excluding gasoline for the segment increased by 14.4%, with significant volume growth attributed to COVID-19, which shifted volume from the out-of-home channel to grocery.

Strong positive comparable sales growth across all of the U.S. brands was only partly offset by the closure of Peapod in Q1 2020.

Operating income decreased by €662 million, or (39.7)%, compared to 2019. Underlying operating income was €2,466 million and is adjusted for the following items, which impacted operating income:

- Impairment losses and reversals – net: in 2020, impairment charges amounted to €27 million, versus €67 million in 2019. In 2020, the impairments related primarily to Stop & Shop's underperforming stores and investment locations. The impairments in 2019 related primarily to Stop & Shop's underperforming stores and the exit from Peapod.
- (Gains) losses on leases and the sale of assets – net: in 2020, gains were recorded on sublease activity, the sale of investment properties and miscellaneous equipment and the sale of pharmacy scripts. In 2019, Stop & Shop sold a non-strategic investment property, The GIANT Company sold stores and pharmacy scripts and Giant Food sold two properties.
- Restructuring and related charges and other items: in 2020, we incurred €1,438 million in additional charges compared to 2019. These charges mainly related to Stop & Shop's and Giant Food's withdrawal and settlement agreements from multi-employer plans. Other charges included an early retirement incentive offered to Stop & Shop employees, costs related to the FreshDirect acquisition, costs related to the Peapod closure (severance and onerous contracts) and write-off of costs related to the terminated King Kullen acquisition. In 2019, these charges mainly related to integration costs as a result of the merger, partially offset by insurance reimbursement for Hurricane Florence.

In 2020, underlying operating income was €2,466 million, up by €754 million or 44.1% compared to last year. At constant rates, underlying operating income increased by 45.5%.

The United States' underlying operating income margin in 2020 was 5.4%, up 1.2 percentage points compared to 2019. The 2020 result was positively affected by the pandemic. COVID-19 had a positive effect on sales and shrink, partially offset by higher supply chain costs due to increased volume. Underlying expenses increased compared to last year, mainly driven by added volume, appreciation pay, increased heath care costs, safety supplies (including masks and gloves) and cleaning services; partly offset by our Save for Our Customers program.

Financial review by segment
The United States continued

Growth drivers in action

Drive omnichannel growth

Ahold Delhaize has continued to invest into the U.S. brands to solidify their positions as industry-leading local omnichannel retailers in 2021 and beyond to increase share of the consumer wallet and improve online productivity.

The investments support online capacity, supply chain and technological capabilities that provide a platform for growth and help lower costs. The brands increased online capacity significantly in 2020, and will continue in 2021, expanding from 1,116 click-and-collect points in 2020 to nearly 1,400 points by the end of 2021, and providing more same-day delivery options.

The U.S. brands will further advance omnichannel offerings, such as The GIANT Company Choice Pass, which offers unlimited free grocery delivery and pickup with an annual membership fee of $98.

Store remodels at Stop & Shop and the introduction of more general merchandise, own-brand products and improved meal solutions will create increased wallet share opportunities.

The acquisition of FreshDirect and pending acquisition of 62 stores from Southeastern Grocers will help to further improve the U.S. brands' leading market positions.

Elevate healthy and sustainable

Ahold Delhaize USA and its local brands announced their aim to have 54% of own-brand food sales come from healthy sales and will enhance the information they provide about where products come from by 2025.

The U.S. brands have also committed to reduce food waste by 32% by 2025 and 50% by 2030. In addition, the U.S. businesses have committed to reduce overall use of single-use plastics, including making own-brand product packaging 100% reusable, recyclable or compostable and increasing recycled content by 25% by 2025.

Stop & Shop teamed up with Diver to pilot Fresh Flow sensors that track, in real-time, the journey that fresh products follow from distribution center to store shelf. This will help extend the shelf life of its perishable produce.

The HowGood rating system is in use throughout the full customer omnichannel experience at Giant Food, The GIANT Company and Stop & Shop.

The U.S. businesses made progress against their commitment to eliminate all artificial ingredients from own-brand products by 2025.

Cultivate best talent

The U.S. brands were individually recognized as Best Places to Work for LGBTQ Equality. The brands have received perfect scores on the Human Rights Campaign Foundation's 2021 Corporate Equality Index.

Presidents of the U.S. brands and services companies joined the CEO Action for Diversity & Inclusion program, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace.

Additionally, the U.S. brands held series of courageous conversations, leadership discussions and listening sessions as part of social justice efforts to help associates grow and learn from each other.

More than 20 women leaders across Ahold Delhaize USA companies were recognized as Top Women in Grocery by Progressive Grocer and the Network for Executive Women.

The U.S. companies continued partnerships with leading colleges and universities in key areas such as information technology and supply chain to build the pipeline of future talent.

Strengthen operational excellence

Ahold Delhaize USA invested over $300 million in capital spending during 2020 and absorbed over $40 million of transition costs on its P&L to transform and expand its supply chain operations into an integrated, self-distribution model. It will enable the U.S. businesses to reduce costs, improve speed to shelf, enhance relationships with vendors, and improve product availability and freshness for customers. The project is on track and will deliver a benefit of over $100 million to the P&L by 2023, as it becomes fully operational.

Peapod Digital Labs built and launched PRISM, a digital e-commerce ecosystem that enables the brands to offer customers a robust omnichannel experience with hyper personalization, alternative payment types, an enhanced B2B offering and a reward program. Stop & Shop, The GIANT Company and Giant Food are already using the platform. According to plan, Food Lion and Hannaford will launch the ecosystem in 2022.

Financial review by segment

Europe

Net sales

€29.3bn — 12.1%[1]

2019: €26.2bn — 11.7% vs. 2019

Comparable sales growth (excluding gasoline sales)

9.6%

Operating income

€1,380m — 21.4%[1]

2019: €1,140m — 21.1% vs. 2019

Underlying operating income

€1,325m — 10.3%[1]

2019: €1,205m — 9.9% vs. 2019

Underlying operating margin

4.5%

Net consumer online sales

€5.6bn — 57.4%[1]

2019: €3.6bn — 57.4% vs. 2019

1 At constant rates.

In 2020, we combined the previous reportable segments, The Netherlands, Belgium and Central and Southeastern Europe, into one reportable segment, Europe.

€ million	2020	2019	Change versus prior year	% change	% change at constant rates
Net sales	**29,266**	26,194	3,072	11.7%	12.1%
Of which online sales	**3,579**	2,508	**1,071**	42.7%	**42.7%**
Net consumer online sales	**5,608**	3,562	2,046	57.4%	57.4%
Comparable sales growth	**9.5%**	2.7%			
Comparable sales growth excluding gasoline	**9.6%**	2.7%			
Operating income	**1,380**	1,140	240	21.1%	21.4%
Adjusted for:					
Impairment losses and reversals – net	**21**	22	(1)		
(Gains) losses on leases and the sale of assets – net	**(37)**	(9)	(28)		
Restructuring and related charges and other items	**(39)**	52	(91)		
Underlying operating income	**1,325**	1,205	120	9.9%	10.3%
Underlying operating income margin	**4.5%**	4.6%			

Net sales overview on a pro forma basis	2020	2019	Change versus prior year	% change	% change at constant exchange rates
€ million	(53 weeks)	(53 weeks)			
Europe	**29,266**	26,530	2,736	10.3%	10.7%

Financial year 2020 consisted of 53 weeks, while 2019 consisted of 52 weeks. Net sales in 2020 were positively impacted by the additional week, while the impact on operating margin was negligible.

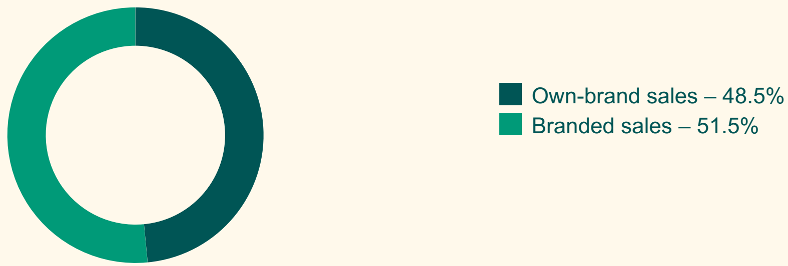
Net sales in 2020 were €29,266 million, up by €3,072 million or 11.7% compared to 2019. Sales growth was mainly driven by demand related to COVID-19. In Europe, the effect of COVID-19 has been more balanced, with additional sales matching the related costs. In addition to that, the pandemic has a more mixed impact on the different brands across the European region compared to our brands in The United States.

Online sales were €3,579, up by 42.7% compared to last year, mainly driven by the strong performance of our online brands, bol.com and ah.nl. Bol.com continued its strong net consumer online sales growth from 33.2% in 2019 to 56.8% in 2020. The brand's business in Belgium and its third-party platform – which currently offers a marketplace to more than 41,000 merchant partners in the Netherlands and Belgium – remain important growth drivers. Sales from ah.nl increased significantly in 2020, mainly driven by higher demand related to COVID-19. Other brands also saw a surge in online sales, complementing the total online sales growth.

Financial review by segment
Europe continued

We have a relatively high own-brand share across Europe, which, in turn, has served to offer our customers value during the current period of more insecurity with higher unemployment and tightening consumer wallets. In 2020, own-brand sales comprised 48.5% of total sales.

Own-brand sales



Within the different overall sales categories, the relative share of non-perishables and non-food increased, while the share of fresh food and gas decreased as a percentage of total sales.

Comparable sales excluding gasoline increased by 9.6%, mainly driven by higher volumes related to COVID-19 and strong online sales. We saw strong comparable sales growth excluding gasoline across all European brands, with bol.com, Delhaize and Albert Heijn as the largest contributors.

Net sales by category

Operating income increased by €240 million, or 21.1%, to €1,380 million, affected by the following items that Ahold Delhaize adjusts to arrive at underlying operating income:

- Impairment losses and reversals – net: In 2020, impairment charges amounted to €21 million, mainly related to underperforming stores in the Czech Republic, Greece and Romania. In 2019, impairment charges were mainly related to underperforming stores in Greece.
- (Gains) losses on leases and the sale of assets – net: In 2020, this total was €37 million, mainly related to a sale and partial leaseback in Belgium (€18 million) and the Czech Republic (€17 million). In 2019, results were mainly related to a €10 million gain on leases and subleases at Albert Heijn.
- Restructuring and related charges and other items: In 2020, the charges included one-off items at various brands mainly related to restructurings and settlements and were more than offset by a €105 million income related to the pension plan amendment in the Netherlands. In 2019, these related mainly to restructuring programs in the Netherlands and Belgium and an asset write-down in the Czech Republic.

In 2020, underlying operating income in Europe was €1,325 million, up by €120 million, or 9.9%, compared to 2019. Underlying operating margin in Europe was 4.5% in 2020, down 0.1% compared to 2019. In Europe, some of our brands, including those in Greece, Romania, Serbia and our To Go stores, were negatively impacted by COVID-19 to a greater extent, suffering from decreasing traffic, the absence of tourists and the trend of people moving from the city to the countryside during the lockdown periods. Margins were mainly impacted by higher underlying operating expenses, particularly driven by higher labor, operational and administrative expenses related to COVID-19. In addition, margin was negatively impacted by the increased pension costs in the Netherlands. This was partly offset by better gross margins driven by lower shrink, lower cost of product and savings from our Save for Our Customers program.

Our net sales in Europe consist of sales to consumers and to franchise stores. Franchise stores operate under the same format as Ahold Delhaize-operated stores. Franchisees purchase merchandise primarily from Ahold Delhaize, pay a franchise fee and receive support services.

Financial review by segment
Europe continued

Growth drivers in action

Drive omnichannel growth

The European brands continue to expand geographically. For example, bol.com expanded to Wallonia, launching a French-speaking website and app attracting thousands of Belgian merchants. Albert Heijn also strengthened its Belgian footprint, opening more stores and expanding its online offering. Mega Image expanded to new territories in its home market of Romania.

The European brands accelerated the development of new commercial e-commerce propositions. Albert Heijn launched its Compact proposition, specifically targeting single- and two-person households with a lower minimum order amount, smaller range and free delivery. Mega Image launched a 90-minute home delivery offering in Bucharest.

Elevate healthy and sustainable

We promoted healthier eating through the October 2020 launch of the SuperPlus loyalty program in Belgium, which provides rewards and discounts to customers on purchases of healthy and sustainable products, and ended 2020 with 1.35 million members joining the plan.

Our efforts to reduce plastic continue; for example, Alfa Beta switched the packaging of own-brand eggs from plastic to cardboard and Albert introduced new recyclable shopping baskets in all remodeled stores, also supporting plastic reduction.

Cultivate best talent

We put in place COVID-19 governance and collective measures to support associates, suppliers and communities. For instance, Albert Heijn was one of the first supermarket chains in Europe to install plexiglass screens across its store portfolio.

We launched a project to consolidate multiple legacy applications into a unified HR and payroll platform (SAP Success Factors) in the Netherlands and have plans in place to launch it at the other European brands.

Strengthen operational excellence

We plan to double electronic shelf labeling, implementing it in over 50% of European supermarkets by 2021. In 2020, all Albert Heijn and Delhaize company-owned stores already had electronic shelf labeling installed. In the other brands, 80% of stores will have electronic shelf labeling by 2023.

All the European brands exceeded their expected contribution to our Save for Our Customers targets.

Financial review by segment

Performance by segment – Global Support Office

€ million	2020	2019	Change versus prior year	% change
Global Support Office costs	**(195)**	(146)	(50)	(34.1)%
of which restructuring and related charges and other items	**2**	(6)	8	NM
Underlying Global Support Office costs	**(197)**	(140)	(57)	41.0%
of which related to self-insurance activities	**(39)**	4	(43)	NM
Underlying Global Support Office costs excluding self-insurance	**(158)**	(143)	(15)	10.2%

Global Support Office costs in 2020 were €195 million, up €50 million compared to the prior year, driven by higher insurance costs of €39 million and an increase in cost related to variable incentive plans. Compared to 2019, the change in adjustments for restructuring and related charges and other items amounted to €8 million.

Underlying Global Support Office costs were €197 million, €57 million higher than 2019. The €43 million increase in self-insurance activities was the result of a significant decrease in discount rates. Underlying Global Support Office costs excluding self-insurance were €158 million, or €15 million higher than last year.

Growth drivers in action

Drive omnichannel growth

In 2020, our work to develop a global data and analytics strategy was a major step towards our ambition to use data and analytics as a key asset to enable the best omnichannel experience for our customer, driving sustainable business value and competitive advantage for all our brands. We are accelerating strategic initiatives in e-commerce, loyalty and personalization and self-service analytics; this will deliver long-term value by building a scalable, efficient and well-governed foundation for our data while enhancing collaboration across our global company.

Elevate healthy and sustainable

We closed a €1 billion sustainability-linked revolving credit facility in 2020 that refinanced our existing 2015 €1 billion facility, an important tool to help us maintain our financial flexibility. This facility also connects our cost of borrowing and the achievement of our healthy and sustainable ambitions. After having issued the first euro-denominated Sustainability Bond in the retail industry in June 2019, we believe that this facility will deliver a positive outcome for all stakeholders.

Cultivate best talent

Senior leaders were invited to a two-day leadership event during which we held a workshop to share our ambition to become a more diverse and inclusive company (100% inclusive/100% gender balanced/100% reflective of our markets).

Our rollout of a unified HR and payroll platform based on SAP SuccessFactors in the Netherlands has accelerated our associate experience and ensured a secure environment.

Strengthen operational excellence

In 2020, we consolidated all our Microsoft solutions, delivering significant savings and further improving collaboration and standardization.

COVID-19 accelerated our global rollout of MS Teams, to facilitate collaboration. We are taking this to the next step by replacing our old videoconference and meetings facilities with one standardized approach based on the MS Teams environment, to deliver considerable cost savings.

We consolidated a large number of application management services and outsourced them to improve the quality of our support services, and lower our run costs. We further strengthened cyber security by consolidating services and organizing to safely support our digital transformation initiatives.

Performance review
Outlook

Summary
Below is a summary of the full-year outlook for 2021:

Performance measure	Outlook 2021
Underlying operating margin[1]	At least 4%
Diluted underlying EPS growth	Mid-to-high single-digit growth versus 2019
Save for Our Customers	> €750 million
Capital expenditures	~ €2.2 billion
Free cash flow[2]	~ €1.6 billion
Dividend payout ratio[3, 4]	40-50% and year-over-year increase in dividend per share
Share buyback[4]	€1 billion

1 No significant impact to underlying operating margin from returning to a 52-week calendar versus a 53-week calendar in 2020, though the return to a 52-week calendar will negatively impact net sales for the full year by 1.5-2.0%. Comparable sales growth will be presented on a comparable 52-week basis. The margin includes a dilution of $50 million in transition expenses from the U.S. supply chain initiative.
2 Excludes M&A.
3 Calculated as a percentage of underlying income from continuing operations.
4 Management remains committed to the share buyback and dividend program, but given the uncertainty caused by COVID-19, they will continue to monitor macroeconomic developments. The program is also subject to changes in corporate activities, such as material M&A activity.

2021 sales to surpass pre-COVID-19 expectations at constant currency
While it will be difficult to overcome abnormally high growth comparisons from 2020, we will continue to drive the successful operational execution of our business model and expect comparable sales to be better on a two-year stacked basis in 2021, compared to the pre-COVID-19 trajectory.

In 2021 sales will face year-over-year headwinds from a 53rd week in 2020, as well as unfavorable foreign currency translation rates. However, 2021 sales will benefit from our acquisition of 62 grocery stores from Southeastern Grocers, our acquisition of FreshDirect, and our announced agreement to acquire 39 stores from DEEN.

Macro-economic indicators forecasted to improve in 2021
On a macro level, the International Monetary Fund (IMF) forecasts a rebound in U.S. and European gross GDP growth in 2021 to 5.1% and 4.2%, respectively. This level of growth should translate into an improved financial backdrop for our consumers, as economic activity picks up and employment metrics improve. Nonetheless, we continue to provide a strong range of offerings for consumers searching for value, given our high own-brand penetration rates in Europe, and our initiative to expand our own-brand portfolio in the U.S. by 1,500-2,000 items in 2021. Meanwhile, after significant food at home CPI inflation in 2020, driven by the impacts of COVID-19, the United States Department of Agriculture is forecasting a more normalized environment, with projected 2021 U.S. food at home CPI inflation of 1.0%-2.0%

This comes within an environment in which grocery increased its share of global consumer spending by +160 bps in 2020 according to Edge Retail Insights. While some of these gains will likely dissipate if COVID-19 vaccination programs are successful, we believe that some of the COVID-19 driven changes in consumer behavior are likely to stick, allowing grocery to maintain a portion of its 2020 share gains over the coming years.

Omnichannel strategy accelerated by COVID-19
Our approach to be a leading local omnichannel food retailer continues to serve us well and was highlighted in 2020, when our broad-based e-commerce solutions enabled us to drive share gains, due in part to changes in the way consumers shop.

We believe a lot of this behavior will persist, and are continuing to make significant investments in our omnichannel proposition, which is reflected in our 2021 outlook.

Specifically, we expect further growth in our e-commerce business during 2021, and are targeting a 30% or greater increase in group net consumer online sales. This includes 60% or greater growth planned for U.S. online sales, aided by the inclusion of sales from our January 2021 FreshDirect acquisition.

In Europe, we will continue to grow our bol.com business, and are targeting a 16% increase in net consumer online sales at bol.com to at least €5 billion in 2021, along with continued positive EBIT and double-digit RoC.

At the same time, we will also continue to reinvest in our brick and mortar store locations, and have plans to reaccelerate our Reimagine Stop & Shop program, with approximately 60 store remodels planned for 2021.

Strengthening operational excellence to drive solid 2021 margins
COVID-19 continues to create significant uncertainty in 2021. In addition, COVID-19, and to a smaller extent, a 53 week calendar, significantly distorted Ahold Delhaize's 2020 financial results. Lapping these effects will impact results for 2021, which returns to a 52-week calendar. In 2021, underlying operating margin is expected to be at least 4%. This outlook reflects a balanced approach with cost savings largely offsetting cost pressures.

After achieving cumulative savings of more than €1.5 billion over the past two years, our Save for Our Customers program is expected to yield €750 million of cost savings in 2021.

To better serve customers, we are improving our U.S. supply chain capabilities by moving to a fully integrated, self-distribution model beginning in 2023. We are progressing on schedule with our deliverables, which include five facilities that will transition in 2021.

In Europe, we will have electronic shelf labeling at 50% of our brands' supermarkets by the end of 2021, allowing us to gain efficiencies and aid profitability.

These and other factors, such as our focus on improving online productivity, support our margin outlook and help drive our 2021 diluted underlying EPS forecast of mid-to-high-single-digit percentage growth versus 2019.

Performance review
Outlook continued

Strong free cash flow

Our performance outlook for 2021 translates into another round of strong cash flow generation, which is reflected in our free cash flow forecast of approximately €1.6 billion[1]. This comes as our Save for Our Customers program allows us to continuously improve our consumer value proposition and reinvest back into our omnichannel platform, to improve our digital and e-commerce capabilities and optimize our brick-and-mortar store and supply chain network.

1 Free cash flow and capital expenditure guidance expressly excludes M&A activity.

Capital expenditure of approximately €2.2 billion

We anticipate 2021 net capital expenditures of €2.2 billion, down from €2.6 billion in 2020, which included €270 million of transitory expenditures related to the U.S. supply chain transformation.

Returning capital to shareholders

The strong level of free cash flow embedded in our 2021 outlook supports our €1 billion share repurchase authorization announced in November 2020, as well as our dividend policy, which calls for sustainable growth in our annual cash dividend and a 40%-50% payout ratio from underlying net income.

We propose a cash dividend of €0.90 for the financial year 2020, an increase of 18.4% compared to 2019. If approved by the General Meeting of Shareholders, a final dividend of €0.40 per share will be paid on April 29, 2021. This is in addition to the interim dividend of €0.50 per share, which was paid on August 27, 2020.

Cultivate best talent targets

Cultivating best talent remains a strategic focus, as we believe the proper development and engagement of associates ultimately drives good returns for the business. In 2021, we target the following metrics: an associate engagement score of 81% or greater; an associate development score of 73% or greater; a healthy workplace score of 76% or greater; and an inclusive workplace score of 79% or greater.

We plan to make continued progress on our ESG initiatives in 2021

In addition to our formal financial outlook, during 2021, we expect to achieve many milestones on our Healthy and Sustainable strategy, which is taking on increasing importance throughout our organization. The COVID-19 pandemic has highlighted the importance of our commitment to enable healthier and more sustainable diets and support our local communities. Customers increasingly demand healthy and sustainable products and services, and prefer to engage with companies that demonstrate strong values. In 2021, we plan to make continued progress on our many initiatives to enable healthier eating, drive down waste, increase transparency around the products we sell and reduce our carbon emissions. We strive towards continued improvements in diversity and inclusion, and doing our part to protect human rights.

We will continue to elevate our healthy and sustainable platform in 2021, and are targeting a 50.5% penetration rate of healthy own brand sales; a 16% reduction in food waste; and a 17% reduction in CO_2 emissions.

In 2021, we will also launch a second-phase TCFD assessment, to further analyze specific brands' impacts on the environment, focusing on transition and physical risks related to climate change. (See *Climate change* for more detail).

Performance review

Information about Ahold Delhaize shares

Shares and listings

Koninklijke Ahold Delhaize N.V. is a public limited liability company registered in the Netherlands with a listing of shares on Euronext's Amsterdam Stock Exchange (AEX) and Euronext Brussels (Ticker: AD, Bloomberg code: AD NA, ISIN code: NL0011794037, CUSIP: N0074E105, Reuters code: AD.AS).

Ahold Delhaize's shares trade in the United States on the over-the-counter (OTC) market (www.otcmarkets.com) in the form of American Depositary Receipts (ADRs) (ticker: ADRNY, Bloomberg code: ADRNY US, ISIN code: US5004675014, CUSIP: 500467501).

The ratio between Ahold Delhaize ADRs and the ordinary Netherlands (euro-denominated) shares is 1:1, i.e., one ADR represents one Ahold Delhaize ordinary share.

Structure: Sponsored Level I ADR

J.P. Morgan (the Depositary) acts as the depositary bank for Ahold Delhaize's ADR program. Please also see *Contact information* for details on how to contact J.P. Morgan regarding the ADR program.

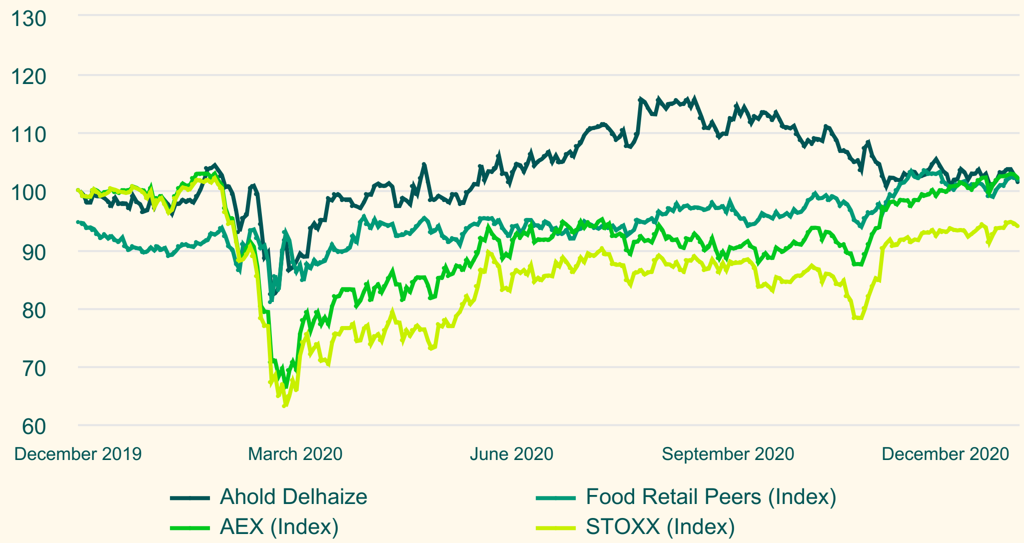
Share performance in 2020

On December 31, 2020, the closing price of an Ahold Delhaize ordinary share on Euronext Amsterdam was €23.11, a 1.6% increase compared to €22.75 on December 27, 2019. During the same period, the Euro STOXX 50 index decreased by 6.1% and the AEX index increased by 2.2%.

During 2020, Ahold Delhaize shares traded on Euronext Amsterdam at an average closing price of €23.52 and an average daily trading volume of 4.0 million shares. Ahold Delhaize's market capitalization was €24.2 billion at year-end 2020. The highest closing price for Ahold Delhaize's shares on Euronext Amsterdam was €26.33 on August, 26, 2020, and the lowest was €18.73 on March 12, 2020.

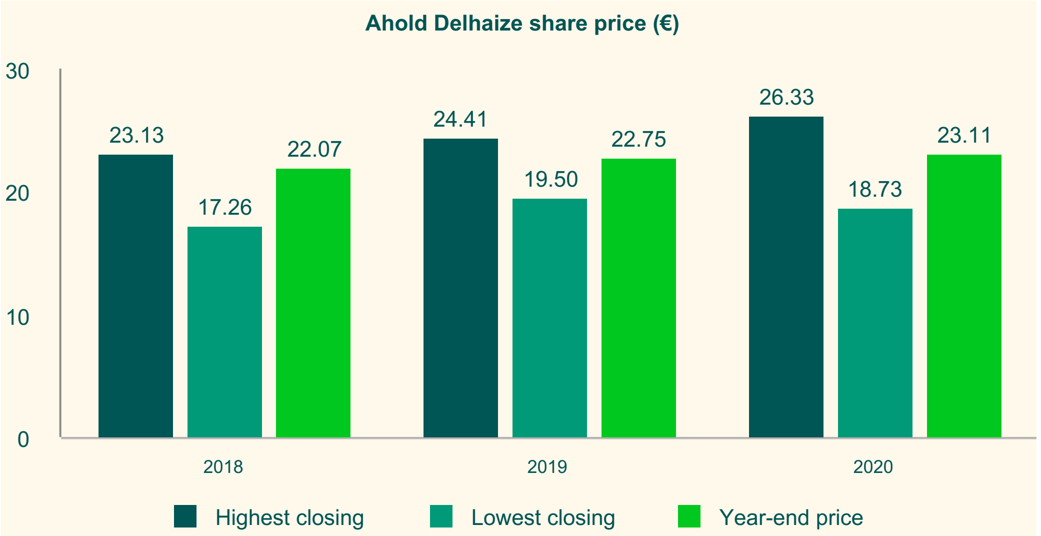
The complete list of the select peer group includes: Walmart Inc., Kroger Co., Tesco Plc., Costco Wholesale Corporation, Carrefour SA, J Sainsbury Plc., Target Corporation, Wm Morrison Supermarkets Plc and Casino SA. The chart represents the performance of Ahold Delhaize shares along with the AEX, Euro Stoxx 50, and our peer group, on an equal weighted basis. The price performance of our shares shown in the graph above is not necessarily indicative of future stock performance.

Ahold Delhaize share price performance



On December 31, 2020, the closing price of Ahold Delhaize's ADR was 11.3% higher than the closing price on December 27, 2019 ($25.40). In the same period, the Dow Jones index increased by 6.8% and the S&P 500 increased by 15.9%. In 2020, the average daily trading volume of Ahold Delhaize American Depositary Receipts (ADRs) was 139,647.

Performance review
Information about Ahold Delhaize shares continued



Performance of Ahold Delhaize's common shares on Euronext Amsterdam

	2020	2019
Closing common share price at calendar year-end (in €)	**23.11**	22.75
Average closing common share price (in €)	**23.52**	22.05
Highest closing common share price (in €)	**26.33**	24.41
Lowest closing common share price (in €)	**18.73**	19.50
Average daily trading volume	**4,003,668**	3,591,720
Market capitalization (€ million)	**24,197**	24,751

Source: FactSet

Earnings per share

During 2020, Ahold Delhaize realized a basic income from continuing operations per share of €1.31 and diluted income from continuing operations per share of €1.30. Basic underlying income from continuing operations was €2.28 per share, and diluted underlying income from continuing operations was €2.26 per share. This difference between our reported and underlying income from continuing operations is related to a net €1,030 million of one-time charges.

Share capital

During 2020, Ahold Delhaize's issued and outstanding share capital decreased by approximately 41 million common shares to 1,047 million common shares. This decrease resulted mainly from the share buyback of €1 billion as announced on December 4, 2019, marginally offset by the issuance of shares for the Company's share-based compensation program.

The common shares issued remained unchanged at 1,101 million at the end of 2020. The difference between the common shares outstanding and common shares issued are the treasury shares.

As of January 3, 2021, there were 53,689 thousand shares held in treasury, the majority held by Ahold Delhaize to cover the equity-based long-term incentive plan.

Ahold Delhaize's authorized share capital as of January 3, 2021, was comprised of the following:

- 1,923,515,827 common shares at €0.01 par value each
- 326,484,173 cumulative preferred financing shares at €0.01 par value each
- 2,250,000,000 cumulative preferred shares at €0.01 par value each

For additional information about Ahold Delhaize's share capital, see *Note 21* to the consolidated financial statements.

Distribution of shares
Shareholders by region[1]:

%	January 2021	February 2020
U.K./Ireland	**12.4**	12.8
North America	**32.0**	29.2
Rest of Europe	**9.5**	9.1
France	**6.6**	8.5
The Netherlands[2]	**5.5**	5.4
Rest of the world	**4.5**	4.9
Germany	**5.3**	3.7
Undisclosed[2]	**24.2**	26.4

1 Source: CMi2i.
2 The Netherlands excludes the percentage of shareholdings of all retail holdings and treasury shares, which are included in Undisclosed.

Performance review
Information about Ahold Delhaize shares continued

Significant ownership of voting shares
According to the Dutch Financial Markets Supervision Act, any person or legal entity who, directly or indirectly, acquires or disposes of an interest in Ahold Delhaize's capital or voting rights must immediately give written notice to the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten or AFM) if the acquisition or disposal causes the percentage of outstanding capital interest or voting rights held by that person or legal entity to reach, exceed or fall below any of the following thresholds:

3% 5% 10% 15% 20% 25% 30% 40% 50%

60% 75% 95%

The obligation to notify the AFM also applies when the percentage of capital interest or voting rights referred to above changes as a result of a change in Ahold Delhaize's total outstanding capital or voting rights. In addition, local rules may apply to investors.

The following table lists the shareholders on record in the AFM register on February 23, 2021, that hold an interest of 3% or more in the share capital of the Company[1].

- BlackRock, Inc – 4.99% shareholding (6.09% voting rights) disclosed on November 23, 2020
- State Street Corporation – 3.49% shareholding (2.7% voting rights) disclosed on July 18, 2019

1 In accordance with the filing requirements, the percentages shown include both direct and indirect capital interests and voting rights and both real and potential capital interests and voting rights. Further details can be found at *www.afm.nl*.

For further details on the number of outstanding shares, and the percentages of the issued share capital they represent, see *Note 21* to the consolidated financial statements.

Shareholder returns
On April 8, 2020, the General Meeting of Shareholders approved the dividend over 2019 of €0.76 per common share. The interim dividend of €0.30 per common share was paid on August 29, 2019. The final dividend of €0.46 per common share was paid on April 23, 2020.

We propose a cash dividend of €0.90 for the financial year 2020, an increase of 18.4% compared to 2019, reflecting our ambition of sustainable growth of the dividend per share. This represents a payout ratio of 40%, based on the expected dividend payment on 52 weeks of underlying income from continuing operations.

If approved by the General Meeting of Shareholders, a final dividend of €0.40 per share will be paid on April 29, 2021. This is in addition to the interim dividend of €0.50 per share, which was paid on August 27, 2020.

Shareholders key performance indicators 2016-2020

	2020	2019	2018	2017	2016
Dividend per common share[1]	**0.90**	0.76	0.70	0.63	0.57
Final dividend	**0.40**	0.46	0.70	0.63	0.57
Interim dividend	**0.50**	0.30	N/A	N/A	N/A
Dividend yield	**3.9%**	3.3%	3.2%	3.4%	2.8%
Payout ratio	**40%**	44%	42%	47%	48%

1 2020 dividend subject to the approval of the annual General Meeting of Shareholders.

Share buyback
On December 4, 2019, Ahold Delhaize announced it will return €1 billion to shareholders by means of a share buyback program, which was completed on December 3, 2020. An additional €1 billion share buyback program was announced on November 4, 2020, which is expected to be completed before the end of 2021. Maintaining a balanced approach between funding growth in key channels and returning excess liquidity to shareholders is part of Ahold Delhaize's financial framework to support our Leading Together strategy. The purpose of the program is to reduce Ahold Delhaize's capital, by cancelling all or part of the common shares acquired through the program.

Performance review

Our great local brands

The United States

The United States is our biggest market and we have a particularly strong presence along the East Coast. Our U.S. brands include some of the country's most established, innovative and best-known supermarkets and online grocers.

Number of stores
1,970 (2019: 1,973)

Number of pick-up points
1,121 (2019: 770)

FOOD LION · STOP&SHOP · The GIANT Company · Hannaford · Giant · Peapod DIGITAL LABS · Retail Business Services – A Company of Ahold Delhaize USA

FOOD LION

By leveraging its longstanding heritage of low prices and convenient locations, Food Lion is working to provide the easiest full shop grocery experience in the Southeast for customers, anchored by a strong commitment to affordability, freshness and the communities it serves.

Market area: Delaware, Georgia, Kentucky, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia

Formats: supermarkets, online shopping

Average sales area per store:
2,349m² (25,282ft²)

Stores
1,029 (0 net new in 2020)

Pick-up points
404 (+196 net new in 2020)

My 2020 highlight

"Food Lion ended 2020 with record-breaking sales and 33 consecutive quarters of comparable store sales growth. We achieved this milestone because of dedicated and caring associates who provided an easy, fresh and affordable shopping experience in the towns and cities across our 10-state operating footprint."

Meg Ham,
President, Food Lion

Performance review

Our great local brands continued

The United States

STOP&SHOP

Stop & Shop is focused on delivering a wide assortment of fresh, healthy options at a great value through strong weekly sales and everyday low prices. Its new GO Rewards loyalty program delivers personalized offers and allows customers to earn points every time they shop, which can be redeemed for gas or groceries – providing an even greater value proposition. Customers can choose however they want to shop – whether in-store or online where Stop & Shop offers both delivery and same-day pickup. The company shows that it is committed to communities by fighting against hunger, supporting the troops and through incredible acts of care.

Market area: Connecticut, Massachusetts, New Jersey, New York and Rhode Island

Formats: supermarkets, online shopping

Average sales area per store:
3,819m^2 (41,114ft^2)

Stores
408 (-5 net new in 2020)

Pick-up points
312 (+75 net new in 2020)

My 2020 highlight

"Medical first responders did incredible work in extremely trying conditions to keep our communities safe. As hospital workers were busy taking care of others, Stop & Shop was proud to take care of them – providing tens of thousands of meals to keep them nourished as they worked around the clock."

Gordon Reid,
President, Stop & Shop

The GIANT Company

The GIANT Company is an omnichannel retailer, serving customers through stores, pharmacies, fuel stations, online pick-up hubs and grocery delivery service in hundreds of zip codes. The brand is changing the customer experience, connecting families and creating healthier communities for a better future. The GIANT Company brands include GIANT, MARTIN'S, GIANT Heirloom Market, GIANT Direct and MARTIN'S Direct.

Market area: Maryland, Pennsylvania, Virginia and West Virginia

Formats: supermarkets, small urban supermarkets, online shopping

Average sales area per store:
3,993m^2 (42,985ft^2)

Stores
186 (0 net new in 2020)

Pick-up points
159 (+24 net new in 2020)

My 2020 highlight

"In 2020, we launched our new purpose, Connecting Families for a Better Future. In a year influenced by the pandemic and social unrest, the actions of our team members reflected this purpose as they engaged the community to lift up our charitable and social justice partners. We also unveiled For Today's Table, our new brand platform that will act as our growth engine into the future."

Nicholas Bertram,
President, The GIANT Company

Performance review

Our great local brands continued

The United States

Today, Hannaford is still connected to its early roots as a local market, working with more than 900 local farms and producers. The brand makes it easy and convenient for customers to shop for great fresh food and to find healthy options, both online and in its stores. Hannaford is in the community and a part of its customers' day, every day.

Market area: Maine, Massachusetts, New Hampshire, New York and Vermont

Formats: supermarkets, online shopping

Average sales area per store:
3,061m² (32,953ft²)

Stores
183 (+1 net new in 2020)

Pick-up points
102 (+24 net new in 2020)

My 2020 highlight

"I was proud of our contributions to meet the needs of our most vulnerable neighbors. With over $4 million in cash contributions, 21 million pounds in donated food and associate involvement in charitable work, we helped fight hunger, shelter the homeless, care for at-risk children, enhance healthcare, further education and support local agriculture."

Mike Vail,
President, Hannaford

With flexible options and convenient solutions, Giant Food fits all the ways today's busy consumers want to shop – whether in store, via Giant Pickup or through home delivery from Giant Delivers. The brand continues to grow and innovate, with same-day speed available in 100% of its market area. At Giant, local is a commitment, not just a label; each local product represents the cities and communities the brand serves.

Market area: Delaware, District of Columbia, Maryland and Virginia

Formats: supermarkets, online shopping

Average sales area per store:
3,615m² (38,916ft²)

Stores
164 (+1 net new in 2020)

Pick-up points
144 (+33 net new in 2020)

My 2020 highlight

"In a year of social unrest, we courageously moved forward with a community response plan that began with hours of listening sessions across our organization, the development of an associate and CEO pledge to break down barriers, educational resources, leadership workshops and $500,000 of financial support to build bridges to our communities."

Ira Kress,
President, Giant Food

Performance review

Our great local brands continued

Supporting our growth

There are two organizations under Ahold Delhaize USA that provide services to support the growth of our consumer-facing brands.

Peapod DIGITAL LABS

Peapod Digital Labs
Peapod Digital Labs powers growth in digital and e-commerce capabilities for the local brands of Ahold Delhaize USA and serves as the innovation lab for the U.S. businesses to help meet the changing needs of customers.

My 2020 highlight

"The importance of omnichannel sky-rocketed in 2020. We hired more than 150 new associates, helped implement more than 400 click-and-collect locations, invested in a proprietary omnichannel platform, supported the local brands' omnichannel loyalty programs and helped them send over 9.5 billion personalized offers to customers – leading to unprecedented growth."

JJ Fleeman,
President, Peapod Digital Labs

Retail Business Services
A Company of Ahold Delhaize USA

Retail Business Services
Retail Business Services, LLC, is the services company of Ahold Delhaize USA, providing services to the U.S. brands.

Retail Business Services leverages the scale of the local brands to drive synergies and provides industry-leading expertise, insights and analytics to support their strategies.

My 2020 highlight

"Our associates helped drive a broad array of projects and initiatives this year in partnership with the U.S. brands. From supporting the transition to a self-distribution supply chain to advancing omnichannel growth, we had a landmark year. At the same time, we helped the brands put in place COVID-19 safety measures, cared for our associates and donated thousands of community service hours. I'm truly honored to work with this extraordinary team."

Roger Wheeler,
President, Retail Business Services

Performance review
Our great local brands continued

Europe

Our leading local brands across Europe serve customers online and through store formats tailored to their needs. While some of our European brands have been household names for more than a century, they remain innovative and forward-thinking retailers today.

Number of stores
5,167 (2019: 4,994)

Number of pick-up points
298 (2019: 217)

Albert Heijn

Albert Heijn is a part of everyday life for its customers. The brand has grown from a simple grocer to the food tech company it is today. Albert Heijn understands that value for money is more important than ever. The brand makes it easier and more personal to eat good and healthy food and is there for customers always and everywhere – in stores, online and on mobile devices – with value for money, better food and convenience.

Market area: the Netherlands and Belgium

Formats: supermarkets, convenience stores, online shopping

Average sales area per store:
1,285m² (13,830ft²)

Stores
1,050 (+21 net new in 2020)

Pick-up points
64 (+14 net new in 2020)

My 2020 highlight

"2020 is a year we will never forget. More than ever, we were aware of the vital role supermarkets play in everyday life. We did everything we could to ensure customers could safely rely on us for their daily groceries and find more choice and convenience when shopping with us."

Marit van Egmond,
President, Albert Heijn

Performance review
Our great local brands continued

Europe

Delhaize

Delhaize's formats – Delhaize, AD Delhaize, Proxy Delhaize and Shop & Go – offer a unique experience and quality service, including online shopping for collection via pick-up points and home delivery. Delhaize offers a wide range with more than eight own-brand ranges and 20,000 high-quality products at competitive prices. Sustainable business is part of daily operations and the brand's commercial mission: the Delhaize team does everything they can to put people and nature first and foremost.

Market area: Belgium and Luxembourg

Formats: supermarkets, convenience stores, online shopping

Average sales area per store:
962m² (10,352ft²)

Stores
820 (+24 net new in 2020)

Pick-up points
125 (-2 net new in 2020)

My 2020 highlight

"Our new SuperPlus program is a milestone in the history of Delhaize – and a genuine digital revolution. It is more than just a loyalty card because it combines a higher buying power with an incentive to eat healthier foods."

Xavier Piesvaux,
President, Delhaize

bol.com

With 33 million items, spread over more than 40 product categories, bol.com customers have the widest range of choices. That's why 12 million Dutch and Belgians shop on its online retail platform. Bol.com also works with more than 41,000 Dutch and Belgian entrepreneurs who sell through its platform.

Market area: the Netherlands and Belgium

Formats: online shopping with a focus on general merchandise

Number of plaza partners:
more than **41,000**

My 2020 highlight

"We made an important step towards managing our impact on climate change by achieving a new milestone towards zero grams of CO_2 emissions per package by 2025. All of our buildings – offices, data centers and warehouses – in the Netherlands and Belgium will now run entirely on green electricity."

Huub Vermeulen,
President, bol.com

Performance review

Our great local brands continued

Europe

albert

Albert's motto is "It's worth eating better." The brand offers a great shopping experience in its stores – both urban supermarkets and compact hypers for family shopping. Its great customer offer includes healthy inspiration in own brands and local products. Albert strives to be a responsible retailer in all its markets, supporting a healthy lifestyle for customers and associates and developing local communities.

Market area: Czech Republic

Formats: supermarkets, hypermarkets, convenience stores

Average sales area per store:
1,548m² (16,662ft²)

Stores
328 (+3 net new in 2020)

My 2020 highlight

"For us, it's paramount to provide the best shopping experience full of healthy inspiration and convenience. To do this, our teams worked hard to refurbish 34 stores throughout the year, introducing three in a completely new urban style, and opened three new stores, all of which were well appreciated by customers."

Jesper Lauridsen,
President, Albert

Βασιλόπουλος
...και του πουλιού το γάλα!

Alfa Beta Vassilopoulos ("Alfa Beta") is closely connected to customers through its dedication to offer the best and its drive to innovate and make its shopping experience unique – because each customer is unique. The brand is here for customers, associates and communities, offering the finest products and protecting the environment. Alfa Beta serves customers through its Alfa Beta supermarkets and the AB Food Market, AB Shop & Go, AB City and ENA Food Cash & Carry formats.

Market area: Greece

Formats: supermarkets, convenience stores, cash and carry, online shopping

Average sales area per store:
728m² (7,835ft²)

Stores
543 (+33 net new in 2020)

Pick-up points
69 (+69 net new in 2020)

ALLIANCE FOR THE REDUCTION OF FOOD WASTE

My 2020 highlight

"Following our commitment to reduce food waste by 50% by 2025, we created the first 'Alliance for the Reduction of Food Waste' in Greece. Today, it counts over 45 members and is endorsed by the Ministry of the Environment. We hope to inspire others to join and make a difference in people's lives."

Vassilis Stavrou,
President, Alfa Beta

Performance review
Our great local brands continued

Europe

Mega Image is the leading supermarket in Bucharest, serving customers nationwide under the Mega Image, Shop & Go and Gusturi Românești brands. Mega Image offers fresh food, quality, healthy products and advice and a unique assortment of own brands. The team is passionate about a healthy lifestyle, and they engage in social causes that matter for communities, care about people and diversity, and look for solutions to reduce their environmental footprint.

Market area: Romania

Formats: supermarkets, convenience stores, online shopping

Average sales area per store:
281m² (3,028ft²)

Stores
854 (+89 net new in 2020)

Pick-up points
36 (-4 net new in 2020)

My 2020 highlight

"During 2020, our 25th anniversary year, our community grew stronger. We went the extra mile for our customers, associates, partners and people in the communities. I feel inspired by and proud of how we overcame all challenges, with adaptability, determination and teamwork, building a caring community."

Mircea Moga,
President, Mega Image

DELHAIZE SERBIA

Delhaize Serbia is the largest store chain in the country, operating through four formats. Maxi supermarkets are known for their wide range and high-quality fresh products, great prices and promotions symbolically displayed through the Maxi Bee. Shop & Go locations are modern neighborhood stores tailored both for everyday and on-the-go shopping. Mega Maxi and Tempo hypermarkets are a favorite place for family shopping, with a wide range of products, low prices and excellent promotions.

Market area: Serbia

Formats: supermarkets, convenience stores, hypermarkets, online shopping

Average sales area per store:
464m² (4,992ft²)

Stores
454 (+12 net new in 2020)

Pick-up points
4 (+4 net new in 2020)

My 2020 highlight

"In a tough year where nothing went according to plan, we helped keep Serbian society stable with full shelves and high-quality, healthy products. Our stores were challenged to the max by constant changes in customer behavior, but we managed to open new locations, accelerate our omnichannel leadership and keep associates safe."

Jan-Willem Dockheer,
President, Delhaize Serbia

Performance review
Our great local brands continued

Europe

Etos

Whatever a customer's question is, the Etos team has always been there with answers. Today, Etos is the largest health and wellness platform in the Netherlands. Customers can book consultations directly with medical service providers, receive personalized advice from the Etos staff in the stores – including 2,400 certified druggists – and find products to treat their symptoms.

Market area: the Netherlands

Formats: drugstores, online shopping

Average sales area per store:
207m² (2,228ft²)

Stores
536 (-6 net new in 2020)

My 2020 highlight

"2020 was a very special year, to say the least. But, more than ever, we were able to fulfill our role as the reliable partner for well-being. Through the high commitment and flexibility of our colleagues, partners and suppliers we could contribute to our most important mission: helping customers feel good every day."

Noor de Bruijn,
Commercial Director and
Boudewijn van Nieuwenhuijzen,
Operations Director
On behalf of the Etos Management Team

Gall & Gall

Gall & Gall has been selling liquor since 1884 and is the largest specialist in the Netherlands. Its logo refers to the brand's strong roots. Founder Maria Gall had a motto: "No order too large, no order too small, no order too far." And although times have changed, Gall & Gall's passion to help and inspire customers has remained.

Market area: the Netherlands

Formats: liquor stores, online shopping

Average sales area per store:
76m² (820ft²)

Stores
582 (-3 net new in 2020)

My 2020 highlight

"It has been an exceptional year in which our volumes both in stores and online increased enormously. I am very impressed and proud of all our colleagues' flexibility in overcoming a sudden surge in volume while ensuring the safety of our customers and associates during a global crisis."

Pieter Saman,
President, Gall & Gall

Performance review

Our great local brands continued

Joint ventures

We are represented in Indonesia and Portugal through joint ventures Super Indo and Pingo Doce, respectively. Both are among the leading supermarket brands in their countries.

For more information on our brands, see our website at *www.aholddelhaize.com*.

Market area: Indonesia

Super Indo is Indonesia's largest supermarket chain. It provides a wide range of items to fulfill customers' everyday needs with reliable quality and economical prices in easily accessible stores. Super Indo goes the extra mile to maintain the freshness and quality of its products, making it the right choice for shopping that is always fresher, affordable, and closer.

My 2020 highlight

"Our 2020 theme, 'Dare to connect,' helped us create a safe place to work and shop, while at the same time serving our communities. During this extraordinary year, I was proud of the smooth progress we made on our strategic growth drivers, made possible by steps forward in digitalization and new ways of working."

Johan Boeijenga,
President, Super Indo

Market area: Portugal

Pingo Doce brings quality and innovation, because the best families deserve the best supermarket. The goal is to bring customers a unique shopping experience in the marketplace. Pingo Doce products guarantee excellent value for money, which strengthens the brand's commitment to customers. The brand brings food solutions to customers at very competitive prices for even more savings.

Performance review

Multiple-year overview

The multiple-year overview is provided for ten years; however, the figures prior to 2018 are not comparable because they have not been restated for the impact of IFRS 16. In addition, it should be noted that years prior to 2016 only relate to the former Ahold business. The former Delhaize business is included as of July 24, 2016.

Results, cash flow and other information

€ million, except per share data, exchange rates and percentages	**2020**	2019	2018 restated[1]	2017[1]	2016[1, 2]	2015[1]	2014[1]	2013[1]	2012[1]	2011[1]
Net sales	**74,736**	66,260	62,791	62,890	49,695	38,203	32,774	32,615	32,682	30,098
Of which online sales	**5,547**	3,493	2,817	2,393	1,991	1,646	1,267	1,086	830	457
Net sales growth at constant exchange rates[3]	**12.3%**	2.3%	2.5%	28.9%	32.3%	2.3%	0.8%	2.0%	3.6%	5.5%
Operating income	**2,191**	2,662	2,623	2,225	1,584	1,318	1,250	1,239	1,336	1,351
Underlying operating income margin	**4.8%**	4.2%	4.4%	3.9%	3.8%	3.8%	3.9%	4.2%	4.3%	4.6%
Net financial expense	**(485)**	(528)	(487)	(297)	(541)	(265)	(235)	(291)	(208)	(316)
Income from continuing operations	**1,397**	1,767	1,797	1,817	830	849	791	805	869	914
Income (loss) from discontinued operations	**—**	(1)	(17)	—	—	2	(197)	1,732	46	103
Net income	**1,397**	1,766	1,780	1,817	830	851	594	2,537	915	1,017
Earnings and dividend per share										
Net income per common share (basic)	**1.31**	1.60	1.51	1.45	0.81	1.04	0.68	2.48	0.88	0.92
Net income per common share (diluted)	**1.30**	1.59	1.49	1.43	0.81	1.02	0.67	2.39	0.85	0.89
Income from continuing operations per common share (basic)	**1.31**	1.60	1.53	1.45	0.81	1.04	0.90	0.79	0.84	0.82
Income from continuing operations per common share (diluted)	**1.30**	1.59	1.51	1.43	0.81	1.02	0.88	0.77	0.81	0.80
Dividend per common share	**0.90**	0.76	0.70	0.63	0.57	0.52	0.48	0.47	0.44	0.40
Cash flows										
Free cash flow	**2,199**	1,843	2,165	1,926	1,441	1,184	1,055	1,109	1,051	845
Net cash from operating, investing and financing activities	**(383)**	535	(1,587)	827	2,114	73	(1,005)	681	(511)	(226)
Capital expenditures (including acquisitions)[4]	**4,456**	3,604	2,838	1,822	16,775	1,172	1,006	843	1,876	880
Capital expenditures as % of net sales	**6.0%**	5.4%	4.5%	2.9%	33.8%	3.1%	3.1%	2.6%	5.7%	2.9%
Regular capital expenditures[5]	**4,448**	3,512	2,772	1,723	1,377	811	740	830	929	807
Regular capital expenditures as % of net sales	**6.0%**	**5.3%**	**4.4%**	**2.7%**	**2.8%**	**2.1%**	**2.3%**	**2.5%**	**2.8%**	**2.7%**
Average exchange rate (€ per $)	**0.8770**	0.8934	0.8476	0.8868	0.9038	0.9001	0.7529	0.7533	0.7782	0.7189

1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated for the impact of the implementation of IFRS 16 Leases.
2 Included former Delhaize business as of July 24, 2016.
3 Net sales growth in 2020, 2016 and 2015 is adjusted for the impact of week 53 in 2020 and 2015.
4 The amounts represent additions to property, plant and equipment; right-of-use assets; investment property; and intangible assets. The amounts exclude discontinued operations.
5 The amounts represent additions to property, plant and equipment; right-of-use assets; investment property; and intangible assets, excluding the impact from acquisitions. The amounts exclude discontinued operations.

Performance review

Multiple-year overview continued

Balance sheet and other information

€ million, except for number of stores and otherwise indicated	January 3, 2021	December 29, 2019	December 30, 2018, restated[1]	December 31, 2017[1]	January 1, 2017[1]	January 3, 2016[1]	December 28, 2014[1]	December 29, 2013[1]	December 30, 2012	January 1, 2012
Group equity[2]	**12,432**	14,083	14,205	15,170	16,276	5,621	4,844	6,520	5,146	5,810
Gross debt	**14,554**	15,445	14,485	7,250	7,561	3,502	3,197	3,021	3,246	3,680
Cash, cash equivalents, and short-term deposits and similar instruments and investments in debt instruments – current portion	**3,119**	3,863	3,507	4,747	4,317	2,354	1,886	3,963	1,886	2,592
Net debt	**11,434**	11,581	10,978	2,503	3,244	1,148	1,311	(942)	1,360	1,088
Total assets	**40,692**	41,490	39,830	33,871	36,275	15,880	14,138	15,142	14,572	15,228
Number of stores[3]	**7,137**	6,967	6,769	6,637	6,556	3,253	3,206	3,131	3,074	3,008
Number of employees (in thousand FTEs)[3]	**249**	232	225	224	225	129	126	123	125	121
Number of employees (in thousands headcount)[3]	**414**	380	372	369	370	236	227	222	225	218
Common shares outstanding (in millions)[2]	**1,047**	1,088	1,130	1,228	1,272	818	823	982	1,039	1,060
Share price at Euronext (€)	**23.11**	22.75	22.07	18.34	20.03	19.48	14.66	13.22	10.16	10.41
Market capitalization[2]	**24,197**	24,751	24,938	22,508	25,484	15,944	12,059	12,989	10,551	11,033
Year-end exchange rate (€ per $)	**0.8187**	0.8947	0.8738	0.8330	0.9506	0.9208	0.8213	0.7277	0.7566	0.7724

1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated for the impact of the implementation of IFRS 16 Leases.
2 In 2020, €1,001 million was returned to shareholders through a share buyback (2019: €1,002 million, 2018: €1,997 million, 2017: €998 million, 2016: nil, 2015: €161 million, 2014: €1,232 million, 2013: €768 million, 2012: €277 million and 2011: €837 million). In 2016 and 2014, €1,001 million and €1,007 million, respectively, were returned to shareholders through a capital repayment.
3 At December 29, 2013, the number of stores and employees include discontinued operations (Slovakia).

Environmental, social and governance information

We provide four years of data, since, in 2016, the merger between Ahold and Delhaize was finalized. During 2016, all KPIs and targets for Ahold and Delhaize were measured according to a different set of definitions and scopes, which made these non-comparable. Starting in 2017, all metrics and definitions were aligned and all brands that are part of Ahold Delhaize reported in the same way.

	2020	2019	2018	2017
Sales of own-brand foods that meet guidelines for good nutritional value (€ million)	**11,516**	9,982	9,533	9,302
% of healthy own-brand food sales of total own-brand food sales[1]	**49.8%**	48%	47%	46%
Tonnes of food waste per food sales (t/MEUR)[2]	**4.5**	5.0	5.2	5.3
% reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2)	**17%**	2%	Baseline	N/A

1 2017 to 2019 figures include Peapod.
2 The reduction is measured against the 2016 baseline of 5.48 t/€ million. See *ESG statements* for more information.

Performance review

Definitions: performance measures

Financial performance measures

The financial information included in this Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the European Union and as explained in Note 2 and Note 3 to the consolidated financial statements as well as in the individual footnotes, unless otherwise indicated.

This Annual Report also includes alternative performance measures (also known as non-GAAP measures). The definitions of these financial and non-financial alternative performance measures can be found below.

Financial alternative performance measures

Management believes that financial alternative performance (non-GAAP) measures allow for a better understanding of Ahold Delhaize's operating and financial performance. These alternative performance measures should be considered in addition to, but not as substitutes for, the most directly comparable IFRS measures.

Comparable sales

Comparable sales are net sales, in local currency, from exactly the same stores – including remodeled stores and stores that are replaced within the same market area – and online sales in existing market areas for the most recent comparable period. Ahold Delhaize measures a store for comparable sales after it is open for a full 56 weeks. Comparable stores are locations that were open for both the full time period being reported on and the full comparable time period in the preceding year. In 2020, comparable sales growth is calculated by adjusting 2019 to a 53-week period.

Comparable sales excludes Value Added Tax (VAT).

For markets that sell gasoline, Ahold Delhaize also calculates the comparable sales excluding gasoline sales, to eliminate gasoline price volatility in the comparison.

Comparable sales and comparable sales excluding gasoline sales are not reflected in Ahold Delhaize's financial statements. However, the Company believes that disclosing comparable sales and comparable sales excluding gasoline sales provides additional useful analytical information to investors regarding the operating performance of Ahold Delhaize as it neutralizes the impact of, for example, newly acquired stores, in the calculation of sales growth.

Earnings before interest, taxes, depreciation and amortization, or EBITDA

Ahold Delhaize defines EBITDA as operating income / (loss) plus depreciation and amortization. EBITDA is considered to be a useful measure for investors to analyze profitability by eliminating the effects of financing (i.e., net financial expense), capital investments and the impact of the purchase price allocation (i.e., depreciation and amortization).

Basic and diluted underlying income per share from continuing operations

Underlying income per share from continuing operations is calculated as underlying income from continuing operations, divided by the weighted average number of shares outstanding, also referred to as "underlying earnings per share" or "underlying EPS."

Diluted underlying income per share from continuing operations is calculated as diluted underlying income from continuing operations, divided by the diluted weighted average number of common shares outstanding, also referred to as "diluted underlying EPS."

Food sales

Food sales contains all net sales, excluding the following categories: pet food, flowers and plants, tobacco, and non-food products including health and beauty and cleaning products. Sales taxes and value-added taxes are excluded from food sales reported in the ESG statements.

Free cash flow

Ahold Delhaize defines free cash flow as operating cash flows from continuing operations minus net capital expenditures, net repayment of lease liabilities and receivables (both interest and principal portions) and net interest paid plus dividends received.

Ahold Delhaize has included free cash flow as the Company believes it is a useful measure for investors, because it provides insight into the cash flows available to, among other things, reduce debt and pay dividends. Free cash flow is derived from the financial statements; however, this is not a measure calculated in accordance with IFRS and may not be comparable to similar measures presented by other companies. Accordingly, free cash flow should not be considered as an alternative to operating cash flow.

Global Support Office costs

Global Support Office (GSO) costs relate to the responsibilities of the Global Support Office, including Finance, Strategy, Mergers & Acquisitions, Internal Audit, Legal, Compliance, Human Resources, Information Technology, Insurance, Tax, Treasury, Communications, Investor Relations, Health and Sustainability and the majority of the Executive Committee. Global Support Office costs also include results from other activities coordinated centrally but not allocated to any subsidiary. Underlying Global Support Office costs exclude impairments of non-current assets, gains (losses) on leases and the sale of assets, and restructuring and related charges and other items, including business acquisition transaction costs.

Net consumer online sales

Net consumer online sales is defined as online sales including sales of third parties via bol.com's Plaza. Net consumer online sales excludes Value Added Tax (VAT). Ahold Delhaize's management believes that this measure provides more insight into the growth of our online businesses.

Net debt

Net debt is the difference between (i) the sum of loans, lease liabilities, cumulative preferred financing shares and short-term debt (i.e., gross debt) and (ii) cash, cash equivalents, current portion of investment in debt instruments, and short-term deposits and similar instruments. In management's view, because cash, cash equivalents, current portion of investments in debt instruments, and short-term deposits and similar instruments can be used, among other things, to repay indebtedness, netting this against gross debt is a useful measure for investors to judge Ahold Delhaize's leverage. Net debt may include certain cash items that are not readily available for repaying debt.

Net sales at constant exchange rates

Net sales at constant exchange rates excludes the impact of using different currency exchange rates to translate the financial information of Ahold Delhaize subsidiaries or joint ventures to euros. Ahold Delhaize's management believes this measure provides a better insight into the operating performance of Ahold Delhaize's foreign subsidiaries or joint ventures.

Performance review

Definitions: performance measures continued

Net sales by category
Net sales are specified into predefined sales categories: Perishable, Non-perishable, Non-Food, Gasoline and Pharmacy.

Category definitions:

- Perishable include: Produce, Dairy (fresh), Meat, Deli, Bakery, Seafood, and Frozen.
- Non-perishables include: Grocery, Dairy (long-life) and Beer and Wine.
- Non-Food includes: Floral, Pet Food, Health and Beauty Care, Kitchen and Cookware, Gardening Tools, General Merchandise articles, Electronics, Newspapers and Magazines, Tobacco, and so on.
- Gasoline includes: Gasoline sales only.
- Pharmacy includes: Pharmacy sales only.

Net sales in local currency
In certain instances, net sales are presented in local currency. Ahold Delhaize's management believes this measure provides a better insight into the operating performance of Ahold Delhaize's foreign subsidiaries.

Online grocery penetration
Online grocery penetration is calculated as online sales as percentage of net sales, excluding bol.com's online sales. Ahold Delhaize's management believes that this measure provides insights on the value of our online grocery business.

Online penetration
Online penetration is calculated as online sales as a percentage of net sales. Ahold Delhaize's management believes that this measure provides insights on the value of our online business, not limited to the online grocery business.

Online sales
Online sales are net sales generated through electronic ordering by the final customer at the fair value of the consideration received or receivable.

Online sales includes both business-to-consumer and business-to-business sales as long as the purchaser is the end user, sales generated through third-party platforms (e.g., Instacart and eMag), delivery fee income, other income derived from online sales generated through third-party platforms (e.g. price markups), fees and commissions when Ahold Delhaize acts as an agent.

Online sales excludes Value Added Tax (VAT).

Operating income in local currency
In certain instances, operating income is presented in local currency. Ahold Delhaize's management believes this measure provides better insight into the operating performance of Ahold Delhaize's foreign subsidiaries.

Own-brand sales
Net sales of own-brand products where own-brand products include: private labels, fancy brands (proprietary private labels that are a fantasy name owned by Ahold Delhaize), exclusive brands (brands that are not international, national or regional brands), store-prepared products (in-store food preparation, even if derived from branded stock), non-branded products (such as bulk fruit and vegetables or no name non-food products) and promotional items relating to the former. In short, every product that is not an international, national or regional brand is considered to be an own-brand product.

Regular capex expenditure
The amounts represent additions to property, plant and equipment; right-of-use assets; investment property; and intangible assets. The amounts exclude discontinued operations.

Return on capital
Return on capital (RoC) is calculated as underlying operating income before depreciation and amortization divided by the annual rolling average of the sum of company-owned property, plant and equipment at purchase price, intangible assets (excluding goodwill) at purchase price, operating working capital components and repayment of lease liabilities, divided by 8%.

Underlying operating income and margin
Underlying operating income is defined as total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance.

Ahold Delhaize's management believes this measure provides better insight into the underlying operating performance of the Company's operations. Underlying operating income margin is calculated as underlying operating income as a percentage of net sales.

Underlying income from continuing operations
Ahold Delhaize defines underlying income from continuing operations as income from continuing operations adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance, as well as material non-recurring finance costs and income tax expense, and the potential effect of income tax on all these items.

Underlying earnings before interest, taxes, depreciation and amortization, or underlying EBITDA and margin
Ahold Delhaize defines underlying EBITDA as underlying operating income plus depreciation and amortization. Underlying EBITDA is considered to be a useful measure for investors to analyze profitability by eliminating the effects of financing (i.e., net financial expense), capital investments and the impact of the purchase price allocation (i.e., depreciation and amortization). Underlying EBITDA margin is calculated as underlying EBITDA as a percentage of net sales.

Performance review
Definitions: performance measures continued

Non-financial alternative performance measures

The specific definitions outlined below add context to our non-financial alternative performance measures and other metrics used in this report.

Acceptable standards and certifications for commodities

Ahold Delhaize defines acceptable standards as multi-stakeholder initiatives or standards supported by multiple stakeholders. They include third-party verification and focus on mitigating the main environmental and/or social issues associated with a commodity's production. Acceptable standards are globally consistent and focus on continuously improving production and supply chain practices. Acceptable standards for tea, coffee and cocoa include Rainforest Alliance/UTZ Fair Trade USA/Fairtrade/FLO-CERT/Fairtrade Sourcing Program or equivalent standards. Acceptable standards for palm oil include RSPO Principles & Criteria and equivalent standards. Acceptable standards for wood fiber are the Forest Stewardship Council (FSC) Chain of Custody, Program for Endorsement of Forest Certification (PEFC) and Sustainable Forestry Initiative (SFI) or equivalent standards. Acceptable standards for soy are RTRS standard for Responsible Soy Production and ProTerra, or equivalent standards. The majority of credits we purchase are area-based RTRS credits from the Cerrado Region. Acceptable standards for seafood products include certification against a program that is recognized by the Global Sustainable Seafood Initiative (GSSI) and cover all Aquaculture Stewardship Council (ASC) farm standards.

Associates

Associates with a legal contract or active pay status (U.S.-specific) with Ahold Delhaize or its brands. This excludes external associates and contingent workers and includes expats counted in their home country.

Associates include seasonal workers, student workers (including summer season students), part-time and full-time associates, both short-term and long-term contracted associates and associates with an active pay status (U.S.-specific) as well as associates whose contract is currently suspended (e.g., for time credit, long-term illness).

Associates who have an employment contract with independent operators of affiliated or franchised stores, students who are on a non-remunerated internship are excluded from the reported figures in this section.

Associate engagement survey

Associate engagement is measured through an annual survey of all associates employed by Ahold Delhaize and its brands. A number of items in the survey are used to derive and calculate an associate engagement score:

- Healthy workplace: associates are asked about the support they receive to have healthier lives.
- Inclusive workplace: associates are asked about the support they receive to have a more inclusive workplace.
- Associate development: associates are asked about the support they receive to develop their skills and careers with Ahold Delhaize.
- Engagement: associates are asked about how they feel about Ahold Delhaize.

Associate engagement benchmarks

We use two global benchmarks for our associate engagement survey: Global Retail, which comprises companies in the 5300 Retail industry classification benchmark that operate in multiple countries and have both a brick-and-mortar and online presence, and High Performance Norm, which comprises companies in the top quartile (75th percentile) of the Perceptyx Global normative benchmark database.

Cash contributions

The monetary amount paid by a company in support of charitable donations in the form of direct cash donations or grants and payments for materials and services. It includes support of cultural institutions, matched employee giving, employee involvement costs, memberships and subscriptions to community-related organizations and cause-related marketing campaigns.

Charitable donations

Donations of cash, products, services, equipment or other company resources to local, national and international charitable appeals, sponsorships that are not part of a marketing strategy, grants and costs of employee volunteering that fall outside of a core community strategy, company matching of employee donations and the costs of facilitating donations by customers and suppliers.

Community investments

Long-term strategic involvement in, and partnership with, community organizations to address a limited range of social issues chosen by the Company to protect its long-term corporate interests and enhance its reputation. Examples of community investments include: memberships in and subscriptions to charitable organizations, grants and donations, secondments to a partner community organization, supporting in-house training, use of company premises for partner organizations and cost of supporting and promoting employee volunteering programs.

Commercial initiatives

Business-related activities in the community, usually undertaken by commercial departments to directly support the success of the Company, promoting its corporate and brand identities and other policies, in partnership with charities and community-based organizations. Only the contribution to charity or community organizations is considered, not the total cost of the marketing campaign or similar.

Examples of commercial initiatives include: the sponsorship of events, publications and activities that promote corporate brands or corporate identity, cause-related marketing and activities to promote sales, support for universities, and research and other charitable institutions, and exceptional one-off gifts of property and other assets.

CO_2 emissions/CO_2 equivalent (CO_2e)

The CO_2 (carbon dioxide) emissions data we report consists of a calculated CO_2 equivalent: actual CO_2 emitted plus equivalent emissions from other greenhouse gases (such as CH_4, N_2O and F-gases). We report according to the Greenhouse Gas (GHG) Protocol Corporate Standard.

Food waste

As defined by the United Nations Food and Agriculture Organization (FAO), food waste is any removal of food from the food supply chain that is or was at some point fit for human consumption, but has been disposed of, or has spoiled or expired, mainly as a result of economic behavior, poor stock management or neglect. In our calculations, in contrast to shrink, food waste excludes donations from hunger relief organizations, theft and cash shortages. We measure food waste using the *Food Loss and Waste Protocol.* Food waste includes waste used for animal feed, bio-based materials, anaerobic digestion, composting/aerobic digestion, controlled combustion and landfill.

Performance review

Definitions: performance measures continued

Food Loss and Waste Protocol
A multi-stakeholder effort to develop the global accounting and reporting standard (known as the FLW Standard) for quantifying food and associated inedible parts removed from the food supply chain (referred to for simplicity's sake as "food loss and waste"). For more information, see *www.flwprotocol.org*.

Free from products
"Free from" products exclude certain ingredients, such as allergens, synthetic colors or artificial flavors. The excluded ingredients are normally referenced on the packaging or product marketing materials.

Front-of-pack nutritional labeling
Nutritional labeling (showing the amount of certain nutrients) that is on the front of a product package. At a minimum, it comprises the calories per serving.

Full time
Associates who work full time (= one FTE), as measured by contract hours/standard weekly working hours, are considered full time.

Greenhouse gases
Gases such as carbon dioxide or methane that contribute to climate change.

Global Reporting Initiative (GRI)
An independent international not-for-profit organization that developed the GRI Sustainability Reporting Standards and works to support their implementation.

Healthy products
Own-brand healthy food sales include all own-brand products that earn one, two or three Guiding Stars (in the U.S. market) or are identified as healthy products by the Choices criteria (in Europe). Total own-brand food sales include food sales from company-operated stores as well as franchise stores.

More information on Guiding Stars can be found at *www.guidingstars.com*.

More information on Choices can be found at *www.choicesprogramme.org/our-work/nutrition-criteria*.

Last-stage of production (LSOP) unit
The entity that performs the last stage of production or processing in the supply chain where food and non-food safety and/or working conditions are impacted. The LSOP is:

- For food safety: the location where the final consumer product (including packing) is handled.
- For non-food safety: the location where the final consumer product (excluding packing) is assembled.
- For social compliance: the location where labor is involved in producing or processing the final product, excluding (re-)packing in a non-high-risk country.

National brands
Products that are distributed nationally under a brand name owned by the producer or distributor.

Occupational illness frequency rate
Work-related illnesses or diseases occurring in the course or scope of employment. Occupational illnesses or diseases are only measured if a patient requires a medical professional to administer direct care or evaluate the illness or disease. In the U.S., information from our local claims management or insurance providers is used to monitor performance in this area. Since local claims management or insurance providers need to comply with local legislation, the acceptance of illnesses or diseases as work-related can deviate across brands. Occupational illnesses are calculated per one million hours worked.

Organic food products
Food that meets specific, governmental standards relative to the use of synthetic pesticides, fertilizers or any other chemicals and the way natural resources (soil, animals, energy, water) are treated in the production process. An "organic" product is a product that is certified as organic by a Certifying Body recognized by the government.

Own brands
Own-brand products, at Ahold Delhaize company-operated and affiliated stores, include: private labels, fancy brands (proprietary private labels that are a fantasy name owned by Ahold Delhaize), exclusive brands (brands that are not international, national or regional brands), store-prepared products (in-store food preparation, even if derived from branded stock), non-branded products (such as bulk fruit and vegetables or no name non-food products) and promotional items related to the non-branded products.

In short, every product that is not an international, national or regional brand is considered to be an own-brand product.

Ozone-friendly refrigerant
A refrigerant that has no ozone depletion potential (ODP=0), meaning there is no degradation to the ozone layer. The data are based on the 2015 Report from United Nations Environment Programme (UNEP), "TOC Refrigeration, A/C and Heat Pumps Assessment Report 2015."

Part time
Associates who work less than full time (< one FTE), as measured by contract hours/standard weekly working hours, are considered part time.

Pick-up point and click-and-collect points
A pick-up point (PUP) is a location that serves as a point where customers can pick up groceries they have ordered online. PUPs exclude bol.com, Etos and Gall & Gall locations.

PUPs with pick-from-store (PFS) capability are also referred to as click-and-collect points.

Private label products
Private label products are a sub-set of Ahold Delhaize own brands, consisting of products with a visible proprietary label from an Ahold Delhaize brand.

Plastic packaging
According to ISO 21067, packaging is a product to be used for the containment, protection, handling, delivery, storage, transport and presentation of goods, from raw materials to processed goods, from the producer to the user or consumer, including processor, assembler or other intermediary. Plastic packaging is packaging of which the main structural element is made of plastic.

Performance review
Definitions: performance measures continued

Number of injuries that result in lost days
Number of injuries that result in days lost that are directly related to work-related accidents per 100 full-time equivalents. The number of days lost are days scheduled to be worked according to each associate's schedule. An injury is a non-fatal or fatal injury arising in the course of work.

Sales area
The sum of the store areas (in square meters or square footage) where products are sold and services provided, taken at the end of the year.

Scope 1 (direct GHG emissions)
Emissions from sources that are owned or controlled by Ahold Delhaize. Scope 1 emissions include emissions from refrigerant leakages, owned trucking and on-site fuel usage (natural gas, propane, light fuel).

Scope 2 (indirect GHG emissions)
Emissions from the generation of purchased electricity, heat or steam consumed by the Company. They are not "direct" emissions in that they arise from third-party installations but are attributed to the Company's operations as the end user of the electricity, heat or steam.

Seafood
All fresh, frozen and/or canned products where seafood is the first and/or only ingredient. We have developed a "trident" approach for seafood. To comply with our policy, seafood must either be:

- Certified against a GSSI-recognized standard, including the Marine Stewardship Council (MSC) and ASC, or otherwise credible standards, or
- "In improvement" or "in assessment":
  - "In improvement" and sourced from a credible Fishery in Improvement or Aquaculture in Improvement Project (FIP or AIP), or
  - "In assessment" and sourced from a farm or fishery that is "in assessment" towards certification, or
  - "Assessed" by an expert third party using science-based criteria

Soy
In scope are all high-priority (South American) soy volumes in own-brand products containing soy or animal-based products where soy (Tier 1-3) is used in the supply chain. When we refer to our soy use, we are referring to soy used for the production of Tier 1 (direct soy), Tier 2 (embedded soy in meat and fish) and Tier 3 (embedded soy in basic eggs, dairy products) products only.

High-priority soy is defined as soy that comes from South America, which can potentially lead to deforestation and degradation of valuable ecosystems such as the Amazon and Cerrado (CGF Soy Sourcing Guidelines).

Lower-priority soy is defined as soy that comes from other regions, including the U.S., Canada, Europe, India, and China (CGF Soy Sourcing Guidelines). European produced soy, or Danube soy, is also acceptable as "low priority."

Stock Keeping Unit (SKU)
We include SKUs that were active only for a limited period of time during the reporting period, SKUs that were active at a certain point in time during the reporting period, even though not active anymore at the end of the reporting period or at the time of the data collection, seasonal products, and SKUs that are only sold in our franchise/affiliated stores. Excluded SKUs are SKUs that are sold in company-operated stores selling only wholesale, promotional products and secondary SKUs.

Sustainable Development Goals (SDGs)
The United Nations SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The 17 goals replace the Millennium Development Goals and are set on a 2016-2030 time frame.

Tea, coffee and cocoa
For tea, all own-brand products based on tea (Camellia sinensis), including flavored or scented teas, as well as Rooibos; excluding matcha, iced tea drinks, iced tea mixes and "ready-to-drink" beverages such as Kombucha. Herbal tea, that does not contain camellia sinensis, is out of scope.

For coffee, all own-brand coffee products based on coffee beans (beans, ground coffee, instant coffee and liquid coffee), including cold coffee drinks, excluding coffee flavoring in food products.

Cocoa includes cocoa, cocoa powder, cocoa butter and cocoa liquor. We allow each brand to identify a minimum threshold for in-scope products.

Tonnes of food waste donated:
- Includes only food products to feed people (excludes animal feed)
- Includes food donations to food banks and other food donations to feed people
- Excludes third-party donations (from customers, suppliers and associates)

Waste
"Total waste generated" includes all waste, regardless of the waste management (recycling, incineration or landfill). It is broken down by percentage sent to landfill, recycled and sent to incinerators that produce energy. Waste data covers all types of facilities (stores, distribution centers and offices). Information about all waste disposal methods has been determined through information provided by the waste disposal contractors.

Waste recycling
All methods that do not include sending waste to landfill or incineration. For food waste, this includes four methods: recycling through animal feed, recycling through biogas generation, composting and rendering. For other waste streams, such as cardboard, paper, plastic and other waste, recycling refers to applied methods for each specific waste type.

Limited scope 3 (other indirect emissions): emissions from franchise stores (including estimates) and affiliated stores and trucking emissions from subcontracted trucks that deliver Ahold Delhaize products from operated distribution centers to stores.

Full scope 3 includes the 10 out of 15 scope 3 categories that are relevant to our business. It includes indirect emissions from all the goods and services we purchase, emissions from sold products (from gasoline sales in the U.S.) and several smaller emissions categories that cover all upstream and downstream activities.

Performance review

Definitions: performance measures continued

ESG glossary

In addition to the non-financial alternative performance measures defined above, the following concepts or terminologies are used in our *ESG statements*.

amfori BSCI
amforiBusiness Social Compliance Initiative (BSCI): a non-profit organization that supports more than 1,000 international companies in the process of monitoring and improving working conditions in the global supply chain through its own auditing program. We consider the following standards to be "BSCI Equivalent": BSCI; BRCGS Ethical Trade and Responsible Sourcing Standard – Issue 1; Equitable Food Initiative Social Standards, Guidance, & Interpretations_v2.1 (EFI) including Ethical Charter; Ethical Trading Initiative (ETI)/SMETA; Fair for Life/For Life; Fair Labor Association (FLA)[1]; Fair Trade USA[2]; Fairtrade Hired Labor; Fairtrade Textile; Florverde[2]; Initiative Clause Sociale (ICS); Kenya Flower Council (KFC); MPS – Socially Qualified (SQ); Proterra; Rainforest Alliance (RA)/ Sustainable Agriculture Network (SAN); Sustainable Agriculture in South Africa (SIZA); Sustainably Grown; Social Accountability (SA) 8000; UTZ Certified[2]; Wine and Agricultural Ethical Trade Association (WIETA).

1 Only audit reports conducted by external, independent auditors are considered equivalent.
2 Only applicable if the production unit is a farm.

Biodiversity
The variety of plant and animal species on earth or as measured for a specific ecosystem. According to the Food and Agriculture Organization (FAO), biodiversity for food and agriculture is indispensable to food security and sustainable development. It supplies many vital ecosystem services, such as creating and maintaining healthy soils, pollinating plants, controlling pests and providing a habitat for wildlife, including for fish and other species that are vital to food production and agricultural livelihoods.

Deforestation and land conversion are closely linked to biodiversity.

Deforestation
Deforestation is a loss of natural forest as a result of:

1. Conversion to agriculture or other non-forest land use
2. Conversion to a tree plantation

Land conversion
Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure or function.

1. Deforestation is one form of land conversion (conversion of natural forests).
2. Includes severe degradation from the introduction of management practices that result in a substantial and sustained change in the ecosystem's former species composition, structure or function.
3. Change to natural ecosystems that meets this definition is considered to be conversion, regardless of whether or not it is legal.

Food Loss and Waste Protocol
A multi-stakeholder effort developed the global accounting and reporting standard (known as the FLW Standard) for quantifying food and associated inedible parts removed from the food supply chain (referred to for simplicity's sake as "food loss and waste"). For more information, see *www.flwprotocol.org*.

GFSI
Global Food Safety Initiative: a Consumer Goods Forum Coalition of Action that enables continuous improvement of food safety management across the supply chain, through benchmarking, collaboration and harmonization of food safety certification programs.

Global Sustainable Seafood Initiative (GSSI)
A global platform and partnership of seafood companies, NGOs, experts and governmental and intergovernmental organizations working towards more sustainable seafood. GSSI's Global Benchmark Tool includes GSSI Essential Components that are based on the Code of Conduct for Responsible Fisheries (CCRF) and the FAO Guidelines. Seafood certification schemes must meet these standards to be recognized by GSSI.

Location-based approach
The GHG Protocol scope 2 Guidance defines the location-based approach as "a method that reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)."

Market-based approach
The GHG Protocol scope 2 Guidance defines the market-based approach as "a method that reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims. Markets differ as to what contractual instruments are commonly available or used by companies to purchase energy or claim specific attributes about it, but they can include energy attribute certificates (RECs, GOs, etc.), direct contracts (for both low-carbon, renewable, or fossil fuel generation), supplier-specific emission rates and other default emission factors representing the untracked or unclaimed energy and emissions (termed the 'residual mix') if a company does not have other contractual information that meets the Scope 2 Quality Criteria."

Palm oil RSPO-certified
The RSPO initiated a certification program to promote the use of sustainable palm oil, with different supply chain options: RSPO Segregated, RSPO Mass Balance and RSPO Book & Claim. RSPO Segregated certifies that palm oil only comes from RSPO-certified palm plantations. RSPO Mass Balance certifies that palm oil comes from a mix of RSPO-certified and RSPO-uncertified palm plantations. RSPO Book & Claim enables companies to buy credits from RSPO-certified growers, crushers and independent smallholders. To comply with RSPO certification requirements, any supplier that uses palm-based ingredients must be RSPO Chain of Custody-certified, and purchase RSPO-certified (Mass Balance or Segregated) palm oil.

Science Based Targets Initiative (SBTi)
The SBTi is a partnership between CDP, the UNGC, WRI and the World Wide Fund for Nature (WWF). SBTi provides a framework to help specify how much and how quickly organizations need to reduce their greenhouse gas emissions to stay within the 1.5°C maximum rise in global temperature.

Governance

Governance

Remuneration

Governance

Our Management Board and Executive Committee

Frans Muller

President and Chief Executive Officer; Chair and member of the Management Board and Executive Committee; interim Chief Human Resources Officer

Frans Muller started as President and Chief Executive Officer of Ahold Delhaize on July 1, 2018. Before that, he served as Deputy Chief Executive Officer and Chief Integration Officer since 2016. He was also Acting Chief Operating Officer for Delhaize America from October 2016 until January 2018. Prior to Ahold Delhaize, Frans served for three years as President and CEO of Delhaize Group.

Before joining Delhaize Group, Frans worked for German retailer Metro AG for more than 15 years, serving in various leadership positions, including managing director of Makro, member of the board of Metro Cash & Carry International, president for Asia Pacific and Russia / Ukraine, and CEO of Metro group buying.

From 2006 until 2013, he was a member of the Metro AG management board and served as CEO of Metro Cash & Carry from 2008 until 2013. From 1988 to 1997, Frans held various management and executive positions at KLM Cargo in Amsterdam, Frankfurt, Vienna and Singapore.

Frans currently serves as chairman of the board of the Vlerick Business School. He is a member of the board of directors and the governance committee of the Consumer Goods Forum (CGF).

Age: 59

Natalie Knight

Chief Financial Officer; Member Management Board and Executive Committee

Natalie Knight was appointed Chief Financial Officer and a member of the Management Board on April 8, 2020. She started at Ahold Delhaize as Executive Vice President Finance and Member of the Executive Committee on March 1, 2020.

Prior to joining Ahold Delhaize, Natalie was CFO and member of the executive management team at Arla Foods in Denmark since January 2016. In addition to being responsible for the financial and legal teams, Natalie also had global responsibility for IT.

Before that, she spent 17 years at adidas AG in Germany and the U.S., where she held various senior finance positions, including senior vice president group functions finance, senior vice president commercial and brand finance, CFO adidas North America and vice president investor relations and M&A.

Prior to her time with adidas, Natalie held investor relations roles at BASF and Bankgesellschaft Berlin.

Age: 50

Kevin Holt

Chief Executive Officer Ahold Delhaize USA; Member Management Board and Executive Committee

Kevin Holt has served as Chief Executive Officer of Ahold Delhaize USA and a member of the Ahold Delhaize Management Board since January 1, 2018. Prior to that, Kevin was Chief Operating Officer of Ahold USA since October 2016, after serving as Chief Operating Officer of Delhaize America since July 24, 2016. He had earlier served as Executive Vice President of Delhaize Group and CEO of Delhaize America, starting in 2014.

A 30-year veteran in the industry, Kevin served as president of retail operations for SuperValu before joining Delhaize Group. During his tenure, the company owned the Albertsons, Jewel-Osco and Save-A-Lot chains and was the third largest food retailing company in the U.S.

Prior to SuperValu, Kevin worked for three years in executive leadership positions with Sears Holding Company and 14 years with Meijer, serving in various leadership roles, including executive vice president of information technology and strategic planning.

Before joining the retail industry, Kevin spent nine years at NCR delivering technology solutions to large and complex organizations.

Kevin serves on the board of directors of the Food Marketing Institute, an industry trade association in the U.S. Additionally, he previously chaired FMI's foundation.

Age: 62

Wouter Kolk

Chief Executive Officer Europe and Indonesia; Member Management Board and Executive Committee

Wouter Kolk started as Chief Executive Officer Europe and Indonesia on October 1, 2018. He had been Chief Operating Officer the Netherlands and Belgium and member of the Executive Committee of Ahold Delhaize since September 8, 2017.

Wouter re-joined Ahold in 2013 as Executive Vice President Specialty Stores and New Markets at Albert Heijn following a six-year period as CEO of international retailer WE Fashion. He became CEO Albert Heijn in January 2015.

Wouter first started at Ahold in 1991, and over the next 16 years served in several international commercial and general management roles, including Commercial Director Asia-Pacific based in Singapore, Regional Director Albert Heijn, General Manager Gall & Gall and General Manager of Etos.

Wouter is a member of the supervisory board of concert hall Paradiso.

Age: 54

Governance

Our Management Board and Executive Committee continued

Jan Ernst de Groot

Chief Legal Officer; Member Executive Committee

Jan Ernst de Groot has served as Chief Legal Officer and member of Ahold Delhaize's Executive Committee since July 24, 2016. Prior to that, he was Chief Legal Officer and member of Ahold's Executive Committee since February 1, 2015. Jan Ernst is responsible for Ahold Delhaize's legal affairs, governance and compliance functions, safety, public affairs, and product integrity.

Before joining Ahold, Jan Ernst was general counsel and managing director at TNT Express. Prior to that, he worked for KLM Royal Dutch Airlines in a wide range of business and corporate roles, most recently as managing director and a member of the board of management.

Jan Ernst started his career at law firm De Brauw Blackstone Westbroek.

Jan Ernst is a member of the executive board of VNO-NCW Dutch Confederation of Netherlands Industry & Employers, of the supervisory board of ADG Dienstengroep, and is chairman of the supervisory council of ARK Rewilding Netherlands.

Age: 57

Ben Wishart

Global Chief Information Officer; Member Executive Committee

Ben Wishart became a member of Ahold Delhaize's Executive Committee on January 1, 2018. Ben joined Ahold in 2013 in the role of Global Chief Information Officer and has continued in this role for Ahold Delhaize. He is responsible for leadership and governance on technology matters globally, including strategy and solution delivery, enabling digital platforms, cyber defense and sourcing.

He previously served as chief information officer of Morrisons plc and Whitbread plc and held various senior Information Technology roles at Tesco plc following early career roles in consulting with Cap Gemini and sales and marketing with American Express.

Ben is an independent non-executive director at PayPoint. He serves as a member of the nomination and remuneration committees, together with the audit committee and is chair of the cyber and IT sub-committee.

Age: 58

Farhan Siddiqi

Chief Digital Officer; Member Executive Committee

Farhan Siddiqi joined Ahold Delhaize as Chief Digital Officer and member of the Executive Committee on January 28, 2019. He is responsible for driving digital transformation and innovation across Ahold Delhaize's local brands, focusing on loyalty, data analytics and personalization.

Before joining Ahold Delhaize, Farhan served as chief digital officer at McDonald's, and led the restaurant chain's digital transformation, including the launch of mobile commerce in 20,000 restaurants, a new mobile app and an upgrade of its self-service ordering kiosks. He was also responsible for data analytics and extending the chain's customer relationship management capabilities.

Prior to this, Farhan held various key leadership positions within Bank of America, Target and General Electric, where he focused on implementing successful customer loyalty programs and digital payment solutions and launching strategic partnerships. Farhan serves on the board of directors of Alliant Credit Union.

Age: 52

Management Board composition: nationality

Dutch	2
American	2

Gender

75% | 25%

Executive Committee composition: nationality

Dutch	3
American	3
British	1

Gender

86% | 14%[1]

1 At the end of 2020, the gender split of the Executive Committee was 75% male and 25% female, as Abbe Luersman retired from the Executive Committee effective February 1, 2021.

Governance

Our Supervisory Board

Peter Agnefjäll

Chair and Chair of the Risk Committee

Peter Agnefjäll has served on Ahold Delhaize's Supervisory Board since April 10, 2019, and as its Chair since January 1, 2021. Peter is Chair of the Risk Committee and a member of the Remuneration Committee, the Governance and Nomination Commitee and the Sustainability and Innovation Committee.

Peter serves on the board of directors of Orkla ASA, a leading supplier of branded consumer goods to the grocery, out-of-home, specialized retail, pharmacy and bakery sectors. In addition to this, he serves on the board of directors of Wizz Air and on the advisory board of Deichmann, a family-owned European shoe retailer.

Peter served as president and CEO of the IKEA Group from 2013 to 2017. He started his career there as a trainee in 1995 and over the years, held several senior management positions within the company.

Age: 49

Bill McEwan

Vice Chair and Chair of the Remuneration Committee

Bill McEwan has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is Chair of the Remuneration Committee and a member of the Risk Committee and the Sustainability and Innovation Committee. Prior to this, he served on Delhaize's Board of Directors as of 2011 and was Chair of its Remuneration Committee.

Bill is the former president and CEO of Sobeys Inc., and was a member of the board of directors of its parent company, Empire Company Limited. Between 1989 and 2000, Bill held a variety of progressively senior marketing and merchandising roles with Coca-Cola Limited and Coca-Cola Bottling, as well as with The Great Atlantic and Pacific Tea Company (A&P), both in Canada and in the United States. Bill served as president of A&P's Canadian operations before his appointment as president and CEO of the company's U.S. Atlantic Region.

Age: 64

René Hooft Graafland

Chair of the Audit and Finance Committee

René Hooft Graafland has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is Chair of the Audit and Finance Committee, a member of the Risk Committee and of the Sustainability and Innovation Committee. Prior to this, he was appointed to Ahold's Supervisory Board on April 16, 2014, with effect from January 1, 2015.

René previously held the position of CFO and member of the executive board of Heineken N.V. until April 2015. Before being appointed as a member of Heineken's executive board in 2002, he held various international management positions with the company in Europe, Asia and Africa.

René is member of the supervisory board and audit committee of Koninklijke FrieslandCampina N.V. and chairman of the supervisory board of Lucas Bols N.V. He is chairman of the boards of the Royal Theatre Carré Fund and the Stichting African Parks Foundation. René is also a member of the Monitoring Commissie Corporate Governance Code.

Age: 65

Ben Noteboom

Chair of the Governance and Nomination Committee

Ben Noteboom has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is Chair of the Governance and Nomination Committee and a member of the Remuneration Committee and the Sustainability and Innovation Committee. Prior to this, he was first appointed to the Ahold Supervisory Board on April 28, 2009.

Ben is former CEO and chairman of the executive board of Randstad Holding N.V., to which he was appointed in 2001. He had first joined Randstad in 1993 and held various senior management positions during his time with the company. Ben is chairman of the supervisory board of Koninklijke Vopak N.V., chairman of its selection and appointment committee and a member of its remuneration committee. He is also a member of the supervisory board of Aegon N.V., chairman of its remuneration committee and a member of its risk committee. In addition, he serves as a member of the board of the Cancer Center Amsterdam.

Age: 62

Katie Doyle

Chair of the Sustainability and Innovation Committee

Katie Doyle has served on Ahold Delhaize's Supervisory Board since April 10, 2019, and is Chair of the Sustainability and Innovation Committee and a member of the Audit and Finance Committee.

Katie was most recently the CEO of Swanson Health Products, a direct-to-consumer health and wellness brand providing a full range of products to help consumers around the world to live healthier, as well as a member of the board of directors of Bemis Company, where she served on the audit, compensation and nominating committees. Prior to these roles, Katie was a senior vice president leading Abbott's Nutrition division for the U.S., Canada and Puerto Rico. Before that, she was senior principal at McKinsey & Company, serving and leading consumer goods and retail clients globally.

Currently, Katie serves as a member of the board of trustees of the Museum of Science and Industry in Chicago, where she serves on the finance and audit committees. She is also a member of the audit committee of Perrigo, an Irish-registered (U.S.-listed) manufacturer of branded and private label over-the-counter and prescription pharmaceutical products.

Finally, she is a member of The Chicago Network, an invitation-only organization of leading C-level female executives.

Age: 53

Governance

Our Supervisory Board continued

Mary Anne Citrino

Mary Anne Citrino has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Audit and Finance Committee, the Governance and Nomination Committee and the Sustainability and Innovation Committee. Prior to this, she served on Ahold's Supervisory Board starting on March 14, 2016.

Mary Anne is a senior advisor to Blackstone. She joined the Blackstone Advisory Partners Group as senior managing director in 2004.

Mary Anne was employed at Morgan Stanley for over 20 years, during which she served as the global head of consumer products investment banking, co-head of healthcare services investment banking, and as a mergers and acquisitions analyst.

Currently, Mary Anne is a member of the board of directors of Aluminum Company of America Inc. and is a member of its governance and nominating committee and public issues committee. She is also chair of the audit committee and member of the finance, investment and technology committee of Hewlett Packard, Inc.

Age: 61

Dominique Leroy

Dominique Leroy has served on Ahold Delhaize's Supervisory Board since July 24, 2016, and is a member of the Governance and Nomination Committee, the Risk Committee and the Sustainability and Innovation Committee. Prior to this, she served on Delhaize's Board of Directors starting in 2015.

Dominique is a member of the board of Deutsche Telekom and responsible for the Europe segment. She previously held the position of CEO and member of the board of directors of Proximus (formerly Belgacom) until September 2019. Before being appointed as a member of the board of directors of Proximus, she held various management positions with the company.

Prior to this, Dominique worked at Unilever for 24 years. She was managing director at Unilever Belgium/Luxembourg and a member of the Unilever Benelux management committee.

Dominique is an independent board member for the French construction materials group Compagnie de Saint Gobain. She is an external independent advisor at Bain & Company. She was chairwoman of the international advisory boards of the Solvay Brussels School of Economics and Management and the Proximus affiliates BICS and BE Mobile until September 2019.

Age: 56

Helen Weir

Helen Weir has served on Ahold Delhaize's Supervisory Board since April 8, 2020, and is a member of the Audit and Finance Committee, the Remuneration Committee and the Sustainability and Innovation Committee.

Helen has had a distinguished career as finance director of a number of large consumer-focused companies, including Marks and Spencer plc, John Lewis Partnership, Lloyds Banking Group plc and Kingfisher plc.

Helen also holds several non-executive positions. She serves as a non-executive director of Greencore Group plc., an Ireland-based international manufacturer of convenience foods. She is chair of the audit committee of Compass Limited (a company retailing under the Bata Brand). She also serves as senior independent director at Superdry Plc, a UK-based fashion retailer. Lastly, Helen serves as director of the Rugby Football Union and as trustee of Marie Curie, a UK-based charity organization providing care and support through terminal illness.

Age: 58

Frank van Zanten

Frank van Zanten has served on Ahold Delhaize's Supervisory Board since April 8, 2020, and is a member of the Remuneration Committee, the Risk Committee and the Sustainability and Innovation Committee.

Frank is CEO and member of the nomination committee of Bunzl plc, a specialist international distribution and services group.

Frank joined Bunzl in 1994 when the company acquired his family-owned business in the Netherlands and he subsequently assumed responsibility for a number of businesses in other countries. In 2002, he became CEO of PontMeyer NV, a listed company in the Netherlands, before re-joining Bunzl in 2005 as the managing director of the continental Europe business area.

Frank also served as a non-executive director at Grafton plc from 2013-2020.

Age: 54

Supervisory Board composition: nationality

Dutch	3
American	2
Belgian	1
British	1
Canadian	1
Swedish	1

Gender

56%[1] (male) | 44%[1] (female)

1 By the end of 2020, the gender split of the Supervisory Board was 60% male and 40% female, as Jan Hommen retired from the Supervisory Board effective December 31, 2020.

Governance

Corporate governance

We have designed our corporate governance structure to best support our business, meet the needs of our stakeholders and comply with laws and regulations.

This section contains an overview of our corporate governance structure and includes information required under the new Dutch Corporate Governance Code, effective January 1, 2017 ("Dutch Corporate Governance Code").

Governance structure

Koninklijke Ahold Delhaize N.V. ("the Company" or "Ahold Delhaize") is a public company under Dutch law, structured to execute our strategy and to balance local, regional and global decision-making.

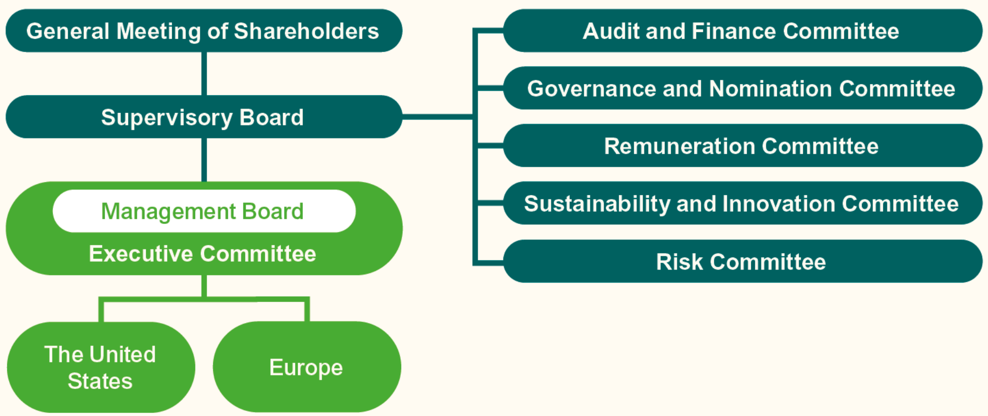
In 2020, our Company comprised a Global Support Office and two reportable segments: The United States and Europe, each of which are made up of a number of local brands.

Ahold Delhaize has a two-tier board structure with a Supervisory Board and Management Board that are accountable to our shareholders. Our Management Board has ultimate responsibility for the overall management of Ahold Delhaize. The Supervisory Board supervises and advises the Management Board.

The Executive Committee comprises our Management Board and other key officers of the Company, led by the Chief Executive Officer. The Executive Committee has been established to involve a broader leadership team in the decision-making process and to optimize strategic alignment and operational execution while having the flexibility to adapt to developments in the business and across the Company and the industry.

The following diagram shows Ahold Delhaize's governance structure. A list of subsidiaries, joint ventures and associates is included in *Note 35* to the consolidated financial statements.

Governance structure



Management Board and Executive Committee

Our Management Board has the responsibility for the overall management of the Company and oversees corporate governance. It is also responsible for the actions and decisions of the Executive Committee, which manages our general affairs and ensures effective implementation of the strategy and achievement of the Company's objectives.

The Management Board and Executive Committee together support our business, meet the needs of our stakeholders and ensure we comply with relevant rules and regulations. The members of the Executive Committee are sometimes invited to the meetings of the Supervisory Board by invitation of the Chair of the Supervisory Board and attend the Supervisory Board Committee meetings relevant to their respective functional responsibilities.

According to our Articles of Association, the Management Board must consist of at least three members. For a more detailed description of the responsibilities and the requirements of the Management Board and the Executive Committee, see the Rules of Procedure in the Governance section of Ahold Delhaize's public website at *www.aholddelhaize.com*.

Composition of the Management Board and Executive Committee

The current members of the Management Board are: Frans Muller, President and Chief Executive Officer; Natalie Knight, Chief Financial Officer; Kevin Holt, Chief Executive Officer Ahold Delhaize USA; and Wouter Kolk, Chief Executive Officer Europe and Indonesia. The current members of the Executive Committee are the members of the Management Board along with Ben Wishart, Global Chief Information Officer; Farhan Siddiqi, Chief Digital Officer; and Jan Ernst de Groot, Chief Legal Officer.

At the annual General Meeting of Shareholders on April 8, 2020, Natalie Knight was appointed by the Company's shareholders for a term of four years ending on the day of the annual General Meeting of Shareholders in 2024. At the same meeting, Kevin Holt was reappointed to the Management Board (see reappointment schedule below) and we thanked Jeff Carr for his significant contributions to the Company. Abbe Luersman retired from the Executive Committee effective, February 1, 2021, and Frans Muller is currently serving as interim Chief Human Resources Officer during the search for a successor.

Currently, Ahold Delhaize has a Management Board that is 25% female, and an Executive Committee that is 14% female. We recognize this leaves room for improvement, which is reflected in our broad and bold ambition for diversity and inclusion. We aim to reflect the markets we serve, and have a workplace where all voices are heard and valued, we find purpose in our work, we have equitable access to opportunities, and we can grow and contribute to our fullest. We aspire to be a company that is 100% gender balanced, 100% reflective of the markets we serve and 100% inclusive. For more information on our diversity and inclusion ambition, see our *Cultivate best talent* growth driver.

Governance

Corporate governance continued

Appointment, suspension and dismissal

The General Meeting of Shareholders can appoint, suspend or dismiss a Management Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved, but an absolute majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes exercised, regardless of the number of shares represented at the meeting, is required to adopt the proposal.

Management Board members are appointed for four-year terms and may be reappointed for additional terms not exceeding four years. The Supervisory Board may at any time suspend a Management Board member. The other members of the Executive Committee are appointed, suspended and dismissed by the Supervisory Board, at the proposal of the CEO.

Remuneration

On April 10, 2019, Ahold Delhaize's General Meeting of Shareholders adopted the current remuneration policy for Management Board members. The Principles and Procedures were adopted by the General Meeting of Shareholders on April 8, 2020.

You can find the details of this policy in *Remuneration policy*. For detailed information on the individual remuneration of Management Board members, see *Note 31* and *Note 32* to the consolidated financial statements.

Reappointment schedule Management Board

Name	Date of first appointment	Year of possible reappointment
Frans Muller	March 14, 2016[1]	2023
Natalie Knight	April 8, 2020	2024
Kevin Holt	March 14, 2016	2024[2]
Wouter Kolk	April 11, 2018	2022

1 Effective July 24, 2016.
2 At the General Meeting of Shareholders on April 8, 2020, Kevin Holt was reappointed to the Management Board in view of several long-term strategic and operational initiatives that are ongoing at Ahold Delhaize USA. Should his role in these initiatives be concluded before the end of the four-year term, Kevin and the Company will have the option to end his assignment as per the annual General Meeting of Shareholders to be held in 2022. As executive leadership transition and continuity is critical, Kevin would then subsequently remain attached to the Company as an advisor to the Management Board until December 31, 2022, after which he would retire.

Evaluation

In early 2021, the Management Board and the Executive Committee conducted a self-assessment. To facilitate the self-assessment, a questionnaire with open questions was sent to all individual Executive Committee members and the output of the questionnaire was used to facilitate a structured dialogue chaired by the CEO.

Overall, the Executive Committee concluded that they function well as a team. Opinions are shared openly and discussed in a constructive manner. Compared to last year, there was consensus that the decision-making process became more effective.

Items for improvement included diversity. With the retirement of the Chief Human Resources Officer, the need for diversity only increased and there was commitment to look for a successor who will bring a different perspective to further strengthen the team dynamics. Improving interactions between the several layers of the Company's operating model, with direct support by the Executive Committee, is a point of attention for 2021. In terms of meeting efficiency, it was agreed the meeting agendas should allow more time for open discussion on the key strategic topics.

Supervisory Board

The Supervisory Board is responsible for supervising and advising our Management Board and overseeing the general course of affairs, strategy, operational performance and corporate governance of the Company. The Supervisory Board is guided in its duties by the interests of the Company and the enterprise connected with the Company, taking into consideration the overall well-being of the enterprise and the relevant interests of all its stakeholders. The Supervisory Board is responsible for monitoring and assessing its own performance.

Ahold Delhaize's Articles of Association require the approval of the Supervisory Board for certain major resolutions by the Management Board, including:

- Issuance of shares
- Acquisitions, repurchases of shares, and any reduction in issued and outstanding capital
- Allocation of duties within the Management Board and the adoption or amendment of the Rules of Procedure of the Management Board and the Executive Committee
- Significant changes in the identity or the nature of the Company or its enterprise

More detailed information on the Supervisory Board can be found in the *Supervisory Board report*. The Rules of Procedure of the Supervisory Board are available in the *Governance* section of Ahold Delhaize's public website at *www.aholddelhaize.com*.

Appointment, suspension and dismissal

The General Meeting of Shareholders can appoint, suspend or dismiss a Supervisory Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved but an absolute majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes exercised is required, regardless of the number of shares represented at the meeting.

A Supervisory Board member is appointed for a four-year term and may be reappointed for another four-year period. The Supervisory Board member may subsequently be reappointed for a period of two years, which may be extended by, at most, two years.

Governance

Corporate governance continued

Conflict of interest

A member of the Supervisory Board is required to immediately report any potential conflict of interest to the Chair of the Supervisory Board and the other members of the Supervisory Board and provide them with all relevant information. Similarly, in the event of a potential conflict of interest concerning a member of the Management Board, he or she is required to immediately report this to the Chair of the Supervisory Board and to the other members of the Management Board and provide them with all relevant information.

Should a conflict of interest arise, the Supervisory Board or the relevant Management Board member may not participate in the discussions and decision-making process on subjects or transactions relating to the conflict of interest.

We will record any such facts or transactions in the annual report for the relevant year, with reference to the conflict of interest and a confirmation that we have complied with best practice provisions 2.7.3 and 2.7.4 of the Dutch Corporate Governance Code. During 2020, no member of the Supervisory Board or the Management Board had a conflict of interest that was of material significance to the Company.

In addition, no transactions between the Company and legal or natural persons who hold at least 10% of the shares in the Company occurred in 2020, corresponding to the best practice provision 2.7.5 of the Code.

Shares and shareholders' rights

General Meeting of Shareholders

Ahold Delhaize's shareholders exercise their rights through annual and extraordinary General Meetings of Shareholders. The Company is required to convene an annual General Meeting of Shareholders in the Netherlands each year, no later than six months after the end of the Company's financial year. Extraordinary General Meetings of Shareholders may be convened at any time by the Supervisory Board, the Management Board, or by one or more shareholders (and/or holders of depository receipts) representing at least 10% of the issued share capital.

The agenda for the annual General Meeting of Shareholders must contain certain matters as specified in Ahold Delhaize's Articles of Association and under Dutch law, including the adoption of our annual financial statements. The General Meeting of Shareholders is also entitled to vote on important decisions regarding Ahold Delhaize's identity or character, including major acquisitions and divestments.

Shareholders (and/or holders of depository receipts) are entitled to propose items for the agenda of the annual General Meeting of Shareholders provided that they hold at least 1% of the issued share capital or the shares or depository receipts that they hold represent a market value of at least €50 million. Proposals for agenda items for the annual General Meeting of Shareholders must be submitted at least 60 days prior to the date of the meeting.

Adoption of resolutions

Subject to certain exceptions provided by Dutch law or our Articles of Association, resolutions are passed by an absolute majority of votes cast without a requirement for a quorum.

Proposals submitted to the agenda by shareholders require an absolute majority of votes cast at the annual General Meeting of Shareholders representing at least one-third of the issued shares. If this qualified majority is not achieved but an absolute majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, an absolute majority of votes exercised is required to adopt the proposal, regardless of the number of shares represented at the meeting (unless the law or our Articles of Association provide otherwise).

A resolution to dissolve the Company may be adopted by the annual General Meeting of Shareholders following a proposal of the Management Board made with the approval of the Supervisory Board. Any proposed resolution to wind up the Company must be disclosed in the notice calling the annual General Meeting of Shareholders at which that proposal is to be considered.

Voting rights

Each common share entitles its holder to cast one vote. Dutch law prescribes a record date to be set 28 days prior to the date of the annual General Meeting of Shareholders to determine whether a person may attend and exercise the rights relating to the annual General Meeting of Shareholders. Shareholders registered at that date are entitled to attend and to exercise their rights as shareholders in relation to the annual General Meeting of Shareholders, regardless of a sale of shares after the record date. Shareholders may be represented by written proxy.

We encourage participation in our General Meetings of Shareholders. We use J.P. Morgan Chase Bank N.A., the Depositary for the Company's ADR facility, to enable ADR holders to exercise their voting rights, which are represented by the common shares underlying the ADRs.

Neither Ahold Delhaize nor any of its subsidiaries may cast a vote on any share they hold in the Company. These shares are not taken into account for the purpose of determining how many shareholders are represented or how much of the share capital is represented at the General Meeting of Shareholders.

Cumulative preferred shares

In March 1989, the Company entered into an agreement with the Dutch foundation Stichting Continuïteit Ahold Delhaize (SCAD, previously named Stichting Ahold Continuïteit), as amended and restated in April 1994, March 1997, December 2001, December 2003 and May 2018 (the "Option Agreement"). The Option Agreement was designed to, in accordance with the purpose of SCAD under its articles, potentially exercise influence in the event of a public offer or a potential change of control over the Company, to safeguard the interests of the Company and its stakeholders and to potentially avert, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity.

Pursuant to the Option Agreement, SCAD has been granted an option to acquire cumulative preferred shares from the Company from time to time for no consideration.

Governance
Corporate governance continued

SCAD and the members of its board are independent from the Company. As of March 2, 2021, the members of the board of SCAD are:

Name	Principal or former occupation
G.H.N.L van Woerkom, Chair	Former Chair of Detailhandel Nederland
B. Tree, Vice-Chair	Former CEO APM Terminal Europe
B.M.A van Hussen	Lawyer and former M&A partner at DLA Piper
C.M.S Smith-Nusteling	Former CFO KPN

For further details on Ahold Delhaize's cumulative preferred shares, including restrictions on transfer, see Note 21 to the consolidated financial statements. The related documents are available on our public website at *www.aholddelhaize.com*.

Issuance of additional shares and preemptive rights
Shares may be issued following a resolution by the General Meeting of Shareholders on a proposal of the Management Board made with the approval of the Supervisory Board. The General Meeting of Shareholders may resolve to delegate this authority to the Management Board for a period of time not exceeding five years. A resolution of the General Meeting of Shareholders to issue shares, or to authorize the Management Board to do so, is also subject to the approval of each class of shares whose rights would be adversely affected by the proposed issuance or delegation. On April 8, 2020, the General Meeting of Shareholders approved a delegation of this authority to the Management Board, relating to the issuance and/or granting of rights to acquire common shares up to a maximum of 10% of the issued share capital until and including October 8, 2021, and subject to the approval of the Supervisory Board.

Upon the issuance of new common shares, holders of Ahold Delhaize's common shares have a preemptive right to subscribe to common shares in proportion to the total amount of their existing holdings of Ahold Delhaize's common shares. According to the Company's Articles of Association, this preemptive right does not apply to any issuance of shares to associates. The General Meeting of Shareholders may decide to restrict or exclude preemptive rights. The General Meeting of Shareholders may also resolve to designate the Management Board as the corporate body authorized to restrict or exclude preemptive rights for a period not exceeding five years.

On April 8, 2020, the General Meeting of Shareholders delegated to the Management Board, subject to the approval of the Supervisory Board, the authority to restrict or exclude the preemptive rights of holders of common shares upon the issuance of common shares and/or upon the granting of rights to subscribe for common shares until and including October 8, 2021.

Repurchase by Ahold Delhaize of its own shares
Ahold Delhaize may only acquire fully paid-up shares of any class in its capital for consideration following authorization by the General Meeting of Shareholders and subject to the approval of the Supervisory Board and certain provisions of Dutch law and the Company's Articles of Association, if:

1. Shareholders' equity minus the payment required to make the acquisition is not less than the sum of paid-in and called-up capital and any reserves required by Dutch law or Ahold Delhaize's Articles of Association; and
2. Ahold Delhaize and its subsidiaries would not, as a result, hold a number of shares exceeding a total nominal value of 10% of the issued share capital.

In line with the above, the Management Board was authorized by the General Meeting of Shareholders on April 8, 2020, to acquire a number of shares in the Company. Such acquisition of shares, at the stock exchange or otherwise, will, for common shares, take place at a price between par value and 110% of the opening price of the shares at AEX by NYSE Euronext on the date of their acquisition, provided that the Company and its subsidiaries will not hold more than 10% of the issued capital. Ahold Delhaize may acquire shares in its capital for no consideration or for the purpose of transferring these shares to associates through share plans or option plans, without authorization of the General Meeting of Shareholders.

Major shareholders
Ahold Delhaize is not directly or indirectly owned or controlled by another corporation or by any government. The Company does not know of any arrangements that may, at a subsequent date, result in a change of control, except as described under *Cumulative preferred shares*.

Articles of Association
Our Articles of Association outline certain of the Company's basic principles relating to corporate governance and organization. The current text of the Articles of Association is available at the Trade Register of the Chamber of Commerce and Industry for Amsterdam and on our public website at *www.aholddelhaize.com*.

The Articles of Association may be amended by the General Meeting of Shareholders. A resolution to amend the Articles of Association may be adopted by an absolute majority of the votes cast upon a proposal of the Management Board. If another party makes the proposal, an absolute majority of votes cast representing at least one-third of the issued share capital is required. If this qualified majority is not achieved but an absolute majority of the votes is in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes, regardless of the number of shares represented at the meeting, is required.

The prior approval of a meeting of holders of a particular class of shares is required for a proposal to amend the Articles of Association that makes any change in the rights that vest in the holders of shares of that particular class.

Governance
Corporate governance continued

Right of inquiry
The thresholds for shareholders to exercise the right of inquiry (“het enquêterecht”) are based on article 2:346 subclause 1 under c of the Dutch Civil Code, regardless of the current nominal share capital of the Company. More information on the nominal value of shares can be found in *Note 21* to the consolidated financial statements.

External independent auditor
The General Meeting of Shareholders appoints the external independent auditor. The Audit and Finance Committee recommends to the Supervisory Board the external independent auditor to be proposed for (re)appointment by the General Meeting of Shareholders. In addition, the Audit and Finance Committee evaluates and, where appropriate, recommends the replacement of the external independent auditor.

On April 8, 2020, the General Meeting of Shareholders appointed PricewaterhouseCoopers Accountants N.V. as external independent auditor for the Company for the financial year 2020.

Decree Article 10 EU Takeover Directive
According to the Decree Article 10 EU Takeover Directive, we are required to report on, among other things, our capital structure; restrictions on voting rights and the transfer of securities; significant shareholdings in Ahold Delhaize; the rules governing the appointment and dismissal of members of the Management Board and the Supervisory Board and the amendment of the Articles of Association; the powers of the Management Board (in particular the power to issue shares or to repurchase shares); significant agreements to which Ahold Delhaize is a party and which are put into effect, changed or dissolved upon a change of control of Ahold Delhaize following a takeover bid; and any agreements between Ahold Delhaize and the members of the Management Board or associates providing for compensation if their employment ceases because of a takeover bid.

The information required by the Decree Article 10 EU Takeover Directive is included in this *Corporate governance* section, in the *Information about Ahold Delhaize share* section, as well as in the notes referred to in these sections or included in the description of any relevant contract.

Compliance with Dutch Corporate Governance Code
Ahold Delhaize complies with the relevant principles and best practices of the Dutch Corporate Governance Code applicable to the Company in 2020, as reported in the *Governance* section. The Dutch Corporate Governance Code can be found at *www.mccg.nl*.

At the Extraordinary General Meeting of Shareholders on March 3, 2004, our shareholders consented to apply the Dutch Corporate Governance Code. Ahold Delhaize continues to seek ways to improve its corporate governance, including by measuring itself against international best practice.

Corporate governance statement
The Dutch Corporate Governance Code requires companies to publish a statement concerning their approach to corporate governance and compliance with the Code. This is referred to in article 2a of the decree on additional requirements for management reports “Besluit inhoud bestuursverslag” last amended on January 1, 2018 (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 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 section *Compliance with the Dutch Corporate Governance Code*.
- The information concerning Ahold Delhaize’s diversity policy, as required by article 3a sub d of the Decree, can be found in the *Management Board and Executive Committee* and *Supervisory Board* sections of *Corporate governance* as well as in the *Supervisory Board report.*
- The information concerning Ahold Delhaize’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 relevant section under *How we manage risk.*
- The information regarding the functioning of Ahold Delhaize’s General Meeting of Shareholders and the authority and rights of our shareholders, as required by article 3a sub b of the Decree, can be found in the relevant sections under *Shares and shareholders’ rights*.
- The information regarding the composition and functioning of Ahold Delhaize’s Management Board, Executive Committee and Supervisory Board and its committees, as required by article 3a sub c of the Decree, can be found in the *Management Board and Executive Committee* and *Supervisory Board* sections included in *Corporate governance* as well as in the *Supervisory Board report*.
- The information concerning the inclusion of the information required by the Decree Article 10 EU Takeover Directive, as required by article 3b of the Decree, can be found in the section *Decree Article 10 EU Takeover Directive*.

Governance

Letter from the Chair of the Supervisory Board

Dear shareholder,
I'm pleased to present our Supervisory Board report for 2020.

"The common theme in our discussions with management was ensuring that decisions taken would prioritize long-term value creation for the Company and all its stakeholders."

As the report reflects, the situation brought by the COVID-19 pandemic greatly influenced the course of the year for the customers of our brands, associates and the societies where we operate. Protecting the health and safety of customers and associates took center stage and we are proud that the brands successfully secured the food supply for customers despite all the challenges caused by the pandemic.

COVID-19 also presented fresh challenges to the Supervisory Board and its committees, who had to perform their duties virtually since March 2020 due to travel restrictions. Despite these challenges, the Supervisory Board and management continued to have an open, straightforward and constructive dialogue on a number of key topics.

These topics included not only the pandemic and its effect on the Company, but also the digital strategy, e-commerce and profitability, the integration of the U.S. supply chain services, the resolution of several multi-employer pension plans and the Healthy and Sustainable strategy, which we deem critically important for doing the right thing for people and our planet. The common theme in our discussions with management was ensuring that decisions taken would prioritize long-term value creation for the Company and all its stakeholders.

Significant change within the Supervisory Board itself also made 2020 stand out as a special year. Starting at the annual General Meeting of Shareholders in April, we thanked Jacques de Vaucleroy for his many years of distinguished service to the Company and the Supervisory Board, while at the same time welcoming Helen Weir and Frank van Zanten as new board members. Throughout the year, we also prepared for the task of transitioning, with the departure of Jan Hommen at the end of 2020, the expiration of Ben Noteboom's term and Dominique Leroy's retirement.

We would like to thank Jan, Ben and Dominique for their significant contributions to the Company. A special thanks goes to Jan, who started his first term back in 2003, played an important role in navigating the Company through one of its most difficult periods, and was instrumental in bringing Ahold and Delhaize together.

We are also pleased to nominate Bala Subramanian and Jan Zijderveld at the annual General Meeting of Shareholders in April 2021 to further strengthen the Supervisory Board.

From a financial perspective, 2020 was a successful year, but we are aware of and humbled by the cause of this success. In our dialogue with management, it has always been clear that the proceeds should be used to invest in the sustainable success of the Company to create long-term value for all its stakeholders. This idea has been at the heart of our decision-making on many difficult topics throughout the year.

I would like to conclude by saying that it is a great honor that the Supervisory Board decided to elect me as its Chair, and I would like to thank the Management Board, the Executive Committee, but, above all, associates across all the local brands, who worked incredibly hard to live up to our values and make 2020 a memorable year despite such challenging circumstances.

On behalf of the Supervisory Board,
Peter Agnefjäll

Governance

Supervisory Board report

Composition of the Supervisory Board

The composition of Ahold Delhaize's Supervisory Board should suit the nature of the Company's strategy, business, activities and organizational structure. The Board's full profile is published on the Company's public website at www.aholddelhaize.com and updated regularly. The Supervisory Board is responsible for determining its optimal number of members. In the current industry context, and given the combined qualifications of the members in view of the Supervisory Board's requirements, a maximum of 10 members is preferred. The Supervisory Board currently comprises nine members.

After the General Meeting of Shareholders on April 8, 2020, Jacques de Vaucleroy stepped down from the Supervisory Board; at the same meeting, Helen Weir and Frank van Zanten were appointed by our shareholders. With Helen's appointment, the Supervisory Board strengthened its financial expertise and knowledge in retail and fast-moving consumer goods, and at the same time broadened its diversity. Frank van Zanten brings international experience and expertise from a complex distribution business and, in line with the Supervisory Board's profile, is still active as CEO of an internationally operating company. In deviation of provision 4.4.4 of the Dutch Corporate Governance Code, Helen and Frank were not present during the meeting due to the pandemic.

In accordance with provision 2.1.5 of the Dutch Corporate Governance Code, Ahold Delhaize's diversity policy states that the composition of the Supervisory Board and the combined experience and expertise of its members should reflect the profile of the Company as it relates to nationality, age, education, gender and professional background.

Currently four Board members are female and five are male and the Supervisory Board comprises six different nationalities. We recognize that diversity remains an area for improvement and, in our search assignments, we continue to look for opportunities to strengthen the diversity of our composition.

Ongoing education

As part of its ongoing education, the Company organized several deep dives for the Supervisory Board, held virtually. These deep dives gave the Supervisory Board the opportunity to get acquainted with senior officers and key talents of the Company and its great local brands and, in turn, gave these associates exposure to the Supervisory Board. The sessions helped the Supervisory Board to get a feel for how the Company's culture was preserved during these challenging times. Among others, the deep dives included a cyber security update presented by the Company's Global Information Security Officer, a presentation by the Global Safety Officer on occupational health and safety, and a workshop on the background, risks and potential future consequences of the pandemic.

Our new Board members followed a thorough multi-day introduction program, during which they were introduced to the members of the Executive Committee, key officers at the GSO and Retail Business Services and a number of leaders of the great local brands.

Evaluation

Under the leadership of the new Chair, the Supervisory Board conducted a self-assessment in early 2021 to evaluate its own performance as well as the performance of its committees and individual members. To facilitate the self-assessment, a questionnaire with open questions was sent to all individual Supervisory Board members. The feedback was used as input for three break-out groups comprising three Supervisory Board members each, who provided input for a structured dialogue during the Supervisory Board meeting in February 2021.

Overall, the Supervisory Board was positive about its own functioning and its relationship with management, even with the limited opportunities to meet in-person due to the travel restrictions brought on by the pandemic. The Supervisory Board continued to function as a team where different opinions and perspectives are valued and respected. Key areas of supervision, such as strategy, financial performance, health and sustainability and risk management were covered well.

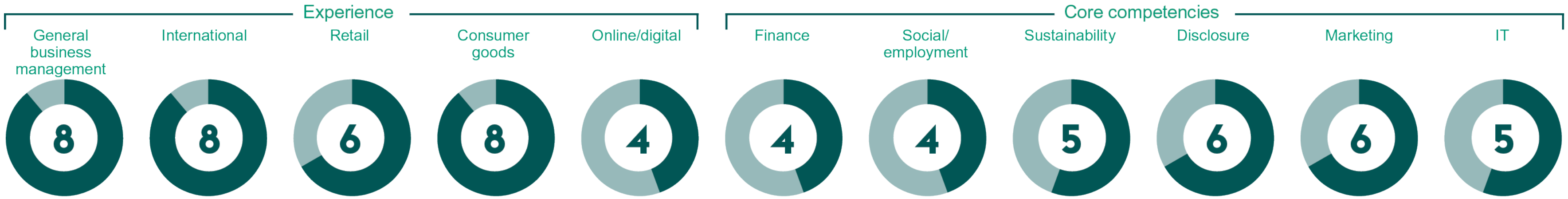
Several opportunities for improvement were discussed. These included succession planning and talent management, whereby the Supervisory Board will continue to seek engagement with top talents in the Company. To maintain good oversight of the Company's culture, the Supervisory Board expressed the need to make regular on-site visits to the brands' stores and operations as soon as circumstances allow. The diversity of the Supervisory Board itself and the Company's leadership teams still needs improvement and will remain a focus point in 2021 and beyond. Lastly, in a retail landscape that continues to face disruption from different angles, the Supervisory Board and management need to continue to preserve sufficient quality time to assess and discuss the Company's long-term strategic challenges and opportunities.

Governance

Supervisory Board report continued

Supervisory Board profile

	Experience					Core competencies					
Name	General business management	International	Retail	Consumer goods	Online/digital	Finance	Social/employment	Sustainability	Disclosure	Marketing	IT
Peter Agnefjäll	*	*	*	*	*		*	*			*
Bill McEwan	*	*	*	*				*	*	*	
René Hooft Graafland	*	*		*		*			*	*	
Dominique Leroy	*	*		*	*			*	*	*	*
Ben Noteboom	*	*					*	*	*	*	
Mary Anne Citrino			*	*		*					
Katie Doyle	*	*	*	*	*	*		*		*	*
Helen Weir	*	*	*	*	*	*	*		*		*
Frank van Zanten	*	*	*	*			*		*	*	*



Reappointment schedule Supervisory Board[1]

Name	Date of birth	Date of first appointment	Reappointment for second and third term	End of current appointment
Peter Agnefjäll	April 21, 1971	April 10, 2019		2023
Bill McEwan	July 28, 1956	March 14, 2016[3]	2020	2022
René Hooft Graafland	September 24, 1955	April 16, 2014[2]	2018	2022
Dominique Leroy	November 8, 1964	March 14, 2016[3]	2020	2024
Ben Noteboom	July 4, 1958	April 28, 2009	2013 / 2017	2021
Mary Anne Citrino	April 24, 1959	March 14, 2016	2020	2024
Katie Doyle	October 20, 1967	April 10, 2019		2023
Helen Weir	August, 17, 1962	April 8, 2020		2024
Frank van Zanten	February 24, 1967	April 8, 2020		2024

1 In its decision to nominate its members for reappointment, the Supervisory Board takes into account their tenure in the Board of Directors of the former Delhaize Group, prior to their appointment to the Supervisory Board.
2 Effective January 1, 2015.
3 Effective July 24, 2016.

Governance

Supervisory Board report continued

Supervisory Board engagement

During 2020, 12 Board meetings took place, of which only one could be organized as an in-person meeting. For the remainder of the meetings, the Supervisory Board used collective video calls, which turned out to be a reasonable alternative for in-person meetings, allowing for effective communication and interaction. The meetings were attended by the Management Board and other members of the Executive Committee. Also, senior management and key talents of the Company were regularly invited to present on specific topics.

Throughout 2020, the Supervisory Board focused on a number of key topics. The most obvious was the **COVID-19 crisis**. During an extra meeting in March, the Supervisory Board was informed by management about the impact of the crisis on the health and safety of associates and customers, the Company's crisis management governance structure and the impact on its U.S. and European businesses and their respective supply chains. In addition, an update from the Group Treasurer on the potential impact of the COVID-19 crisis from a Treasury perspective was discussed. During 2020, the Supervisory Board received frequent updates from the Global Crisis Management Team on the status of the crisis. During the second half of 2020, the Supervisory Board participated in a deep dive on the potential impact of the pandemic on the Company's long-term strategy.

Another key topic was the transformation and expansion of Ahold Delhaize's **U.S. supply chain operations.** This investment supports the new three-year strategy to move the U.S. supply chain into a fully integrated, self-distribution model. Given its significance, the risks associated with this type of project and its importance for supporting the U.S. brands in becoming best-in-class omnichannel grocers, the Supervisory Board had requested to receive regular updates on the status of the project. For this purpose, the meeting in June was used for an extensive update, including information on the technology (IT) risks, governance and the change impact on the organization.

During the year 2020, the Company further refined and set its **Healthy and Sustainable strategy**. At several meetings, the Supervisory Board, through its Sustainability and Innovation Committee, discussed the long-term strategy and encouraged management to set ambitious sustainability targets for the Company.

The status and potential resolution of several **U.S. multi-employer pension plans** were discussed at a number of Board meetings during 2020. These discussions ultimately resulted in the Company's decisions to withdraw from the 1500 Plan and the National Plan and settle the FELRA and MAP pension liabilities for a combined value of €1.4 billion. The central dilemma discussed during these meetings was whether this investment would yield sufficient long-term value for the brands and their stakeholders. Ultimately, the brands were encouraged to make the investments to improve the security of pension benefits for associates as well as to reduce the financial risk for the brands.

Lastly, a key topic during 2020 was the Company's **digital strategy, including e-commerce and profitability**. With the pandemic accelerating online sales, the Supervisory Board had several discussions with management on the impact of this acceleration on the evolution of the Company's business model. An important dilemma they discussed was where to invest in our omnichannel model to ensure the right balance between traditional brick-and-mortar operations and digital and e-commerce capabilities, while maintaining a healthy margin at the same time. The meeting in November was used to have a deep-dive session, facilitated by the CFO, on this important topic.

Overall, the following topics were discussed during 2020:

January: Leading up to the Supervisory Board meeting in February, the Company's portfolio strategy was reviewed with management and members of the Supervisory Board in three separate break-out groups to allow quality time for these discussions.

February: During a two-day in-person meeting, the Supervisory Board discussed and approved Ahold Delhaize's Q4/full year results, the dividend proposal and the issuance of a senior bond. Dinner was used as a working session to discuss the outcome of the three break-out groups that discussed the Company's portfolio strategy. Upon the recommendation of the Remuneration Committee, the Supervisory Board resolved to approve the Company's performance and short-term incentive multiplier for 2019 and the 2020 salary adjustments for the Executive Committee members. Lastly, the Supervisory Board received an update on health and sustainability.

In a separate call in February, the Annual Report 2019 and the Agenda with the explanatory notes for the 2020 General Meeting of Shareholders in April were approved.

March: During the March meeting, the Supervisory Board received an update on the impact of the pandemic on the Company (see above for details).

April: The Supervisory Board received a financial update and evaluated the Stop & Shop remodeling program, approving the capital investment for another batch of stores in this program. The remainder of the meeting was used by the Supervisory Board to prepare for the upcoming General Meeting of Shareholders.

May: During May, the Supervisory Board approved the Q1 2020 interim report and discussed the report of the Audit and Finance Committee, including the report of the external independent auditor and internal auditor. Lastly, the Supervisory Board received an ERM update that focused on the key risks resulting from the pandemic, which included the safety and security of associates and customers, supply chain disruption and product availability.

June: During this meeting, the Supervisory Board participated in a deep dive on IT and cyber security, during which the Supervisory Board discussed the cyber security awareness culture in the Company, the vulnerability of its supply chains (both virtual and physical) and the level of investment in cyber security. Furthermore, the Supervisory Board received a strategy update from bol.com and an update on the Stop & Shop remodeling project and participated in a deep dive on the supply chain project in the U.S.

Governance

Supervisory Board report continued

August: During this meeting, the Supervisory Board approved the Q2 2020 interim results and the interim dividend payment. In addition, the Supervisory Board received a litigation update.

September: The central theme in this meeting was Company strategy; the Supervisory Board received a strategy update on the European and U.S. businesses. This was followed by an update on the Company's digital strategy and, related to that, its data management strategy. Together with management, the Supervisory Board reflected on the interconnectivities of the several strategies and discussed investment priorities. The Supervisory Board observed that data is a critical foundation for the Company's omnichannel strategy, and therefore urged management to continue to invest in proper data governance and security to protect these assets, which ultimately belong to the Company's customers and associates.

November: The November meeting was used to discuss and approve the budget for 2021 and the long-term plan for 2022/2023. The Supervisory Board contemplated the complexity of setting a budget with ambitious, but realistic, targets in a time of prolonged uncertainty caused by the pandemic. The Supervisory Board participated in a workshop on e-commerce and profitability. Lastly, the Supervisory Board approved the acquisition of FreshDirect in the U.S.

In addition, the Supervisory Board held several private meetings without other attendees. The private sessions were, among others, used to evaluate the functioning of the Management Board and the Executive Committee and their individual members as well as the functioning of the Supervisory Board itself. During these meetings, the composition of the Supervisory Board was discussed, including the succession process for the position of Chair of the Supervisory Board. The CEO was regularly invited to (parts of) the private meetings to discuss the performance of the Management Board and the Executive Committee. A number of these meetings focused on the CFO position and were used to highlight Natalie Knight's start as CFO of the Company.

During 2020, the Chair and the CEO continued to hold regular one-on-one meetings to discuss progress. After the announcement that Peter Agnefjäll would succeed Jan Hommen as the Chair of the Supervisory Board, Peter joined the one-on-one meetings in the context of the Chair transition program.

Lastly, the external independent auditor attended the meetings in February 2020, at which the 2019 Annual Report and financial statements were brought forward for adoption by the shareholders at the General Meeting of Shareholders. The external independent auditor also attended the quarterly meetings, at which the financial results were discussed.

Attendance

Except for a limited number of occasions, and for valid reasons, Supervisory Board members attended all Supervisory Board meetings in 2020. In all cases, the Supervisory Board members who were not able to attend made sure they were represented. All Supervisory Board members made adequate time available to give sufficient attention to matters concerning the Company.

Board attendance	Supervisory Board		Audit and Finance Committee		Governance and Nomination Committee		Remuneration Committee		Sustainability and Innovation Committee		Risk Committee	
Number of meetings:	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Agnefjäll	11	11					5	5	3	3	2	2
Bill McEwan	11	11					5	5	3	3	2	1
René Hooft Graafland	11	10	5	5					3	3	2	2
Dominique Leroy	11	11			7	6			3	3	2	2
Ben Noteboom	11	10			6	6	5	3	3	3		
Mary Anne Citrino	11	10	5	4	6	6			3	3		
Katie Doyle	11	11	3	3	1	1			3	3		
Helen Weir	7	7	3	3			3	3	3	3		
Frank van Zanten	7	7					3	3	3	3	2	2
Jan Hommen	11	11			7	7			3	3	2	1
Jacques de Vaucleroy	4	4	2	2								

Independence

The Supervisory Board confirms that, during 2020, as well as on March 2, 2021, Supervisory Board members were independent within the meaning of provision 2.1.10 of the Dutch Corporate Governance Code.

Remuneration

The annual remuneration of the Supervisory Board members was determined by the General Meeting of Shareholders on April 8, 2020. For more information on the remuneration policy of the Supervisory Board, see *Remuneration policy*.

Governance
Supervisory Board report continued

Share positions
The following Supervisory Board members held shares in the Company during 2020.

Member	Position
Jan Hommen	15,000 common shares
Ben Noteboom	15,637 common shares
Peter Agnefjäll	7,200 common shares
Bill McEwan	7,125 American Depository Receipts

The positions were held for the long term and remained unchanged during 2020.

Committees of the Supervisory Board
The Supervisory Board started 2020 with four committees. It established a fifth, the Risk Committee, effective July 1, 2020, to have a dedicated focus on business risks and ensure there is oversight over how different risks are supervised among the other committees and the Supervisory Board itself. All committees are assigned specific tasks, have advisory powers and provide the Supervisory Board with regular updates on their meetings. The current composition is detailed in the following table.

	Audit and Finance Committee	Governance and Nomination Committee	Remuneration Committee	Sustainability and Innovation Committee	Risk Committee
Peter Agnefjäll (Chair)		Member[1]	Member	Member	Chair
Bill McEwan			Chair	Member	Member
René Hooft Graafland	Chair			Member	Member
Dominique Leroy		Member		Member	Member
Ben Noteboom		Chair	Member	Member	
Mary Anne Citrino	Member	Member		Member	
Katie Doyle	Member		Member	Chair	
Helen Weir	Member		Member	Member	
Frank van Zanten			Member	Member	Member

1 Peter Agnefjäll became member of the Governance & Nomination Committee effective January 1, 2021.

Audit and Finance Committee
The Audit and Finance Committee assists the Supervisory Board in its responsibility to oversee Ahold Delhaize's financing, financial statements, financial reporting process and system of internal business controls and system of risk management. The CEO, the CFO, the Chief Legal Officer, the Senior Vice President Internal Audit, the Senior Vice President Tax and Accounting and representatives of the external independent auditor are invited to, and attend, the Audit and Finance Committee meetings.

The Audit and Finance Committee determines how the external independent auditor should be involved in the content and publication of financial reports other than the financial statements. The Management Board and the Audit and Finance Committee report to the Supervisory Board annually on their cooperation with the external independent auditor, including the auditor's independence. The Supervisory Board takes these reports into account when deciding on the nomination for the appointment of an external independent auditor that is submitted to the General Meeting of Shareholders.

In 2020, the Audit and Finance Committee held one meeting in-person and four video meetings. The attendance rate of the members of this Committee was 94%. Throughout the year, the Committee closely monitored the financial closing process and reviewed the publication of quarterly results. The Committee received several updates on the impact of the pandemic on the risk profile of the Company and its financial position and paid specific attention to the integration of ESG reporting into the regular financial reporting processes and the project to implement a uniform and harmonized global financial recording and reporting system. During every meeting, the Committee received an update on compliance and ethics, internal audit, risk and control, product integrity, asset protection, health and safety, cyber security, and data privacy. Lastly, the Committee assessed the functioning of the Internal Audit function and the independent external auditor, based on a survey that was filled out by key officers of the Company who frequently interact with these functions.

The Audit and Finance Committee and its Chair held several private meetings together with the CFO, the Senior Vice President Internal Audit and the external independent auditor. During the private sessions with the CFO, her onboarding and start at the Company were regularly discussed.

The Supervisory Board has determined that René Hooft Graafland, Mary Anne Citrino, Katie Doyle and Helen Weir are "Audit Committee Financial Experts" within the meaning of provision 2.1.4 of the Dutch Corporate Governance Code.

Governance and Nomination Committee
In 2020, the Committee held five meetings that the CEO and the Chief HR Officer were invited to attend. In addition, the Committee held two private meetings. The attendance rate of the members of this Committee was 96%. The Committee evaluated the performance of the members of the Supervisory Board and the Executive Committee and approved the 2020 goals for the members of the Management Board and the Executive Committee. The Committee received updates on the specific development plans for key officers of the Company, diversity and inclusion and talent planning. Together with management, the Committee reflected on the outcome of the associate engagement survey.

The Committee was asked by the Supervisory Board to lead the Chair succession process under the leadership of Dominique Leroy. In its assignment, the Supervisory Board expressed a preference for an internal candidate; however, for the sake of completeness, an executive search firm was asked to perform an external scan simultaneously. The process resulted in a recommendation to the Supervisory Board to appoint Peter Agnefjäll as the new Chair, effective January 1, 2021, which was unanimously endorsed by the Board. The Committee also led the search for new Board members, which resulted in the planned nomination of Bala Subramanian and Jan Zijderveld at the upcoming General Meeting of Shareholders in April.

Governance

Supervisory Board report continued

Remuneration Committee

In 2020, the Committee held five meetings, all of which the CEO and the Chief HR Officer were invited to attend. The attendance rate of the members of the Committee was 90%. The Committee discussed and approved the salary recommendations for members of the Management Board and the Executive Committee, as well as the incentive targets for 2020. In addition to the regular topics, the Committee spent time evaluating the impact of the pandemic on the variable pay component of the remuneration of the members of the Management Board and the Executive Committee and carefully weighed what would be an appropriate approach in these exceptional circumstances. For the 2020 incentive programs, the Supervisory Board, upon recommendation of the Committee, concluded on a pay-per-plan approach given management's achievement in balancing the interests of all stakeholders with a strong focus on long-term value creation in their decision making throughout the year. The Committee also assessed and evaluated options to structure the incentive plans for 2021 and beyond, which will again be impacted by uncertainty due to the pandemic.

Sustainability and Innovation Committee

During 2020, the Committee held three meetings and the attendance rate of its members was 100%. During the first meeting, the Chief Digital Officer presented a deep dive on strategic innovation opportunities, including an update on the approach and the governance to accelerate innovation across the Company. During the second meeting, the Committee received updates from Delhaize Belgium and The GIANT Company about their progress on the healthy and sustainable agenda. The Committee also participated in a workshop by Risk & Controls and KPMG in which it was informed about the TCFD framework and the initial climate risk assessment performed by the Company.

Risk Committee

The Risk Committee was established on July 1, 2020, and met twice in 2020, with an attendance rate of 83%. During the first meeting, the Committee received an update on the Company's Enterprise Risk Management processes and reflected on the principal risks as identified by this process. During the second meeting, the Committee received an update by the CEO Ahold Delhaize USA on several projects (including IT projects) that are underway within the U.S. businesses.

Conclusion

The Supervisory Board is of the opinion that during the year 2020, its composition, mix and depth of available expertise, working processes, level and frequency of engagement across all prominent Ahold Delhaize activities, and access to necessary and relevant information and the Company's management and staff were satisfactory. This enabled the Supervisory Board to carry out its duties towards all of the Company's stakeholders, resulting in an exceptional year where the Company played a crucial role in society and the local communities, and delivered strong financial results at the same time.

The Supervisory Board would like to thank Jan Hommen, Ben Noteboom and Dominique Leroy for their outstanding contributions to the Supervisory Board and the Company. We are also grateful to Ahold Delhaize's shareholders for their continued trust in and support of the Company, its strategy and its management.

Most of all, the Supervisory Board would like to acknowledge the exceptional circumstances the Company operated in this year and express its gratitude to associates and management for their passion, dedication and courage to deliver on Ahold Delhaize's promises to customers and all its other stakeholders.

Supervisory Board
Zaandam, the Netherlands

March 2, 2021

Governance

How we manage risk

Ahold Delhaize has a diverse portfolio of brands, geographic footprint and business structure. Because of this, it is critically important that we manage risks in a proactive and responsible way to ensure we can deliver on our Leading Together strategy.

Governance, Risk Management and Compliance

Our Governance, Risk Management and Compliance (GRC) Framework is tailored to our structure and designed to respond to the dynamic needs of our brand-centric business. It gives our management a transparent view of the risks we take, face and manage and that have a strategic impact on our great local brands and our global organization.

The GRC Framework consists of global policies and controls as well as a GRC Committee structure at global and brand levels that serves as a forum for identifying, addressing and monitoring relevant risks in all corners of our business.

The global GRC Committee is responsible for reviewing Ahold Delhaize's governance, risk management and compliance processes. The GRC Committee is chaired by the Chief Legal Officer and (i) advises the Management Board and Executive Committee on matters concerning the GRC Framework, including an overall GRC vision and strategy, (ii) oversees activities to develop and maintain a fit-for-purpose GRC Framework and (iii) engages with Ahold Delhaize's senior management on important developments in the context of governance, risk and compliance.

Enterprise Risk Management

Through our Enterprise Risk Management (ERM) program, which is embedded in the execution of our strategy, the leadership of each of our brands and global functions review their strategic, operational, financial and regulatory risks and mitigating actions twice per year. Our Executive Committee performs a semi-annual review of all the risks reported by the brands and the outcome is aggregated into an ERM report that is presented to the Management Board and Supervisory Board, as required by the Dutch Corporate Governance Code. Ahold Delhaize's ERM program drives the formation of policies, procedures and controls, the scope of internal audit activities, and the business planning and performance process.

Governance, risk management and compliance framework

Governance

How we manage risk continued

Risk appetite

Our risk appetite is defined by our Supervisory Board and Management Board and is integrated into the businesses through our strategy, global policies, procedures, controls and budgets. Our appetite for each risk is determined by considering key opportunities and potential threats to achieving our strategic objectives and can be categorized as follows:

Strategic

Strategic risks originate from trends, developments or events that could prevent us from executing and realizing our strategic objectives.

Risk appetite: average-above average

Ahold Delhaize has a diverse portfolio of brands, geographic footprint and business structure. Because of this, it is critically important that we manage risks in a proactive and responsible way to ensure we can deliver on our Leading Together strategy.
We use fact-based analysis that derives insights from our different markets and brands to support our strategic decision-making process in a way that considers the financial, economic, social and political developments that may impact our ability to achieve our strategic objectives.

Operational

Operational risks include unforeseen incidents that could result from failures in internal processes or systems, human error or adverse external events and could negatively impact the day-to-day operation of our business.

Risk appetite: low

We strive to minimize the possibility of business disruptions and the related impact of operational failures.
We establish and manage a Governance, Risk, Management and Compliance framework with global policies that regulate the achievement of our objectives at local and global level.
We constantly review and invest in our structure and processes to ensure they are fit for purpose and address any identified operational risk.

Financial

Financial risks include uncertainty of financial returns on investments, reduction in liquidity, erosion of profits, potential financial losses due to financing policies, and other external factors such as the macroeconomic environment, unreliability of suppliers, economic restrictions, and reduction of customer base.

Risk appetite: low

Ahold Delhaize has a prudent financial strategy focused on maintaining our solid investment-grade credit rating. We are averse to any risks that could jeopardize the integrity of our financial reporting. Our financial risk management, risk appetite and sensitivities are further detailed in *Note 30* of the consolidated financial statements.

Compliance

Compliance risks relate to unanticipated failures to comply with applicable laws and regulations as well as our own policies and procedures.

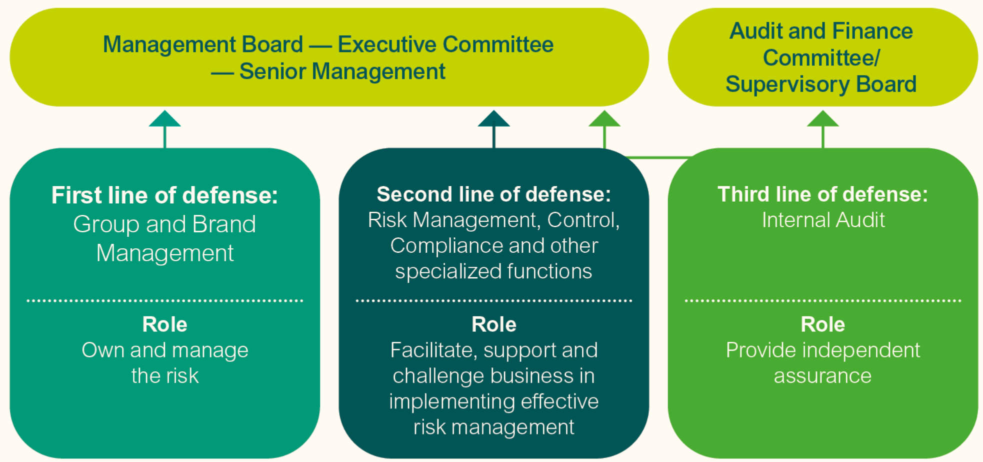
Risk appetite: very low

At Ahold Delhaize, our values are an essential part of our strategic framework. We strive to behave according to our values as we go about our daily work. One of our values is "integrity," which means that the Company and all its associates do the right thing to earn customers' trust. We strive for full compliance with laws and regulations and with our policies and procedures everywhere we do business.

GRC framework

The Ahold Delhaize control framework incorporates risk assessment, control activities and monitoring into our business practices at entity-wide and functional levels. We have adopted a "Three lines of defense" model (see chart below) to provide reasonable assurance that risks to achieving important objectives are identified and mitigated.

Three lines of defense model



Monitoring and assurance

A key element of our GRC framework is monitoring and assurance. We use a comprehensive business planning and performance review process to monitor the Company's performance. This process covers the adoption of strategy, budgeting and the reporting of current and projected results. We assess business performance according to both financial and non-financial (including sustainability) targets. In order to meet business needs and the requirements of the Dutch Corporate Governance Code, we have a Group-wide management certification process in place, which requires that the executive management team members at each of our reporting entities send letters of representation to the Financial Disclosure Committee on a quarterly basis. These letters confirm whether the reporting entities follow Ahold Delhaize's Code of Ethics, policies on fraud prevention and detection, accounting and internal control standards, and disclosure requirements.

Governance

How we manage risk continued

Reporting

All our businesses are required to maintain and manage a sound internal control environment with robust policies, procedures and controls and a strong financial discipline. The control framework is regularly monitored by our second line of defense through testing activities and the results are reported to brand and global GRC committees as well as to the Audit and Finance Committee.

Both our Risk & Controls and Internal Audit functions help to ensure that we maintain and improve the integrity and effectiveness of our system of risk management and internal control. Internal Audit undertakes regular risk-based, objective and critical audits. These functions also monitor the effectiveness of corrective actions undertaken by management.

Compliance and integrity

Compliance and ethics

At Ahold Delhaize, our shared values support an ethical culture and are the foundation of our commitment to conduct our business by doing what's right, every day. Our Code of Ethics is based on four ethical principles:

- **We respect each other:** people are our most valuable assets. We are committed to providing a safe, secure and inclusive environment where all associates and customers are respected and appreciated.
- **We follow the law:** we comply with applicable laws and regulations everywhere we do business and do not tolerate violations of the law.
- **We act ethically** in all our relationships and avoid conflicts of interest.
- **We have the courage to speak up** when misconduct or ethical violations are observed, or when there are questions regarding the interpretation or application of our Code or other external laws and regulations and internal policies and standards.

Applying our values and ethical principles enables associates to make good choices and protect our relationships with our colleagues, our customers and our communities. The Code of Ethics is intended to help each associate comply with relevant legal and regulatory obligations and make ethical choices as it relates to our business. The Code of Ethics also provides guidance on when and where to ask for advice or report a compliance or ethics breach, including by means of whistleblower lines available to associates in each of our locations.

The principles in the Code apply to all associates of Ahold Delhaize and its businesses. Associates of certain defined grade levels are trained in compliance with the Code on an annual basis. The full Code is available in the corporate governance section of Ahold Delhaize's public website at *www.aholddelhaize.com*.

In addition to our Code of Ethics, we have a global policy and control framework that addresses and monitors key risks to our business. These policies and controls relate to internal processes (e.g., financial reporting, capital investments, purchasing and tax) as well as to legal and regulatory risks (e.g., data privacy, competition and antitrust, and corruption and bribery).

Whistleblower reporting

Ahold Delhaize and its brands provide reporting options for associates, including the Speak Up line, a global reporting line that is monitored by third-party provider Navex. The Speak Up line is available to report potential misconduct or seek guidance on ethical issues, and is accessible either by telephone or internet, 24 hours per day, seven days per week. All reports are forwarded to the appropriate internal resource for review and prompt response or investigation. All reports are treated confidentially, so callers can feel comfortable providing useful information without fear of retaliation.

In 2020, our whistleblower lines received 6,994 reports (2019: 6,653), over 86% of which were related to routine HR issues. After human resource-related issues, the five most frequently reported issues were employee theft/dishonesty (2%), workplace safety (2%), substance abuse (1%), violation of a law (1%), and data privacy (<1%).

Approximately 41.2% (2019: 40.5%) of the reports were made anonymously. On average, reports were investigated and resolved within 17 days. In 2020, there were no substantiated reports of significant financial reporting, accounting, fraud or ethical violations.

Additionally, the Ahold Delhaize Compliance and Ethics team maintains and monitors an email box (ethics@aholddelhaize.com) that can be used to report potential ethical or compliance concerns and to seek guidance regarding ethical dilemmas.

No retaliation

Associates of Ahold Delhaize companies are encouraged to raise concerns about inappropriate behavior or possible violations of law or policy. Ahold Delhaize companies will not retaliate or allow retaliation against anyone who, in good faith, reports a potential violation of the law, our Code of Ethics or any other Company policy. Any form of retaliation is a serious violation of our Code of Ethics and may result in disciplinary action, up to and including termination of employment.

In addition, we have recently expanded the availability of our whistleblower lines to third parties within or connected to our Supply Chain. We are in the process of actively promoting this availability on our external website and communications as well as within our supply chain.

Corruption and bribery

Ahold Delhaize and its brands are committed to conducting business in an ethically responsible manner and complying with the law in all countries and jurisdictions in which we operate. This commitment specifically includes compliance with laws relating to anti-corruption and bribery. The Ahold Delhaize Code of Ethics and our Global Anti-Corruption and Bribery Policy prohibit any form of corruption or bribery, including facilitation payments. There were no known incidences of bribery or corruption during the year.

How we manage risk

Declarations

Introduction

This 2020 Ahold Delhaize Annual Report dated March 2, 2021, (the Annual Report) comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision “Wet op het financieel toezicht.”

For the consolidated and the parent company’s 2020 financial statements “jaarrekening” within the meaning of section 2:361 of the Dutch Civil Code, see *Performance: Financial statements*. The members of the Management Board and the Supervisory Board have signed the 2020 financial statements pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code. The following sections of this Annual Report together form the management report, or the “bestuursverslag” within the meaning of section 2:391 of the Dutch Civil Code: *Strategic report, Our Management Board and Executive Committee, Our Supervisory Board, Corporate governance, How we manage risk, Remuneration* and the subsection *Remuneration* included in the *Supervisory Board report*.

For other information, or “overige gegevens” within the meaning of section 2:392 of the Dutch Civil Code, see section *Other information* under Performance.

Declarations

The members of the Management Board, as required by section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision, confirm that to the best of their knowledge:

- The 2020 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The management report included in this Annual Report gives a true and fair view of the position of the Company and the undertakings included in the consolidation taken as a whole as of January 3, 2021, and of the development and performance of the business for the financial year then ended.
- The management report includes a description of the principal risks and uncertainties that the Company faces.

Annual declaration on internal risk management and control systems

The Management Board, as required by section 1.4.3 of the Dutch Corporate Governance Code, makes the following declaration:

The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve important business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. This report provides sufficient insights into any significant deficiencies in the effectiveness of the internal risk management and control systems. Management is not aware of any critical failings of these systems during 2020.

This report includes those material risks and uncertainties that are relevant to the expectation of the Company’s continuity for the period of twelve months after the preparation of the report.

With respect to financial reporting based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis and management has assessed whether the risk management and control systems provide reasonable assurance that the 2020 financial statements do not contain any material misstatements. This assessment was based on the criteria set out in COSO: Internal Control – Integrated Framework 2013 and our internal control framework. It included tests of the design and operating effectiveness of entity-level controls, transactional controls at significant locations and relevant general computer controls. Any control weaknesses not fully remediated at year-end were evaluated. Based on this assessment, the Management Board determined that the Company’s financial reporting systems are adequately designed, operated effectively in 2020 and provide reasonable assurance that the financial statements are free of material misstatement.

Management Board

Frans Muller
President and Chief Executive Officer

Natalie Knight
Chief Financial Officer

Kevin Holt
Chief Executive Officer Ahold Delhaize USA

Wouter Kolk
Chief Executive Officer Europe and Indonesia

This Annual Report, including the 2020 financial statements, which are audited by PricewaterhouseCoopers Accountants N.V., has been presented to the Supervisory Board.

The 2020 financial statements and the independent auditor’s report relating to the audit of the 2020 financial statements were discussed with the Audit and Finance Committee in the presence of the Management Board and the external independent auditor. The Supervisory Board recommends that the General Meeting of Shareholders adopt the 2020 financial statements included in this Annual Report and recommends the proposal to pay a cash dividend for the financial year 2020 of €0.90 per common share. An amount of €0.50 per common share was paid as interim dividend on August 27, 2020. The remaining amount of €0.40 per common share shall be payable on April 29, 2021.

Supervisory Board

Peter Agnefjäll (Chair)
Bill McEwan (Vice Chair)
René Hooft Graafland
Dominique Leroy
Ben Noteboom
Mary Anne Citrino
Katie Doyle
Helen Weir
Frank van Zanten

Remuneration

Letter from the Remuneration Committee Chair

Dear shareholder
I am pleased to present our 2020 Remuneration report.

"A substantial part of our executive pay will be linked to transparent ESG performance measures."

By any measure, 2020 has been an unprecedented year. The COVID-19 pandemic has affected our lives in ways previously unimaginable. Across the globe, tens of millions have fallen ill and millions have passed away, while many more have seen their worlds transformed and their financial security threatened. In these extraordinary circumstances, our organization continued to serve its critical role in society, as front-line associates went above and beyond to meet customer needs and care for people in their communities.

While the economic impact of the crisis on some industries has been devastating, many of our brands have delivered unprecedented strong performances. We are keenly aware that we have been fortunate and would have preferred to have achieved our results under different circumstances. Our brands have been committed to ensuring front-line associates are appropriately recognized for their dedication and perseverance. In the United States, our brands offered hazard pay and additional bonuses. In Europe, front-line associates also received appreciation bonuses for their extraordinary efforts. Many associates will also benefit from the Company's financial performance through our regular incentive programs and profit-sharing schemes.

Throughout the year, we closely monitored developments in the global, regional and local labor markets when making recommendations to the Supervisory Board about Management Board remuneration. After careful evaluation of the impact of the pandemic on the variable pay component of the remuneration of the members of the Management Board, and carefully weighing what would be an appropriate approach in these exceptional circumstances, we concluded on a pay-per-plan approach given management's achievement in balancing the interests of all stakeholders with a strong focus on long-term value creation in their decision making throughout the year. We believe this to be fair and transparent.

We also engaged with our stakeholders to discuss and receive feedback on our executive remuneration Principles and Procedures (adopted with 94.64% of votes in favor), the new Remuneration Policy for the Supervisory Board (98.76% in favor), and our remuneration disclosures (82.64% in favor). Other specific items included the use of ESG metrics in our incentive plans and our approach to the remuneration of key management personnel going forward.

Looking forward

The implications of the pandemic will likely reverberate for years to come. For 2021, we have set challenging performance conditions that give consideration to the enduring economic uncertainty and will continue to monitor business conditions throughout the year.

In support of our Healthy and Sustainable ambition and in line with feedback we received from our stakeholders, 20% of the achievable cash bonus for our Management Board and Executive Committee as well as of our senior and mid-level leadership in 2021 will be tied to ambitious targets for healthier eating and the reduction of food waste and carbon emissions. This will be in addition to the 15% of our long-term share-based incentive that was already tied to sustainability targets, which means that a substantial part of our executive pay will be linked to transparent ESG performance measures.

I look forward to presenting this Remuneration report at our annual General Meeting of Shareholders on April 14, 2021.

On behalf of the Remuneration Committee,

Bill McEwan

Remuneration

Remuneration policy

Ahold Delhaize's Remuneration Policies for the Management Board and Supervisory Board were prepared in accordance with the Dutch Corporate Governance Code. The Remuneration Policy for the Management Board was adopted by the General Meeting of Shareholders on April 10, 2019, and became effective retroactively as of January 1, 2019. The Principles and Procedures, and the Remuneration Policy for the Supervisory Board were adopted by the General Meeting of Shareholders on April 8, 2020, and became effective retroactively as of January 1, 2020.

Principles and procedures

The objective of the Company's Remuneration Policies for the Management Board and Supervisory Board ("Remuneration Policies") is to attract, reward and retain the highly skilled and qualified senior management that Ahold Delhaize needs to achieve its strategic and operational objectives. Our Remuneration Policies balance the needs of our internal and external stakeholders and our commitment to making a sustainable contribution to society. The structure of the Remuneration Policies aligns the focus of the Company and its senior management with the interests of the Company's stakeholders and society at large. Compensation and awards are tied to and dependent on the delivery of the Company's strategy in a socially responsible and sustainable manner. In designing the Remuneration Policies, the Company takes into consideration societal and market trends.

Our principles

Our Remuneration Policies are designed to be simple, effective and transparent. Their design is based on the guiding principles outlined below. Since the Company does not provide any variable remuneration to members of the Supervisory Board, some of these principles may apply to a lesser extent, or not apply at all, to the Supervisory Board's remuneration.

Alignment with the Company strategy

Compensation for the Management Board is structured with variable short- and long-term incentives tied to the realization of financial and non-financial performance criteria. These performance criteria should reflect the cornerstone elements of the Company's strategy.

Pay for performance

Our Management Board Remuneration Policy supports a pay-for-performance culture while discouraging the Management Board from taking inappropriate risks. The short-term and long-term incentives incorporate claw-back provisions that allow the Supervisory Board to cancel or recover remuneration. Separation payments are limited to a one-year base salary.

Competitive pay

Ahold Delhaize competes for talent in an increasingly competitive global market. The competitiveness of our Remuneration Policies is benchmarked regularly against a relevant labor market peer group that reflects the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. The target total remuneration level is typically at or near the median, while consideration is given to the size of Ahold Delhaize relative to the peer group.

Consistency

The structure of our Management Board remuneration is generally consistent with the remuneration structure for associates in senior management positions to ensure internal alignment and support a shared purpose.

Transparency

In our Annual Report and on our Company website, we provide an extensive disclosure of how the Remuneration Policies were implemented, including:

- Full disclosure of the peer group used for benchmarking purposes
- Transparency on the term, as well as the performance measures and weights used in the short-term and long-term incentive
- The realized performance per metric for the short-term and long-term incentive
- Extensive and detailed pay ratio disclosure – both internal and relative to our peers

Alignment with stakeholder interests

Our Remuneration Policies align the focus of the Company and its senior management with the interests of the Company's stakeholders and society at large. As a global company, we have a large variety of stakeholders. To customers, associates and communities – the three primary groups that Ahold Delhaize impacts – we promise to be a better place to shop, a better place to work, and a better neighbor. We also commit to transparency and high integrity with a broad list of stakeholders who have a strong interest in our company, including shareholders, global and local suppliers, governments, and NGOs.

Our stakeholders help us to get better every day by challenging us, sharing insights into their concerns, offering feedback on how we are doing, and collaborating with us to solve problems. We engage with them in both formal and informal ways throughout the year on a wide range of topics (including societal, economic, and environmental impacts) and reflect on the feedback they provide.

Each year, we engage with our stakeholders, gathering input from associates, customers, investors and other external stakeholders, to assess our biggest impacts on society. Our materiality assessment helps us to ensure that our strategy and reporting are in line with our most significant impacts and stakeholder expectations.

By setting robust five-year shareholding requirements and share ownership guidelines, the Remuneration Policies further support the alignment of the interests of members of the Management Board to the long-term interests of the Company's stakeholders.

Remuneration

Remuneration policy continued

Our procedures

Setting, revision and execution

The Remuneration Committee of the Supervisory Board is responsible for advising the Supervisory Board in relation to setting, revising, and executing the Remuneration Policies for the Management Board and Supervisory Board. The Remuneration Committee actively monitors internal and external developments to determine whether the Remuneration Policies are still aligned to and supportive of the Company's strategic and operational objectives. If the Committee believes circumstances require, it may submit a proposal for the amendment of (one of) the Remuneration Policies to the Supervisory Board. If supported by the Supervisory Board, any and all proposals for amendment of (one of) the Remuneration Policies will subsequently be put to a vote by the General Meeting of Shareholders.

Discretion and derogation

Within the Remuneration Policy for the Management Board, the Supervisory Board may exercise discretion in the execution of the policy and the related incentive plans, including but not limited to:

- The adjustment of the base salaries of the members of the Management Board
- The substitution of companies in the labor market peer group and TSR peer group in case of delistings, mergers, or other extraordinary circumstances
- The adjustment, positive or negative, of the performance of the incentive plans in case of unforeseen or unusual circumstances occurring during the performance period
- The determination of the underlying metrics of the Strategic Imperatives performance measure in the short-term incentive and the sustainability performance measures in the long-term incentive.

In exceptional circumstances, in accordance with the principles of reasonableness and fairness, the Supervisory Board may, upon the recommendation of the Remuneration Committee, deviate from the Remuneration Policy for the Management Board. Any and all deviations must be carefully considered in alignment with the objectives and principles set out above and applied in a consistent manner. The remit of the Supervisory Board to deviate from the Remuneration Policy for the Management Board is limited to (a) one-off cash bonuses or equity awards in a recruiting context, and (b) offering alternative benefits such as pensions or insurances with an equivalent value in an international context. All other deviations from the policies must always be presented for approval by shareholders.

Risk assessment

A comprehensive analysis contemplating the various risks and scenarios associated with variable compensation elements is conducted regularly. This includes the calculation of remuneration under different scenarios, considering different performance assumptions.

Compliance

The design and implementation of our Remuneration Policies are compliant with applicable laws and corporate governance requirements. Decisions related to remuneration are made in the context of the Company's Code of Ethics.

Remuneration Policy for the Management Board

Benchmark peer group

As an international company, Ahold Delhaize must remain attractive for top leaders from the industry and beyond to continue to have a strong and diverse Management Board. The Management Board remuneration levels are benchmarked annually. The benchmark peer group consists of a total of 18 peer companies in Europe and the United States, as well as AEX- and BEL20-listed companies. This labor market peer group reflects the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. As a Dutch-headquartered company and considering the Company's Dutch and Belgian footprint, the AEX market practice in the Netherlands and BEL20 market practice in Belgium are included.

European peers	U.S. peers	AEX and BEL20
Tesco	Kroger	Unilever
Carrefour	Costco	Philips
Metro Cash & Carry	Target	Heineken
Casino Guichard-Perrachon	Walgreens Boots Alliance	Randstad
J Sainsbury	Best Buy	Akzo Nobel
W M Morrison	Lowe's Companies	AB InBev

To accommodate potential changes in the labor market peer group due to delistings, mergers, or other extraordinary circumstances, the Supervisory Board may exercise discretion to substitute comparable companies. In general, geographical composition leads in replacement determination. For example, if a U.S.-based company is dropped, it is generally replaced by another U.S.-based company.

The composition (risk profile) of the Total Direct Compensation levels is considered when benchmarking base salary levels. The target Total Direct Compensation level is typically at or near the median, while consideration is given to the size of Ahold Delhaize relative to the peer group, with a fixed-to-variable pay ratio that supports the pay-for-performance culture and a long-term strategic focus.

An individual exception to the Management Board Remuneration Policy is applied for the CEO Ahold Delhaize USA (Kevin Holt). The Supervisory Board has and will determine the remuneration for the CEO Ahold Delhaize USA on the basis of a local reference market, the U.S. retail labor market reference group.

Total Direct Compensation

The basic elements of the Total Direct Compensation provided to Management Board members are (1) a base salary, (2) an annual cash incentive, and (3) a long-term equity-based program. In addition to the Total Direct Compensation, members of the Management Board are offered pensions and additional arrangements in line with local practices.

Remuneration

Remuneration policy continued

Base salary

The level of the base salary of the members of the Management Board is derived, as one component, from the benchmarking of Total Direct Compensation. Adjustment of individual base salaries is at the discretion of the Supervisory Board.

Annual cash incentive plan: Executive Committee Incentive Plan

The Management Board members participate in the cash-based Executive Committee ("ExCo") Incentive Plan ("EIP").

The Company's priority and goal is to expand market share, while focusing on margins to increase profitability and prudently managing capital spending and expenses to secure strong and sustainable cash flow.

Consequently, EIP employs three financial measures that reflect the fundamental key financial metrics of a retail organization: sales growth (30%), underlying operating margin (30%), and operating cash flow (20%). In addition, key strategic imperatives (20%) are included. In support of the pay-for-performance culture and in recognition of the Company's focus on margins, the underlying operating margin measure serves as a threshold.

The at-target pay-out as a percentage of base salary is 100%, contingent on the full achievement of the objectives, with a cap at 150% of the at-target value in the event of above-target performance.

Long-term equity-based plan: Global Reward Opportunity

The Management Board members participate in the Company's long-term equity-based incentive plan: Global Reward Opportunity (GRO).

Under the GRO program, performance shares are granted as a three-year program. The vesting of these performance shares is subject to performance over three years. As of 2019, the GRO program employs three financial measures: return on capital (RoC) (35%), earnings per share (EPS) growth (35%), and total shareholder return (TSR) (15%). In addition, a non-financial performance measure (15%) is included related to sustainability targets.

In line with market practice, the target value of long-term incentives granted varies per role. For the CEO, the target value is 235% of base salary; for the CEO Ahold Delhaize USA, the target value is 200% of base salary; for the CFO, the target value is 175% of base salary; and for the CEO Ahold Delhaize Europe and Indonesia, the target value is 150% of base salary.

An individual exception to the Management Board Remuneration Policy is applied for the CEO Ahold Delhaize USA (Kevin Holt). The target value of the long-term incentive for Kevin is 235% of base salary.

Link to RoC

Of the total GRO award, 35% is linked to a three-year RoC target. As determined by performance, the number of performance shares that vest may range between zero and a maximum of 150% of the number of performance shares granted.

Link to earnings per share growth

Another 35% of the total GRO award is linked to a three-year earnings per share growth target. As determined by performance, the number of performance shares that vest may range between zero and a maximum of 150% of the number of performance shares granted.

Link to total shareholder return

Of the total GRO award, 15% is determined based on total shareholder return (share price growth and dividends paid over the performance period) benchmarked against a TSR performance peer group. The number of performance shares that vest is determined based on the Company's relative ranking within the peer group. An independent external advisor determines the ranking based on TSR performance. No performance shares will vest to Management Board members if the Company ranks below the sixth position in the performance peer group. The table below indicates the percentage of performance shares that may vest based on the Company's ranking.

TSR position	Payout
1	150%
2	125%
3	110%
4	100%
5	75%
6	50%
7-12	0%

All to-be-granted GRO performance shares will be measured against the established peer group.

TSR performance peer group

Tesco	Kroger
Carrefour	Costco
Metro Cash & Carry	Target
Casino Guichard Perrachon	Walgreens Boots Alliance
J Sainsbury	Walmart
W M Morrison	

To accommodate potential changes in the performance peer group due to delisting, mergers, or other extraordinary circumstances, the Supervisory Board may exercise discretion to substitute comparable companies.

Link to sustainability

The final 15% of the total GRO award is determined based on the achievement of sustainability targets related to the Company's social responsibility and sustainability ambitions. Dependent on performance, the number of performance shares that vest may range between zero and a maximum of 150% of the number of performance shares granted.

Remuneration

Remuneration policy continued

Shareholding requirements and ownership guidelines

Management Board members must retain the shares awarded under the GRO program for a minimum of five years from the grant date. The sale of a portion of the shares is permissible to finance tax due at the date of vesting. The CEO is required to acquire and hold shares in the Company with a value at least equal to 300% of his or her annual base salary. All other members of the Management Board are required to hold shares in the Company with a value at least equal to 200% of their respective base salaries. The holding may be built-up by retaining all after-tax shares from the GRO program and does not require personal share purchases.

Claw-back

A claw-back provision is in place and may be applied to the Management Board members' annual cash incentive plan (EIP) as well as the long-term equity incentive program (GRO).

Pensions and other contract terms

Pension

All existing pension arrangements in the Netherlands are in line with the applicable fiscal pension regulations. The pension plan for Management Board members is calculated in line with plans for all other associates of the Company in the Netherlands and is referred to as a defined benefit plan, based on career average salary. The (current) retirement age is 68. The pensionable salary is capped at or near €100,000 (2020: €104,616). Each Management Board member working under a Dutch contract pays a pension premium contribution identical to that of all other associates of the Company in the Netherlands. In addition, Management Board members receive a gross (age-dependent) pension allowance and can choose to participate in a Net Pension Arrangement by investing the net (after-tax) amount of the pension allowance. The Net Pension Arrangement is identical to that of all other associates of the Company in the Netherlands whose pensionable salary exceeds the cap. Participation in this Net Pension Arrangement is voluntary.

Members of the Management Board working under a non-Dutch contract are offered pensions in line with local practices.

Loans

The Company does not provide loans to members of the Management Board, nor does the Company issue guarantees to the benefit of members of the Management Board.

Additional arrangements

In addition to the remuneration of the Management Board members, a number of additional arrangements apply. These include expense allowances, insurance, use of company cars and, where applicable, expatriate allowances, which apply to other senior employees and are in line with market practice. In addition, third-party tax services are provided to ensure compliance with the relevant legislative requirements.

(Service) Agreements

The term of appointment for all Management Board members is four years. If the Company terminates the (service) agreement of any member of the Management Board, the severance payment is limited to one year's base salary. The agreement may be terminated by the Company with a notice period of twelve months and by the Management Board member with a notice period of six months.

Remuneration Policy for the Supervisory Board

Benchmark peer group

As an international company, Ahold Delhaize must remain attractive for top leaders from our industry and beyond to continue to have a strong and diverse Supervisory Board. The competitiveness of the Supervisory Board remuneration levels is benchmarked every three years. In extraordinary circumstances, an intermediate adjustment might be considered.

The benchmark peer group is the same as determined for the Management Board and consists of a total of 18 peer companies in Europe and the United States, as well as AEX- and BEL20-listed companies. This labor market peer group reflects the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management.

European peers	U.S. peers	AEX and BEL20
Tesco	Kroger	Unilever
Carrefour	Costco	Philips
Metro Cash & Carry	Target	Heineken
Casino Guichard-Perrachon	Walgreens Boots Alliance	Randstad
J Sainsbury	Best Buy	Akzo Nobel
W M Morrison	Lowe's Companies	AB InBev

To accommodate potential changes in the labor market peer group due to delistings, mergers or other extraordinary circumstances, the Supervisory Board may exercise discretion to substitute comparable companies. In general, geographical composition leads in replacement determination. For example, if a U.S.-based company is dropped, it is generally replaced by another U.S.-based company.

The target remuneration level is typically at or near the median, while consideration is given to the size of Ahold Delhaize relative to the peer group.

Remuneration

Remuneration policy continued

Remuneration

Given the nature of the responsibilities of the Supervisory Board as an independent body, remuneration is not tied to the performance of the Company and therefore only comprises fixed remuneration, delivered in cash. In addition to a base fee, members of the Supervisory Board are offered committee fees and travel time compensation contingent upon their activities and responsibilities. All remuneration is denominated and delivered in euros. Currency conversion risks are not covered by the company.

Annual base fees

The base fees offered to members of the Supervisory Board reflect the Company's size and complexity, as well as the responsibilities of the members and the time spent on their role.

Chair Supervisory Board	€ 200,000
Vice Chair	€ 125,000
Member Supervisory Board	€ 90,000

Annual committee fees

The chair and members of the Supervisory Board's committees are offered a supplementary fee for the additional responsibilities they take on.

Chair Audit and Finance Committee	€ 30,000
Member Audit and Finance Committee	€ 15,000
Chair Other Committee	€ 20,000
Member Other Committee	€ 12,500

Travel time compensation fee

Supervisory Board members are offered a travel time compensation of €7,500 per intercontinental round trip and €2,500 per continental round trip.

Shareholding

Members of the Supervisory Board are entitled to hold (privately acquired) shares in the Company.

Pensions and other contract terms

Pension

Members of the Supervisory Board are not eligible to participate in any benefits program offered by the company to its associates, including, but not limited to, pension plans.

Loans

The Company does not provide loans to members of the Supervisory Board, nor does the Company issue guarantees to the benefit of members of the Supervisory Board.

Term

Members of the Supervisory Board shall be on the Supervisory Board for a maximum period of four years and shall thereafter be eligible for re-appointment for another four-year period. The member of the Supervisory Board may then be reappointed for a period of two years, which appointment may be extended by at most two years.

Resignation

Members of the Supervisory Board shall resign in accordance with the retirement schedule prepared by the Supervisory Board. No notice period or termination fees are applicable.

Remuneration

2020 Remuneration at a glance

The Remuneration Policy of the Management Board aligns the focus of the Management Board with the interests of the Company's shareholders, stakeholders, and society at large. A large part of the remuneration of the Management Board is tied to and dependent on the delivery of the Company's strategy. Therefore, in years of strong performance, remuneration will be higher than in years of below-target performance.

The Company's strong performance in 2020 resulted in above-target multipliers for the short- and long-term incentives (150% and 117%, respectively) and, consequently, higher remuneration than in 2019, when these multipliers were below target (89% and 68%, respectively).

Frans Muller, Chief Executive Officer

Natalie Knight[1], Chief Financial Officer

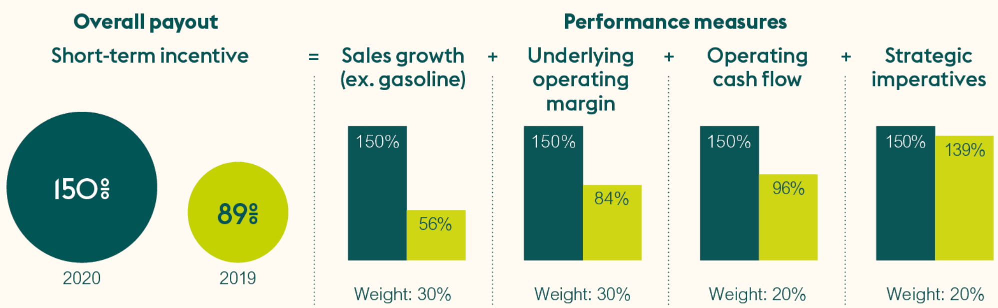
1 Reflects the remuneration received for the period from Natalie's appointment to the Management Board on April 8, 2020, to the end of the year.

Kevin Holt, CEO Ahold Delhaize USA

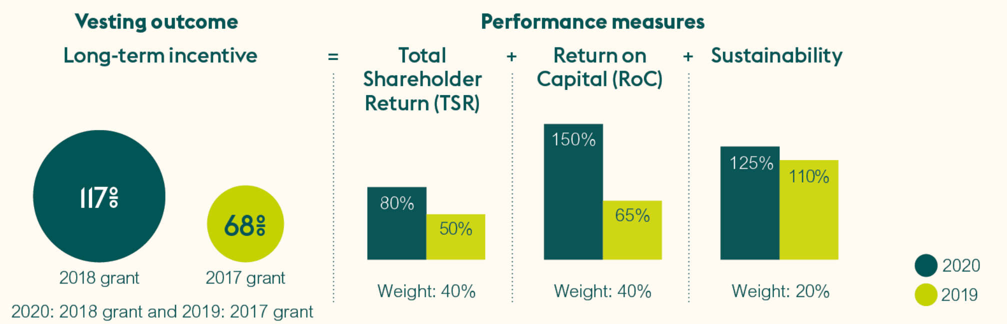
Wouter Kolk, CEO Ahold Delhaize Europe and Indonesia

Base salary (fixed) | Annual cash incentive (variable) | Long term incentive (variable) | Other | Pension

Annual cash incentive ExCo Incentive Plan



Long-term equity-based incentive Global Reward Opportunity



Remuneration

2020 Remuneration

2020 Management Board remuneration

The remuneration paid to the members of the Management Board in 2020 was in line with the Remuneration Policy for the Management Board that was adopted by the General Meeting of Shareholders on April 10, 2019 (Remuneration Policy – adopted with 92.09% of votes in favor), and April 8, 2020 (Principles and Procedures – adopted with 94.64% of votes in favor). Individual exceptions for Kevin Holt, as adopted by the General Meeting of Shareholders on April 12, 2017, and April 8, 2020, were in force in 2020.

Base salary

The annual base salaries of the members of the Management Board were reviewed in early 2020 as part of the regular remuneration review. In determining the base salaries, the Remuneration Committee considered external and internal salary movement, individual and Company performance, as well as input from the Management Board members. Furthermore, the development of internal pay ratios was taken into consideration. The annual base salaries of the Management Board members were increased as of January 1, 2020. The increase amounted to 1.6% for Frans Muller and Kevin Holt, and 10.6% for Wouter Kolk.

Base salaries per Management Board member

€ thousand	2020	2019
Frans Muller Chief Executive Officer	**1,102**	1,085
Natalie Knight[1] Chief Financial Officer	**477**	—
Kevin Holt[2] CEO Ahold Delhaize USA	**954**	955
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia	**718**	649

1 The 2020 salary reflects the salary received for the period from Natalie's appointment to the Management Board on April 8, 2020, to the end of the year.
2 The 2020 and 2019 salaries have been converted from U.S. dollars into euros; for 2020, using the 2020 year-to-date average dollar-euro exchange rate of 0.8770; for 2019, using the 2019 year-to-date average dollar-euro exchange rate of 0.8934.

Annual cash incentive: EIP

The members of the Management Board participated in the annual cash-based Executive Committee Incentive Plan (EIP). Three performance measures were established to track financial performance in 2020: sales growth (weighted 30%), underlying operating margin (weighted 30%), and operating cash flow (weighted 20%). In addition, net consumer online sales growth was included as a strategic imperative (weighted 20%) to track performance against the Company's objective of omnichannel growth.

Performance targets are set in the context of the Company's mid-term strategic and operational objectives, and revised annually to ensure they are challenging yet realistic. Ahold Delhaize does not disclose the actual targets per performance measure, as this would require the disclosure of commercially sensitive information.

The at-target payout as a percentage of base salary was 100%, contingent on the full achievement of the objectives, with a maximum of 150% of the target value in the event of above-target performance.

Performance realized

Performance measure	Weight	Performance multiplier 2020	Performance multiplier 2019
Sales growth (ex. gasoline)	30%	Exceeded maximum	56%
Underlying operating margin	30%	Exceeded maximum	84%
Operating cash flow	20%	Exceeded maximum	96%
Strategic imperatives	20%	Exceeded maximum	139%
Total (%)	100%	150%	89%

The total performance multiplier for 2020 was capped at 150% in accordance with the Remuneration Policy for the Management Board.

Actual EIP payout

€ thousand	Base salary (2020)	Target bonus (2020)	Performance multiplier (2020)	Actual bonus[1] (2020)	Actual bonus[2] (2019)
Frans Muller Chief Executive Officer	1,102	100% of base salary: 1,102	150%	**1,653**	965
Natalie Knight[3] Chief Financial Officer	477	100% of base salary: 660	150%	**716**	—
Kevin Holt[4] CEO Ahold Delhaize USA	954	100% of base salary: 954	150%	**1,431**	851
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia	718	100% of base salary: 718	150%	**1,077**	578

1 The 2020 EIP represents accrued annual cash incentives to be paid in 2021, subject to shareholder approval of the financial statements.
2 The 2019 EIP represents the actual amount paid in 2020.
3 The 2020 EIP reflects the amount received for the period from Natalie's appointment to the Management Board on April 8, 2020, to the end of the year.
4 The 2020 and 2019 figures have been converted from U.S. dollars into euros; for 2020, using the 2020 year-to-date average dollar-euro exchange rate of 0.8770; for 2019, using the 2019 year-to-date average dollar-euro exchange rate of 0.8934.

Remuneration
2020 Remuneration continued

Definitions of EIP performance measures

Performance measure	Definition	Relevance to our strategy
Sales growth (ex. gasoline)	Sales growth (excluding gasoline) quantifies how much sales grew year-over-year, excluding gasoline sales, expressed as a percentage of last year's sales (excluding gasoline).	Our goal is to expand market share, while at the same time focus on margins to increase profitability, and manage capital spending and expenses prudently to secure a strong and sustainable cash flow that allows us to cover financial obligations, make investments in the business and remunerate existing shareholders.
Underlying operating margin	Underlying operating margin is the result of dividing underlying operating profit (excluding gasoline operating profit) by third-party sales (excluding gasoline sales).	
Operating cash flow	Operating cash flow is defined as the cash flows generated by the core operations of the Company, adjusted for net lease payments, and after tax.	
Strategic imperatives	Strategic imperatives are one or more variable performance measures that are defined annually by the Supervisory Board that highlight specific strategic and key business priorities of the Company. In 2019 and 2020, net consumer online sales growth was the single strategic imperative. Taking into account feedback from our stakeholders about the importance they attach to ESG factors, for 2021, three performance measures were selected that reflect the Company's commitment to a healthy and sustainable future: healthy products, food waste and carbon emissions. • Healthy products: the percentage of healthy own-brand food sales as a proportion of total own-brand food sales. • Food waste: tonnes of food waste per €1 million food sales. • Carbon emissions: reduction of absolute scope 1 (direct) and 2 (indirect) CO_2 emissions.	2019 and 2020: Net consumer online sales growth reflects our focus on omnichannel growth. 2021: Our businesses flourish when our communities are healthy and resilient. We aim to make it easy and fun for customers and associates to eat healthier, while at the same reduce our global footprint. • Healthy products: we employ this measure to drive performance in pursuit of our objective to facilitate healthier eating. • Food waste: we employ this measure to drive performance against our objective of reducing food waste. • Carbon emissions: we employ this measure to drive performance against our objective to reduce carbon emissions.

For incentive purposes, Sales growth performance is calculated using constant rates to ensure individuals are not rewarded nor penalized for foreign exchange rate developments, but only for true business performance.

For incentive purposes, we look at operating cash flow to reflect the true business performance of our operations.

In case of unforeseen or unusual circumstances occurring during the performance period that have an impact on the performance of the incentive plan as assessed at the end of the performance period, the Supervisory Board can consider an adjustment, in accordance with the principles of reasonableness and fairness.

Long-term equity-based incentive: GRO

The members of the Management Board participated in Ahold Delhaize's long-term equity-based incentive plan, the Global Reward Opportunity (GRO). Under the GRO plan, performance shares were granted with a three-year vesting period. The vesting of these shares is subject to Company performance over these three years.

Performance targets are determined for the three-year performance period based on the Company's strategy and long-term planning. Ahold Delhaize does not disclose the actual targets per performance measure, as this would require the disclosure of commercially sensitive information.

Award of new grants

The 2020 GRO share grant was made the day after the 2020 annual General Meeting of Shareholders, on April 8, 2020. The vesting of the 2020 GRO performance shares in 2023 will be subject to performance on three financial measures: RoC (weighted 35%), EPS (weighted 35%), and TSR (weighted 15%). In addition, a non-financial performance measure (weighed 15%) is included that relates to the Company's sustainability targets. For the 2020 share grant, Sustainability is measured based on three equally weighted performance measures: healthy products, food waste and carbon emissions (please refer to the table on page 137 for definitions).

Remuneration
2020 Remuneration continued

At-target 2020 GRO share grant and maximum vesting

	Performance shares					
	RoC (35%)	EPS (35%)	TSR (15%)	Sustainability (15%)	Total at-target grant	Total maximum vesting
Frans Muller Chief Executive Officer	82%	82%	35%	35%	235%	353%
Natalie Knight Chief Financial Officer	61%	61%	26%	26%	175%	263%
Kevin Holt[1] CEO Ahold Delhaize USA	82%	82%	35%	35%	235%	353%
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia	53%	53%	23%	23%	150%	225%

All percentages represent a percentage of base salary.

1 An individual exception that increases Kevin's total at-target grant to 235% of his annual base salary was adopted by the General Meeting of Shareholders on April 8, 2020.

2020 GRO share grant calculation – Example: Frans Muller, Chief Executive Officer

	At-target share grant (% of base salary)	Award value (base salary at-target grant %)	Number of performance shares granted (award value divided by six-month average share price)
RoC performance shares	82%	€906,486	40,274
EPS performance shares	82%	€906,486	40,274
TSR performance shares	35%	€388,494	17,261
Sustainability performance shares	35%	€388,494	17,261
Total	235%	€2,589,960	115,070

Table assumes a base salary of €1,102,110 and a six-month average share price of €22.51.

2020 GRO share grant calculation – Example: Natalie Knight, Chief Financial Officer

	At-target share grant (% of base salary)	Award value (base salary at-target grant %)	Number of performance shares granted (award value divided by six-month average share price)
RoC performance shares	61%	€404,250	17,961
EPS performance shares	61%	€404,250	17,961
TSR performance shares	26%	€173,250	7,698
Sustainability performance shares	26%	€173,250	7,698
Total	175%	€1,155,000	51,318

Table assumes a base salary of €660,000 and a six-month average share price of €22.51.

Vesting of previous grants

The vesting of the 2017 and 2018 GRO grants was subject to performance on two financial performance measures, RoC (weighted 40%) and TSR (weighted 40%), as well as performance against sustainability targets (weighted 20%). For the 2017 and 2018 share grants, sustainability was measured on the basis of an equally weighted external and internal target. The Dow Jones Sustainability Index (the external target) measured how the Company performed on sustainability against peers in the sector. The percentage of own-brand food sales from healthy products ("healthy products" – the internal target) is the measure we used to drive performance in pursuit of the Company's objective to facilitate healthier eating.

Performance realized

Performance measure	Weight	Performance multiplier	
		2018 grant (to vest in 2021)	2017 grant (vested in 2020)
Total shareholder return	40%	80%	50%
Return on capital	40%	150%	65%
Sustainability[1]	20%	125%	110%
Total (%)	100%	117%	68%

1 For the 2018 grant, the overall sustainability performance multiplier is based on a 110% achievement against our Dow Jones Sustainability Index target, and a 140% achievement against our own-brand food sales from healthy products target.

Remuneration

2020 Remuneration continued

2018 GRO share grant (to vest in 2021)[1]

	Total number of performance shares granted in 2018	Multiplier	Total number of performance shares to vest in 2021	Share price[2]	Estimated value in € thousand[2]
Frans Muller Chief Executive Officer					
2018 TSR grant	51,408	80%	41,126		
2018 RoC grant	51,408	150%	77,112		
2018 Sustainability grant	25,704	125%	32,130		
Total vesting April 15, 2021	**128,520**		**150,368**	**€23.11**	**3,475**
Natalie Knight[3] Chief Financial Officer					
2018 TSR grant	10,663	80%	8,530		
2018 RoC grant	10,663	150%	15,994		
2018 Sustainability grant	5,332	125%	6,665		
Total vesting April 15, 2021	**26,658**		**31,189**	**€23.11**	**721**
Kevin Holt CEO Ahold Delhaize USA					
2018 TSR grant	38,066	80%	30,452		
2018 RoC grant	38,066	150%	57,099		
2018 Sustainability grant	19,033	125%	23,791		
Total vesting April 15, 2021	**95,165**		**111,342**	**€23.11**	**2,573**
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia					
2018 TSR grant	21,433	80%	17,146		
2018 RoC grant	21,433	150%	32,149		
2018 Sustainability grant	10,717	125%	13,396		
Total vesting April 15, 2021	**53,583**		**62,691**	**€23.11**	**1,449**

1 The 2018 GRO grant was awarded on April 12, 2018.
2 The estimated value is based on the closing share price on the last trading day of the financial year (December 31, 2020) of €23.11. The actual value will be determined at vesting on April 15, 2021.
3 In recognition of Natalie's long-term incentive that was outstanding and forfeited at the time of her resignation at Arla Foods, Natalie received a one-off share grant in 2020 subject to the terms and conditions of the 2018 GRO grant.

2017 GRO share grant (vested in 2020)[1]

	Total number of performance shares granted in 2017	Multiplier	Total number of performance shares vested in 2020	Share price	Total value in € thousands[2]
Frans Muller Chief Executive Officer					
2017 TSR grant	41,152	50%	20,576		
2017 RoC grant	41,152	65%	26,748		
2017 Sustainability grant	20,576	110%	22,633		
Total vested April 9, 2020	**102,880**		**69,957**	**€22.09**	**1,545**
Kevin Holt CEO Ahold Delhaize USA					
2017 TSR grant	34,563	50%	17,281		
2017 RoC grant	34,563	65%	22,465		
2017 Sustainability grant	17,282	110%	19,010		
Total vested April 9, 2020	**86,408**		**58,756**	**€22.09**	**1,298**
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia					
2017 TSR grant	15,020	50%	7,510		
2017 RoC grant	15,020	65%	9,763		
2017 Sustainability grant	7,510	110%	8,261		
Total vested April 9, 2020	**37,550**		**25,534**	**€22.09**	**564**

1 The 2017 GRO grant was awarded on April 13, 2017.
2 The total value is based on the share price on the April 9, 2020 vesting date of €22.09. The estimated value of each grant as previously disclosed in the Annual Report 2019 was based on the closing share price on the last trading day of the financial year 2019 (December 29, 2019) of €22.75.

Remuneration
2020 Remuneration continued

Definitions of GRO performance measures

Performance measure	Definition	Relevance to our strategy
Total shareholder return (TSR)	TSR is share price growth plus dividends paid during the performance period.	TSR is used to compare the performance of different companies and stocks over time. The relative TSR position reflects the market perception of the overall performance of the Company relative to a reference group.
Earnings per share growth (EPS)	Underlying EPS is the underlying income from continuing operations of the Company, divided by the weighted average number of shares for the year. The growth is measured by dividing the EPS at the end of the performance period by the EPS at the start of the performance period.	EPS reflects our focus on growth, measured through revenue growth.
Return on capital (RoC)	RoC is calculated as underlying operating income before depreciation and amortization, divided by the annual rolling average of the sum of company-owned property, plant, and equipment at purchase price, intangible assets (excluding goodwill) at purchase price, operating working capital components, and repayment of lease liabilities divided by 8%.	RoC is used as a measure of how effective we are at turning our investments into profit.
Healthy and sustainable	Healthy and sustainable comprises different performance measures that reflect our long-standing commitment to sustainability. For the 2020 and 2021 GRO grant, Healthy and Sustainable (previously referred to as Sustainable Retailing) is measured based on healthy products, food waste reduction and carbon emissions reductions. • Healthy products: the percentage of healthy own-brand food sales as a proportion of total own-brand food sales. • Food waste: tonnes of food waste per €1 million food sales. • Carbon emissions: percentage reduction of absolute scope 1 (direct) and 2 (indirect) CO_2 emissions.	Our businesses flourish when our communities are healthy and resilient. We aim to make it easy and fun for customers and associates to eat healthier, while at the same reducing our global footprint. • Healthy products: we employ this measure to drive performance in pursuit of our objective to facilitate healthier eating. • Food waste: we employ this measure to drive performance against our objective of reducing food waste. • Carbon emissions: we employ this measure to drive performance against our objective to reduce carbon emissions.

For incentive purposes, EPS performance is calculated using constant rates to ensure individuals are not rewarded nor penalized for foreign exchange rate developments, but only for true business performance.

In case of unforeseen or unusual circumstances occurring during the performance period that have an impact on the performance of the incentive plan as assessed at the end of the performance period, the Supervisory Board may consider an adjustment, in accordance with the principles of reasonableness and fairness.

With respect to EPS growth specifically, planned or anticipated corporate events occurring during the performance period, including share buybacks, transactions, and M&A activity, that may, positively or negatively, affect EPS performance, are always factored into the performance targets. In case of a significant unplanned share buyback that was not taken into the budget, an adjustment will be made to ensure that EPS performance for incentive purposes is not positively affected.

Remuneration

2020 Remuneration continued

Total remuneration

The following table provides an overview of the remuneration costs expensed in 2020 and 2019 per Management Board member. The costs reported here are not in all cases equal to the compensation that was received by the individual Management Board member. Share-based compensation expense represents the non-cash cost for Ahold Delhaize of performance shares awarded to members of the Management Board. These costs are recognized over the three-year vesting period of the performance shares in accordance with IFRS 2, "Share-based Payment." The actual value of the 2017 GRO share grant, as received in 2020 by each Management Board member, is detailed in the table *2017 GRO share grant (vested in 2020)*. The actual value of the 2018 GRO share grant that will vest in 2021 is contingent on the share price at the vesting date of April 15, 2021. The number of performance shares that are expected to vest is detailed in the table *2018 GRO share grant (to vest in 2021)*.

Total remuneration in 2020 and 2019 per Management Board member

	Base salary		Annual cash incentive plan: EIP [1]		Other [2]		Long-term equity-based program: GRO [3]		Pension [4]		Total remuneration		Fixed vs. variable remuneration [5]	
€ thousand	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Frans Muller														
Costs (IFRS)	**1,102**	1,085	**1,653**	965	**257**	248	**2,935**	1,971	**77**	87	**6,024**	4,356	**19%-81%**	27%-73%
Entitlement [6]							**3,475**	1,545			**6,564**	3,930	**18%-82%**	30%-70%
Natalie Knight														
Costs (IFRS)	**477**	—	**716**	—	**260**	—	**817**	—	**(1)**	—	**2,269**	—	**24%-76%**	
Entitlement [6]							**721**	—			**2,173**	—	**25%-75%**	
Kevin Holt														
Costs (IFRS)	**954**	955	**1,431**	851	**406**	429	**2,259**	1,270	**220**	209	**5,270**	3,714	**21%-79%**	31%-69%
Entitlement [6]							**2,573**	1,298			**5,584**	3,742	**19%-81%**	31%-69%
Wouter Kolk														
Costs (IFRS)	**718**	649	**1,077**	578	**182**	168	**1,129**	400	**36**	32	**3,142**	1,827	**25%-75%**	40%-60%
Entitlement [6]							**1,449**	564			**3,462**	1,991	**22%-78%**	36%-64%

1 The 2020 EIP represents accrued annual cash incentives to be paid in 2021 and subject to shareholder approval of the financial statements.
2 Other mainly includes gross allowances for net pension, tax compensation (tax equalization charges or refunds for expatriates), allowances for housing expenses, relocation costs, international school fees, employer's contributions to social security plans, benefits in kind such as company cars, tax advice, medical expenses and the associated tax gross-up.
3 The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2020 reflects this year's portion of the share grants over the previous four years (plans 2017 to 2020).
4 Pension costs are the total net periodic pension costs of the applicable pension plans.
5 Fixed pay comprises the base salary. Variable pay comprises the annual cash incentive plan and the long-term equity-based program.
6 The 2020 entitlement value for the long-term equity-based program is the estimated value based on the closing share price as of the last trading day of the financial year (December 31, 2020) of €23.11 as presented in the table 2018 GRO share grant (to vest in 2021). The actual value will be determined at vesting on April 15, 2021. The 2019 entitlement value for the long-term equity-based program is the value of the 2017 grant which vested in 2020.

Remuneration

2020 Remuneration continued

Management Board remuneration in context

This section places the remuneration of the members of the Management Board and its development over time in the broader context of the remuneration of our associates, the Company's performance, and (for the Chief Executive Officer) external peers.

Internal context

Associates are at the center of our brands' relationships with customers and communities. In establishing the employment conditions of their associates, our brands set compensation and benefits levels in line with job level and local market practices and regularly review remuneration practices, considering societal and market dynamics as well as economic conditions. For the majority of associates, remuneration is based on collective bargaining agreements structured primarily as fixed annual salaries or hourly wages. In addition, store managers and general management associates are eligible to receive an annual performance-based bonus. Associates in senior management positions are eligible for performance-based annual bonuses as well as Ahold Delhaize performance share grants that are linked to the long-term goals of the Company. We consistently apply this approach to our Management Board, determining remuneration by establishing a relevant reference market, deciding on the desired target level within that reference market, and setting a variable-to-fixed ratio that is reflective of our performance culture.

As a large part of the remuneration of the Managing Board is linked to the business performance, the pay ratio between the total remuneration of the respective members of the Management Board and the average remuneration of all associates across the group will also be influenced by the overall business performance of our company. Therefore, in years of strong performance, the ratio within the Company is likely to be higher than in years of below-target performance.

The following table sets out the total remuneration for the members of the Management Board, the average remuneration of all associates across the group, and the overall annual performance multiplier and long-term incentive vesting rates for 2016 through 2020. To ensure consistency with our standing disclosure practice and to allow for external comparison, the Management Board remuneration detailed below reflects the remuneration costs expensed per Management Board member for the respective year. Likewise, the average remuneration of all associates is calculated as the total (IFRS-based) labor costs divided by the number of associates on an FTE basis.

Management Board remuneration and Company performance

€ thousand	**2020**	**% change**	2019	% change	2018	% change	2017	% change	2016
Management Board remuneration									
Chief Executive Officer[1]	**6,024**	38%	4,356	(13)%	4,989	9%	4,577	(3)%	4,714
Chief Financial Officer[2]	**3,679**	6%	3,463	21%	2,857	1%	2,841	1%	2,802
CEO Ahold Delhaize USA[3]	**5,270**	42%	3,714	3%	3,598	20%	2,994		
CEO Ahold Delhaize Europe and Indonesia[4]	**3,142**	72%	1,827						
Average associate remuneration									
Average FTE remuneration	50	19%	42	5%	40	— %	40	— %	40
Company performance									
Annual cash incentive plan (EIP) overall performance multiplier	**150%**	69%	89%	(20)%	111%	19%	93%	(14)%	108%[5]
Long-term equity-based program (GRO) overall performance multiplier[6]	**117%**	72%	68%	(16)%	81%	(25)%	108%	(26)%	146%[7]

1 For 2018, 2019 and 2020, CEO refers to Frans Muller. To reflect a full-year remuneration, the 2018 remuneration comprises the remuneration up to July 1, 2018, received in his capacity as Deputy CEO, and from July 1, 2018, received in his capacity as CEO. For 2016 and 2017, CEO refers to Dick Boer.
2 For 2020, CFO refers to Jeff Carr for the period up to April 8, 2020, and to Natalie Knight for the period from April 8, 2020, onwards. For 2016 through 2019, CFO refers to Jeff Carr.
3 Since the position of CEO Ahold Delhaize USA was created on July 24, 2016, full-year numbers for 2016 are not available.
4 Since the position of CEO Ahold Delhaize Europe and Indonesia was created on April 11, 2018, (full-year) numbers for 2016, 2017, and 2018 are not available.
5 The overall performance multiplier for the 2016 EIP was determined pro-rata for the period up to and after the merger between Ahold and Delhaize Group.
6 The GRO overall performance multiplier reflects the total performance in the three-year performance period.
7 The overall performance multiplier reflects post-merger performance.

Remuneration
2020 Remuneration continued

The following table illustrates the pay ratio of the Chief Executive Officer, Chief Financial Officer, Chief Executive Officer Ahold Delhaize USA, and Chief Executive Officer Ahold Delhaize Europe and Indonesia compared to the average remuneration of associates in our stores, warehouses and support offices.

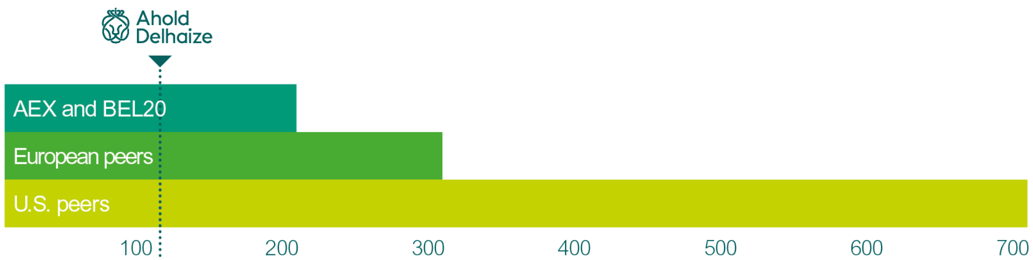
Pay ratio	2020	2019	2018	2017	2016
Chief Executive Officer[1]	**122**	105	124	114	119
Chief Financial Officer[2]	**74**	83	71	71	71
CEO Ahold Delhaize USA[3]	**106**	89	90	74	—
CEO Ahold Delhaize Europe and Indonesia[4]	**63**	44	—	—	—

1 For 2018, 2019 and 2020, CEO refers to Frans Muller. To reflect a full-year remuneration, the 2018 remuneration comprises the remuneration up to July 1, 2018, received in his capacity as Deputy CEO, and from July 1, 2018, received in his capacity as CEO. For 2016 and 2017, CEO refers to Dick Boer.
2 For 2020, CFO refers to Jeff Carr for the period up to April 8, 2020, and to Natalie Knight for the period from April 8, 2020, onwards. For 2016 through 2019, CFO refers to Jeff Carr.
3 Since the position of CEO Ahold Delhaize USA was created on July 24, 2016, full-year numbers for 2016 are not available.
4 Since the position of CEO Ahold Delhaize Europe and Indonesia was created on April 11, 2018, (full-year) numbers for 2016, 2017, and 2018 are not available.

In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans, as explained in *Note 24*. These incremental labor costs increased the average remuneration of all associates, impacting the pay ratio between the total remuneration of the respective members of the Management Board and the average remuneration of all associates across the group. If we were to exclude these incremental pension liabilities, our reported average remuneration of all associates would be €44 thousand and the pay ratio for the CEO would increase from 122 to 137. Similarly, the pay ratio for the CFO, CEO Ahold Delhaize USA and CEO Ahold Delhaize Europe and Indonesia would increase to 84, 120 and 72, respectively.

External context

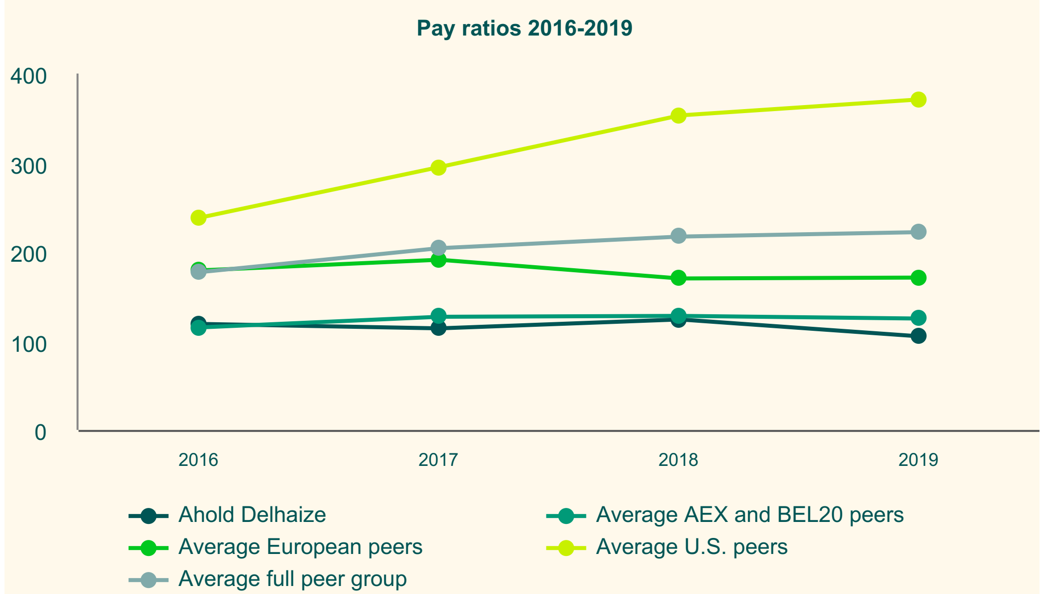
In line with the Remuneration Policy for the Management Board, the total remuneration of the Management Board members is positioned around the median level of our benchmark peer group. The following chart illustrates the pay ratio of our CEO in 2019 compared to the pay ratios of other CEOs in our benchmark peer group.



All numbers are based on the publicly disclosed 2019 annual reports of the respective companies. For comparison purposes, the ratios have been calculated using the same methodology as used to determine Ahold Delhaize's pay ratio. It is also important to note that pay ratios can vary greatly from one industry to another and that, even within the same industry, comparing pay ratios is challenging due to differences in market conditions (e.g., the mix of high- and low-paying countries).

To further put Ahold Delhaize's pay ratio into perspective, the following table and chart illustrate how Ahold Delhaize's CEO pay ratio compares to the CEO pay ratio of the companies in the benchmark peer group over a longer period of time.

Pay ratio	2019	2018	2017	2016
Ahold Delhaize	105	124	114	119
Average AEX and BEL20 peers	125	128	127	115
Average European peers	171	170	191	179
Average U.S. peers	371	353	295	238
Average full peer group	222	217	204	177



In determining the compensation of the Management Board, the Supervisory Board will continue to monitor the development of pay ratios in the Company and in comparison with the peer group.

Remuneration

2020 Remuneration continued

Supervisory Board remuneration

The remuneration of the members of the Supervisory Board in the first quarter of 2020 was determined based on the annual remuneration as adopted by the extraordinary General Meeting of Shareholders on March 14, 2016 (99.19% of votes in favor). The remuneration of the members of the Supervisory Board as of the second quarter of 2020 was determined in line with the Remuneration Policy for the Supervisory Board as adopted by the General Meeting of Shareholders on April 8, 2020 (98.76% of votes in favor). Given the nature of the responsibilities of the Supervisory Board, remuneration is not tied to the performance of the Company and, therefore, only comprises fixed remuneration, delivered in cash. In addition to a base fee, members of the Supervisory Board receive committee fees and travel time compensation contingent upon their activities and responsibilities.

The following table outlines the total remuneration for the members of the Supervisory Board for 2016 through 2020.

Total remuneration per Supervisory Board member [1,2]

€ thousand	2020	2019	2018	2017	2016[4]
Peter Agnefjäll (appointed in 2019)	**138**	104	—	—	—
Bill McEwan (reappointed in 2020)	**150**	208	209	150	71
René Hooft Graafland (reappointed in 2018)	**129**	143	145	136	127
Ben Noteboom (reappointed in 2017)	**109**	125	135	145	133
Katie Doyle (appointed in 2019)	**126**	104	—	—	—
Mary Anne Citrino (reappointed in 2020)	**119**	130	130	133	136
Dominique Leroy (reappointed in 2020)	**116**	118	123	125	58
Helen Weir (appointed in 2020)	**88**	—	—	—	—
Frank van Zanten (appointed in 2020)	**83**	—	—	—	—
Jan Hommen (reappointed in 2017, retired on December 31, 2020)	**223**	243	249	223	177
Jacques de Vaucleroy (retired in 2020)	**31**	120	144	170	80
Rob van den Bergh (resigned in 2019)	**—**	39	148	148	132
Mark McGrath (resigned in 2019)	**—**	44	136	143	160
Mats Jansson (retired in 2018)	**—**	—	68	255	115
Johnny Thijs (resigned in 2018)	**—**	—	31	128	55
Patrick De Maeseneire (resigned in 2018)	**—**	—	32	123	59
Jack Stahl (resigned in August 2017)	**—**	—	—	111	76
Stephanie Shern (resigned in April 2017)	**—**	—	—	37	140
Derk Doijer (resigned in July 2016)	**—**	—	—	—	56
Total remuneration Supervisory Board	**1,312**	1,378	1,550	2,027	1,575
Number of Supervisory Board members[3]	**11**	11	12	14	15

1 In the remuneration of the Supervisory Board members, the Company has considered the composition and the responsibilities of the Supervisory Board and its related committees, as well as the responsibilities of its individual members in the respective years.
2 For the members who were appointed or resigned during a year, the remuneration for that respective year reflects a partial year.
3 These numbers include members who were appointed or resigned during the respective year.
4 Up to the date of the merger between Ahold and Delhaize, the Ahold Supervisory Board remuneration applied, as adopted at the General Meeting of Shareholders on April 16, 2014. Ahold Delhaize's Supervisory Board remuneration, as adopted at the General Meeting of Shareholders on April 19, 2016, applied as of July 24, 2016, the first calendar day after the merger of Ahold and Delhaize was finalized. As of the second quarter of 2020, the Supervisory Board Remuneration policy applies, as adopted at the General Meeting of Shareholders on April 8, 2020

Financial Statements

Consolidated income statement

€ million, except per share data	Note	53 weeks ended January 3, 2021	52 weeks ended December 29, 2019
Net sales	7	**74,736**	66,260
Cost of sales	8	**(54,053)**	(48,200)
Gross profit		**20,683**	18,060
Selling expenses		**(14,374)**	(13,021)
General and administrative expenses		**(4,118)**	(2,377)
Total operating expenses	8	**(18,492)**	(15,397)
Operating income		**2,191**	2,662
Interest income		**35**	65
Interest expense		**(138)**	(175)
Net interest expense on defined benefit pension plans	24	**(16)**	(18)
Interest accretion to lease liability	33	**(357)**	(366)
Other financial income (expense)		**(9)**	(35)
Net financial expenses	9	**(485)**	(528)
Income before income taxes		**1,706**	2,134
Income taxes	10	**(331)**	(417)
Share in income of joint ventures	15	**22**	50
Income from continuing operations		**1,397**	1,767
Income (loss) from discontinued operations	5	**—**	(1)
Net income attributable to common shareholders		**1,397**	1,766
Earnings per share	29		
Net income per share attributable to common shareholders			
Basic		**1.31**	1.60
Diluted		**1.30**	1.59
Income from continuing operations per share attributable to common shareholders			
Basic		**1.31**	1.60
Diluted		**1.30**	1.59

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

Consolidated statement of comprehensive income

€ million	Note	53 weeks ended January 3, 2021	52 weeks ended December 29, 2019
Net income		**1,397**	1,766
Remeasurements of defined benefit pension plans:			
Remeasurements before taxes – income (loss)	24	**(108)**	(76)
Income taxes	10	**25**	18
Other comprehensive income (loss) that will not be reclassified to profit or loss		**(83)**	(58)
Currency translation differences in foreign interests:			
Continuing operations		**(999)**	241
Income taxes	10	**1**	(2)
Cash flow hedges:			
Fair value result for the year		**—**	(5)
Transfers to net income		**1**	3
Income taxes	10	**—**	1
Non-realized gains (losses) on debt and equity instruments:			
Fair value result for the period		**(1)**	—
Income taxes		**—**	—
Other comprehensive income of joint ventures – net of income taxes:			
Share of other comprehensive income from continuing operations	15	**—**	—
Other comprehensive income (loss) reclassifiable to profit or loss		**(997)**	238
Total other comprehensive income (loss)		**(1,080)**	180
Total comprehensive income attributable to common shareholders		**316**	1,945
Attributable to:			
Continuing operations		**316**	1,946
Discontinued operations		**—**	(1)
Total comprehensive income attributable to common shareholders		**316**	1,945

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

Consolidated balance sheet

€ million	Note	January 3, 2021	December 29, 2019
Assets			
Property, plant and equipment	11	**10,696**	10,519
Right-of-use asset	12	**7,455**	7,308
Investment property	13	**739**	883
Intangible assets	14	**11,565**	12,060
Investments in joint ventures and associates	15	**227**	229
Other non-current financial assets	16	**705**	661
Deferred tax assets	10	**323**	213
Other non-current assets		**53**	49
Total non-current assets		**31,764**	31,920
Assets held for sale	5	**19**	67
Inventories	17	**3,245**	3,347
Receivables	18	**1,975**	1,905
Other current financial assets	19	**360**	317
Income taxes receivable		**58**	39
Prepaid expenses		**337**	178
Cash and cash equivalents	20	**2,933**	3,717
Total current assets		**8,928**	9,570
Total assets		**40,692**	41,490
Equity and liabilities			
Equity attributable to common shareholders	21	**12,432**	14,083
Loans	22	**3,863**	3,841
Other non-current financial liabilities	23	**8,905**	8,716
Pensions and other post-employment benefits	24	**1,235**	677
Deferred tax liabilities	10	**664**	786
Provisions	25	**718**	724
Other non-current liabilities		**63**	74
Total non-current liabilities		**15,448**	14,818
Accounts payable		**6,795**	6,311
Other current financial liabilities	26	**2,386**	3,257
Income taxes payable		**128**	82
Provisions	25	**378**	349
Other current liabilities	27	**3,125**	2,591
Total current liabilities		**12,812**	12,590
Total equity and liabilities		**40,692**	41,490

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

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including retained earnings[1]	Equity attributable to common shareholders
Balance as of December 30, 2018		**12**	**13,999**	**(80)**	**(2)**	**276**	**14,205**
Net income attributable to common shareholders		—	—	—	—	1,766	1,766
Other comprehensive income (loss)		—	—	239	(1)	(58)	180
Total comprehensive income (loss) attributable to common shareholders		—	—	239	(1)	1,708	1,945
Dividends		—	—	—	—	(1,114)	(1,114)
Share buyback		—	—	—	—	(1,002)	(1,002)
Cancellation of treasury shares		(1)	(1,753)	—	—	1,753	—
Share-based payments		—	—	—	—	47	47
Other items		—	—	—	—	1	1
Balance as of December 29, 2019	21	**11**	**12,246**	**159**	**(3)**	**1,670**	**14,083**
Net income attributable to common shareholders		—	—	—	—	1,397	1,397
Other comprehensive income (loss)		—	—	(997)	1	(84)	(1,080)
Total comprehensive income (loss) attributable to common shareholders		—	—	(997)	1	1,313	316
Dividends		—	—	—	—	(1,026)	(1,026)
Share buyback		—	—	—	—	(1,001)	(1,001)
Share-based payments		—	—	—	—	61	61
Other items		—	—	—	—	(1)	(1)
Balance as of January 3, 2021	21	**11**	**12,246**	**(839)**	**(3)**	**1,016**	**12,432**

1 Other reserves include the remeasurements of defined benefit plans.

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

Consolidated statement of cash flows

€ million	Note	53 weeks ended January 3, 2021	52 weeks ended December 29, 2019
Income from continuing operations		**1,397**	1,767
Adjustments for:			
Net financial expenses	9	**485**	528
Income taxes	10	**331**	417
Share in income of joint ventures	15	**(22)**	(50)
Depreciation, amortization and impairments	8	**2,892**	2,848
(Gains) losses on leases and the sale of assets / disposal groups held for sale		**(64)**	(53)
Share-based compensation expenses	32	**59**	51
Operating cash flows before changes in operating assets and liabilities		**5,078**	5,508
Changes in working capital:			
Changes in inventories		**(89)**	(104)
Changes in receivables and other current assets		**(301)**	(107)
Changes in payables and other current liabilities		**1,319**	535
Changes in other non-current assets, other non-current liabilities and provisions		**821**	(25)
Cash generated from operations		**6,828**	5,807
Income taxes paid – net		**(486)**	(358)
Operating cash flows from continuing operations		**6,343**	5,449
Operating cash flows from discontinued operations		**—**	—
Net cash from operating activities		**6,343**	5,449
Purchase of non-current assets		**(2,659)**	(2,218)
Divestments of assets / disposal groups held for sale		**108**	144
Acquisition of businesses, net of cash acquired	28	**(4)**	(43)
Divestment of businesses, net of cash divested	28	**(3)**	(11)
Changes in short-term deposits and similar instruments		**(60)**	253
Dividends received from joint ventures	15	**16**	36
Interest received		**24**	56
Lease payments received on lease receivables		**99**	94
Other		**3**	1
Investing cash flows from continuing operations		**(2,475)**	(1,687)
Investing cash flows from discontinued operations		**—**	—
Net cash from investing activities		**(2,475)**	(1,687)
Proceeds from long-term debt	28	**507**	596
Interest paid		**(149)**	(189)
Repayments of loans	28	**(438)**	(656)
Changes in short-term loans	28	**(556)**	689
Repayment of lease liabilities	28	**(1,584)**	(1,530)
Dividends paid on common shares	21	**(1,026)**	(1,114)
Share buyback	21	**(1,001)**	(1,002)
Other cash flows from derivatives	28	**2**	(5)
Other		**(6)**	(17)
Financing cash flows from continuing operations		**(4,251)**	(3,227)
Financing cash flows from discontinued operations		**—**	—
Net cash from financing activities		**(4,251)**	(3,227)
Net cash from operating, investing and financing activities		**(383)**	535
Cash and cash equivalents at the beginning of the year (excluding restricted cash)		**3,701**	3,110
Effect of exchange rates on cash and cash equivalents		**(408)**	56
Cash and cash equivalents at the end of the year (excluding restricted cash)	28	**2,910**	3,701

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

Notes to the consolidated financial statements

1 The Company and its operations

The principal activity of Koninklijke Ahold Delhaize N.V. ("Ahold Delhaize" or the "Company" or "Group" or "Ahold Delhaize Group"), a public limited liability company with its registered seat and head office in Zaandam, the Netherlands, is the operation of retail food stores and e-commerce primarily in the United States and Europe. The Company is registered with the Dutch Trade Register under number 35000363.

On March 2, 2021, the Management Board authorized the financial statements. The Company has the ability to amend and reissue the financial statements up to the moment the financial statements have been adopted by the General Meeting of Shareholders. The financial statements, as presented in this Annual Report, are subject to adoption by the Ahold Delhaize General Meeting of Shareholders.

Ahold Delhaize's significant subsidiaries, joint ventures and associates are listed in *Note 35*.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Historical cost is used as the measurement basis unless otherwise indicated.

Ahold Delhaize's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. The financial year 2020 consisted of 53 weeks and ended on January 3, 2021. The comparative financial year 2019 consisted of 52 weeks and ended on December 29, 2019.

These consolidated financial statements are presented in millions of euros (€), unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided.

2 Basis of preparation continued

The following exchange rates of the euro (€) against the U.S. dollar ($), the Czech crown (CZK), the Romanian leu (RON) and the Serbian dinar (RSD) have been used in the preparation of these financial statements:

	2020	2019
U.S. dollar		
Average exchange rate	**0.8770**	0.8934
Year-end closing exchange rate	**0.8187**	0.8947
Czech crown		
Average exchange rate	**0.0378**	0.0390
Year-end closing exchange rate	**0.0381**	0.0393
Romanian leu		
Average exchange rate	**0.2067**	0.2108
Year-end closing exchange rate	**0.2058**	0.2090
Serbian dinar		
Average exchange rate	**0.0085**	0.0085
Year-end closing exchange rate	**0.0085**	0.0085

Significant estimates, assumptions and judgments

The preparation of financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities which, by definition, will seldom equal the actual results. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of Ahold Delhaize's current and future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Company's actual future results, performance and achievements to differ materially from those forecasted.

The following notes contain the most significant estimates and judgments:

Area	Note	Description	Judgments[1]	Estimates[2]
Revenue (gift cards and loyalty programs)	Note 7	Net sales		✓
Vendor allowances	Note 17	Inventories	✓	✓
	Note 18	Receivables		
Income taxes	Note 10	Income taxes	✓	✓
	Note 34	Commitments and contingencies		
Intangible assets	Note 4	Acquisitions	✓	✓
	Note 14	Intangible assets		
Leases and sale and leaseback transactions	Note 12	Right-of-use asset	✓	✓
	Note 33	Leases		
Impairments	Note 6	Segment reporting	✓	✓
	Note 8	Expenses by nature		
	Note 11	Property, plant and equipment		
	Note 12	Right-of-use asset		
	Note 13	Investment property		
	Note 14	Intangible assets		
Company and multi-employer pension obligations	Note 24	Pensions and other post-employment benefits		✓
Provisions and contingencies	Note 25	Provisions	✓	✓
	Note 34	Commitments and contingencies		
Reportable segments	Note 6	Segment reporting	✓	

1 In applying Ahold Delhaize's accounting policies, management makes judgments that may have a significant effect on the amounts recognized in the financial statements (i.e., current recognition).
2 Management makes assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year (i.e., future).

Information on the estimates, assumptions and judgments that management considers most critical are included in the notes as listed above.

Fair value measurements

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs are unobservable inputs for the asset or liability.

2 Basis of preparation continued

COVID-19 impact

The COVID-19 pandemic affected the Company's results, balance sheet and cash flows presented in these consolidated financial statements. The impact of the pandemic on significant accounting policies is disclosed below.

Use of estimates

The preparation of these consolidated financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities which, by definition, will seldom equal the actual results. The Company regularly updates its significant assumptions and estimates. In relation to this, COVID-19 primarily impacted the following areas.

Impairments

Cash-generating units (CGUs) to which goodwill and brand names have been allocated, as well as intangible assets under development and other intangible assets with indefinite lives, are tested for impairment annually, or more frequently when there is an indication that the CGU or an asset may be impaired. During 2020, COVID-19 and the resulting changes in the economic environment did not result in such an indication. The Company performed its annual goodwill impairment test in the fourth quarter. For all of the CGUs tested, the recoverable amounts are in excess of their carrying amounts and no impairment was recognized for goodwill or any of the other intangible asset classes mentioned above.

Pension obligations and self-insurance provision

The Company's pension and self-insurance provisions are impacted by the increased economic uncertainty and related risks. In 2020, most discount rates used to discount the pension obligations and self-insurance program decreased compared to 2019. The impact of the lower discount rates has been reflected in 2020. The self-insured provision-related claims data has been revised and includes COVID-19-related claims. The projected losses for 2020 are based on the adjusted exposure estimates. However, there is still limited experience data available and our actuarial analysis does not make any adjustments for the impact of COVID-19, either from a claims standpoint or its effect on economic and legal activity, except for the reported COVID-19 claims. The levels of uncertainty and underlying volatility in the potential future outcome increase as a result of COVID-19.

Income taxes

COVID-19 and the resulting changes in the economic environment did not affect whether deferred tax assets are realizable and, therefore, recognized in the balance sheet.

Impairment testing financial assets

The Company measures the loss allowance at an amount equal to the lifetime expected credit losses for trade receivables, contract assets and lease receivables. An updated assessment of the lifetime expected credit losses was made based on reasonable and supportable information. The overall COVID-19 impact, mainly on the lease receivables, was not material.

Fair value measurements

Of the Company's categories of financial instruments, only derivatives, investment in debt instruments and reinsurance assets (liabilities) are measured and recognized on the balance sheet at fair value.

These fair value measurements are categorized within Level 2 of the fair value hierarchy. The increased volatility and uncertainty in the financial markets did not materially impact the fair values of these financial assets.

3 General accounting policies

Where necessary, accounting policies relating to financial statement captions are included in the relevant notes to the consolidated financial statements. These are presented in a paragraph titled *accounting policies* at the bottom of each note. The accounting policies outlined in this note are applied throughout the financial statements.

Consolidation

The consolidated financial statements incorporate the financial figures of the Company and its subsidiaries. Subsidiaries are 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 that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intra-group transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Non-controlling interests are recorded, as appropriate, on the consolidated balance sheet, in the consolidated income statement, and in the consolidated statement of comprehensive income for the non-controlling shareholders' share in the net assets and the income or loss of subsidiaries. Non-controlling shareholders' interest in an acquired subsidiary is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Ahold Delhaize does not have subsidiaries with non-controlling interests that are material to the Group.

Foreign currency translation

The financial statements of subsidiaries, joint ventures and associates are prepared in their functional currencies, which are determined based on the primary economic environment in which they operate. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each balance sheet date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates. Exchange differences arising on the settlement and translation of monetary items are included in net income for the period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are considered as assets and liabilities denominated in the functional currency of the foreign entity.

Upon consolidation, the assets and liabilities of subsidiaries with a functional currency other than the euro are translated into euros using the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the respective periods. Exchange rate differences arising during consolidation and on the translation of investments in subsidiaries are included in other comprehensive income and in equity, in the currency translation reserve. Intercompany loans to and from foreign entities for which settlement is neither planned nor likely to occur in the foreseeable future are considered to increase or decrease the net investment in that foreign entity; therefore the exchange rate differences relating to these loans are also included in other comprehensive income and in equity, in the currency translation reserve.

On the disposal of a foreign operation resulting in loss of control, loss of joint control or loss of significant influence, the related cumulative exchange rate difference that was included in equity is transferred to the consolidated income statement.

3 General accounting policies continued

Financial alternative performance measures

In presenting and discussing Ahold Delhaize's operating results, management uses certain financial alternative performance measures not defined by IFRS (*Note 6*). These financial alternative performance measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Financial alternative performance measures do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Where a non-financial measure is used to calculate an operational or statistical ratio, this is also considered an alternative performance measure. For the definitions of the financial alternative performance measures, see *Definitions: performance measures.*

New accounting policies effective for 2020

On May 28, 2020, the International Accounting Standards Board (IASB) issued an amendment to IFRS 16, "Leases" to make it easier for lessees to account for COVID-19-related rent concessions, such as rent holidays and temporary rent reductions. The amendment is effective June 1, 2020, but to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements – interim or annual – not yet authorized for issue. Ahold Delhaize did not apply the optional exemption and accounted for rent concessions in accordance with IFRS 16.

In addition, the following amendments and revisions to existing standards became effective for Ahold Delhaize's consolidated financial statements as of December 30, 2019:

- Definition of a Business (amendments to IFRS 3, "Business Combinations")
- Definition of Material (amendments to IAS 1, "Presentation of Financial Statements" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors")
- Interest Rate Benchmark Reform (amendments to IFRS 9, "Financial Instruments," IAS 39, "Financial instruments: Recognition and Measurement" and IFRS 7, "Financial Instruments: Disclosures")

These amendments have no impact on the Company's consolidated financial statements, except for the amendments to IFRS 3, which could result in more future acquisitions being accounted for as asset acquisitions.

New accounting policies not yet effective for 2020

The IASB issued several standards, or revisions to standards, that are not yet effective for 2020, but will become effective in coming years.

IFRS 17, "Insurance Contracts"

IFRS 17 replaces IFRS 4, "Insurance Contracts." It requires a current measurement model where estimates are remeasured each reporting period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. IFRS 17 is effective for annual periods beginning on or after January 1, 2023. The Company has yet to assess the standard's full impact.

Amendments to IAS 1, "Liabilities as Current or Non-current"

In January 2020, the IASB issued amendments to IAS 1, to clarify its requirements for the presentation of liabilities in the statement of financial position. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"

In May 2020, the IASB issued amendments to IAS 16. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

Amendments to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract"

In May 2020, the IASB issued amendments to IAS 37. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

Amendments to IFRS 3, "Reference to Conceptual Framework"

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations. The amendments updated a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company does not anticipate that the application of these amendments will have an effect on the future consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform – Phase 2"

In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative requirement. The amendments are effective for annual periods beginning on or after January 1, 2021. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

Annual improvements cycle 2018-2020

A number of amendments were made to various IFRSs (IFRS 1, 9, 16 and IAS 41) that do not have a significant effect on the consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2022.

There are no other IFRSs that have been issued but are not yet effective that are expected to have a material effect on the future consolidated financial statements.

4 Acquisitions

Ahold Delhaize completed various store acquisitions in Europe for a total purchase consideration of €5 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisitions during 2020 is as follows:

€ million	2020
Property, plant and equipment	1
Right-of-use asset	2
Cash and cash equivalents	1
Other current assets	1
Loans	(1)
Lease liabilities	(1)
Current liabilities	(3)
Net identifiable assets acquired	—
Goodwill	5
Total purchase consideration	5
Cash acquired	(1)
Acquisition of businesses, net of cash	**4**

Goodwill is attributable to the profitability of the acquired businesses and the synergies that are expected to result. The goodwill resulting from the acquisitions is not deductible for tax purposes.

On June 10, 2020, Stop & Shop and King Kullen announced that they have terminated their agreement, through which Stop & Shop was to acquire King Kullen. A joint and amicable decision was made not to proceed with the acquisition because of significant, unforeseen changes in the marketplace that have emerged since the agreement was signed in December 2018.

Acquisitions subsequent to balance sheet date

On November 18, 2020, Ahold Delhaize and Centerbridge Partners announced they entered into a definitive agreement to acquire FreshDirect, an online grocer based in New York City. The transaction was closed on January 5, 2021.

On June 3, 2020, Ahold Delhaize announced that Food Lion had agreed to purchase 62 BI-LO and Harveys Supermarkets and a distribution center from Southeastern Grocers. The closing of the acquisition of stores will take place over a staggered period from January to April 2021. The closing date for the distribution center will be no later than four weeks following the last store closing or May 1, 2021.

For more information on these acquisitions, see *Note 36*.

Accounting estimates and judgments

Intangible assets acquired in a business acquisition are stated at fair value, as determined at the date of the acquisition. To determine the fair value at the acquisition date, estimates and assumptions are required. The valuation of the identifiable intangible assets involve estimates of expected sales, earnings and/or future cash flows and require use of key assumptions such as discount rate, royalty rate and growth rates.

Accounting policies

The Company accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. Transaction costs are expensed as incurred. Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

5 Assets and liabilities held for sale and discontinued operations

Assets and liabilities held for sale

€ million	January 3, 2021	December 29, 2019
Non-current assets and disposal groups held for sale	19	67
Total assets held for sale	**19**	**67**

Assets held for sale at January 3, 2021, is comprised primarily of non-current assets of retail locations in The United States of nil (December 29, 2019: €5 million) and in Europe of €19 million (December 29, 2019: €62 million).

Discontinued operations

€ million	2020	2019
Operating results from discontinued operations	—	—
Results on divestments[1]	—	(1)
Income (loss) from discontinued operations, net of income taxes	—	(1)

1 Includes adjustments to the results on various discontinued operations and past divestments.

Accounting policies

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the asset’s carrying amount or the fair value less costs of disposal. Depreciation or amortization of an asset ceases when it is classified as held for sale. Equity accounting ceases for an investment in a joint venture or associate when it is classified as held for sale; instead, dividends received are recognized in the consolidated income statement.

5 Assets and liabilities held for sale and discontinued operations continued

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Results from discontinued operations that are clearly identifiable as part of the component disposed of and that will not be recognized subsequent to the disposal are presented separately as a single amount in the consolidated income statement. Results and cash flows from discontinued operations are reclassified for prior periods presented in the financial statements so that the results and cash flows from discontinued operations relate to all operations that have been discontinued as of the balance sheet date for the latest period presented.

6 Segment reporting

Reportable segments

Ahold Delhaize's retail operations are presented in two reportable segments. In addition, Other retail, consisting of Ahold Delhaize's unconsolidated joint ventures JMR – Gestão de Empresas de Retalho, SGPS, S.A. ("JMR") and P.T. Lion Super Indo ("Super Indo"), as well as Ahold Delhaize's Global Support Office, is presented separately.

In 2020, we combined the previous reportable segments, The Netherlands, Belgium and Central and Southeastern Europe, into one reportable segment, Europe, and the 2019 comparable figures have been combined accordingly. The European operating segments essentially have similar trend developments, products, distribution and economic characteristics. The decision to aggregate these operating segments into one reportable operating segment is based on these common characteristics as well as geography, macro-economic environment and management oversight. The key economic characteristics, including gross margin, operating margin, EBIT(DA) and (comparable) sales growth, were assessed together to determine economic similarity in the European operating segments.

All reportable segments sell a wide range of perishable and non-perishable food and non-food consumer products.

Reportable segment	Operating segments included in the Reportable segment
The United States	Stop & Shop, Food Lion, The GIANT Company, Hannaford, Giant Food and Peapod[1]
Europe	Albert Heijn (including the Netherlands and Belgium) Delhaize ("Delhaize Le Lion" including Belgium and Luxembourg) bol.com (including the Netherlands and Belgium) Albert (Czech Republic) Alfa Beta (Greece) Mega Image (Romania) Delhaize Serbia (Republic of Serbia) Etos (the Netherlands) Gall & Gall (the Netherlands)

Other	Included in Other
Other retail	Unconsolidated joint ventures JMR (49%) and Super Indo (51%)
Global Support Office	Global Support Office staff (the Netherlands, Belgium, Switzerland and the United States)

1 On February 18, 2020, Ahold Delhaize USA closed the Midwest division of its Peapod online grocery sales business.

Segment reporting 2020

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	45,470	29,266	—	74,736
Of which: online sales	1,968	3,579	—	5,547
Operating income (loss)	1,006	1,380	(195)	2,191
Adjusted for:				
Impairment losses and reversals – net[1]	27	21	—	48
(Gains) losses on leases and the sale of assets – net	(20)	(37)	—	(57)
Restructuring and related charges and other items[2]	1,454	(39)	(2)	1,413
Underlying operating income (loss)	2,466	1,325	(197)	3,594
Other segment information				
Additions to non-current assets[3]	2,621	1,810	25	4,456
Depreciation and amortization[4]	1,694	1,141	9	2,844
Share-based compensation expenses	31	16	12	59

1 Net impairments of property, plant and equipment, investment property, right-of-use assets, intangible assets, and assets held for sale (€2 million).
2 Restructuring and related charges mainly relate to one-off items in the United States for the pension settlement for FELRA and MAP and the pension withdrawals from the National Plan and the 1500 Plan. See *Note 24*.
3 Additions to property, plant and equipment, right-of-use assets, investment property, and intangible assets (including assets acquired through business combinations as well as net reassessments and modifications of right-of-use assets).
4 Depreciation and amortization of property, plant and equipment, right-of-use assets, investment property, and intangible assets.

6 Segment reporting continued

Segment reporting 2019

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	40,066	26,194	—	66,260
Of which: online sales	985	2,508	—	3,493
Operating income (loss)	1,668	1,140	(146)	2,662
Adjusted for:				
Impairment losses and reversals – net[1]	67	22	—	89
(Gains) losses on leases and the sale of assets – net	(39)	(9)	(4)	(53)
Restructuring and related charges and other items	16	52	10	78
Underlying operating income (loss)	1,712	1,205	(140)	2,777
Other segment information				
Additions to non-current assets[2]	2,080	1,488	36	3,604
Depreciation and amortization[3]	1,671	1,066	21	2,758
Share-based compensation expenses	29	10	12	51

1 Net impairments of property, plant and equipment, investment property, right-of-use assets, and intangible assets.
2 Additions to property, plant and equipment, right-of-use assets, investment property, and intangible assets (including assets acquired through business combinations as well as net reassessments and modifications of right-of-use assets).
3 Depreciation and amortization of property, plant and equipment, right-of-use assets, investment property, and intangible assets.

Information about geographical areas

€ million	The Netherlands (country of domicile)	The United States	Rest of world	Ahold Delhaize Group
2020				
Net sales[1]	**15,718**	**45,470**	**13,547**	**74,736**
Non-current assets[2]	**5,476**	**18,154**	**6,826**	**30,456**
2019				
Net sales[1]	13,872	40,066	12,322	66,260
Non-current assets[2]	5,137	18,958	6,674	30,770

1 Net sales are presented based on country of destination.
2 Non-current assets include property, plant and equipment, right-of-use assets, investment property and intangible assets.

Additional segment information

Segment results do not include significant non-cash items other than depreciation, amortization, reassessments, modifications and additions of right-of-use assets, impairment losses and reversals and share-based compensation expenses.

Segment information joint ventures – Other retail (JMR and Super Indo)

The information with respect to JMR and Super Indo is presented in *Note 15*.

Accounting estimates and judgments

Reportable segments

In the decision to combine the European reporting segments into one reporting segment, management has applied judgment in determining the key economic characteristics to be assessed for similarities.

Impairments

For more information on the accounting estimates and judgment policies for impairments, see *Note 11* and *Note 14*.

Accounting policies

The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements. Ahold Delhaize's operating segments are its retail operating companies that engage in business activities from which they earn revenues and incur expenses, and whose operating results are regularly reviewed by the Executive Committee to make decisions about resources to be allocated to the segments and to assess their performance. In establishing the reportable segments, certain operating segments with similar economic characteristics have been aggregated. As Ahold Delhaize's operating segments offer similar products using complementary business models, and there is no discernible difference in customer bases, Ahold Delhaize's policy on aggregating its operating segments into reportable segments is based on geography, macro-economic environment and management oversight.

The segments' performance is evaluated against several measures, of which operating income and underlying operating income are the most important. Underlying operating income is regularly reviewed by the Executive Committee and is defined as total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance. Ahold Delhaize's management believes this measure provides better insight into the underlying operating performance of the Company's operations. This alternative performance measure should be considered in addition to, but not as substitute for, operating income. Intersegment sales are executed under normal commercial terms and conditions that would also be available to unrelated third parties.

7 Net sales

€ million	2020	2019
Sales from owned stores[1]	**62,392**	56,733
Sales to and fees from franchisees and affiliates	**6,566**	5,837
Online sales	**5,547**	3,493
Wholesale sales	**230**	197
Net sales	**74,736**	66,260

1 Miscellaneous store income was reported separately in previous years as Other sales, but is now presented under Sales from owned stores. Miscellaneous store income represents less than 0.5% of total net sales and is similar in nature to Sales from owned stores.

Sales by segment for 2020 are as follows:

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	**43,324**	**19,069**	**62,392**
Sales to and fees from franchisees and affiliates	**—**	**6,566**	**6,566**
Online sales	**1,968**	**3,579**	**5,547**
Wholesale sales	**179**	**52**	**230**
Net sales	**45,470**	**29,266**	**74,736**

Sales by segment for 2019 are as follows:

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	38,931	17,801	56,733
Sales to and fees from franchisees and affiliates	—	5,837	5,837
Online sales	985	2,508	3,493
Wholesale sales	149	48	197
Net sales	40,066	26,194	66,260

Net sales by product category are as follows:

Percentage of net sales	2020	2019
Food: perishable	**45.3%**	45.3%
Food: non-perishable	**38.6%**	37.8%
Non-food	**12.4%**	12.4%
Pharmacy	**2.8%**	3.2%
Gasoline	**0.9%**	1.4%
Net sales	**100.0%**	100.0%

Accounting estimates and judgments

The recognition of revenue requires estimates regarding the timing of redemption of gift cards and future discounts under bonus and loyalty programs. Consideration received from the customer upon activation of a gift card is deferred until redemption, or until the card expires, at which time the liability is recognized as revenue. The Company estimates any gift card non-redemptions and recognizes such breakage on a proportionate basis as redemptions occur.

Accounting policies

Ahold Delhaize generates and recognizes net sales to retail customers as it satisfies its performance obligation at the point of sale in its stores and upon delivery of goods through its online channel. The Company also generates revenues from the sale of products to retail franchisees and affiliates that are recognized upon delivery. Ahold Delhaize recognizes fees to franchisees and affiliates as revenue as services are performed or the granted rights are used. Revenue from the sale of gift cards and gift certificates is recognized when the gift card or gift certificate is redeemed by the retail customer. Future discounts earned by customers in connection with bonus or loyalty cards and other Company-sponsored programs are deferred on the balance sheet at the time of the sale and subsequently recognized in the income statement when redeemed. When the Company expects that gift cards and future discounts under bonus and loyalty programs will not be redeemed, the breakage that is able to be estimated is recognized proportionately as revenue at the time that the Company's performance obligations are satisfied (e.g., as customers redeem their award credits or purchase goods using gift cards or vouchers).

7 Net sales continued

Accounting policies continued

Ahold Delhaize's sales activities do not result in the Company having a material amount of unperformed obligations and, therefore, no contract assets are recognized separately from receivables. The Company does enter into transactions with customers where contract liabilities result from consideration being received from the customer prior to the Company satisfying its performance obligations. These contract liabilities are presented on the balance sheet and in the notes as deferred income and gift card liabilities; see *Note 27*.

Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased, excluding sales taxes and value-added taxes. However, for certain products or services, such as sales through bol.com's seller platform and the sale of lottery tickets, third-party prepaid phone cards, stamps and public transportation tickets, Ahold Delhaize acts as an agent and, consequently, records the amount of commission income in its net sales. Net sales also reflects the value of products sold to customers for which the Company anticipates returns from customers, when such returns are considered to be material. Currently, customer returns are only considered material with regards to Ahold Delhaize's online general merchandise sales. Past customer return practices provide the basis for determining the anticipated returns that the Company is exposed to at the balance sheet date.

8 Expenses by nature

The aggregate of cost of sales and operating expenses is specified by nature as follows:

€ million	2020	2019
Cost of product	**51,453**	46,014
Labor costs[1]	**12,341**	9,665
Other operational expenses	**6,019**	5,244
Depreciation and amortization	**2,844**	2,758
Rent expenses	**59**	66
Rent income	**(162)**	(187)
Impairment losses and reversals – net	**48**	89
(Gains) losses on leases and the sale of assets – net	**(57)**	(53)
Total expenses by nature	**72,545**	63,598

1 Labor costs include €1,418 million charges related to the FELRA and MAP settlement agreement and the National Plan and 1500 Plan withdrawals, partly offset by a €107 million gain related to a change in the Dutch pension plan rules. For more information on the pension and other-post employment benefit expenses, see *Note 24*.

For more information on rent expenses and rent income, see *Note 33*.

Accounting estimates and judgments

Vendor allowances

When vendor allowances cannot be specifically identified in the purchase price of products, this requires management to apply judgments and estimates, mainly surrounding the timing of when performance obligations have been fulfilled, the volume of purchases that will be made during a period of time, the product remaining in ending inventory, and the probability that funds can be collected from vendors. Using these judgments and estimates, management's practice is to allocate earned vendor allowances between cost of sales and inventory based upon the amount of related product that was sold and the amount that remains in ending inventories. This practice is based upon the turnover of the inventories.

Impairments

For more information on the accounting estimates and judgments policies for impairments, see *Note 11* and *Note 14*.

Accounting policies

Cost of sales

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to the location and condition ready for sale. These costs include costs of purchasing; storing; rent; depreciation of property, plant and equipment and right-of-use assets; salaries; and transporting products to the extent that it relates to bringing the inventories to the location and condition ready for sale.

Vendor allowances

Ahold Delhaize receives various types of vendor allowances. The most common allowances vendors offer are (i) volume allowances, which are off-invoice or amounts billed back to vendors based on the quantity of products sold to customers or purchased from the vendor and (ii) promotional allowances, which relate to cooperative advertising and market development efforts. Volume allowances are recognized as a reduction of the cost of the related products as they are sold. Promotional allowances are recognized as a reduction of the cost of the related products when the Company has performed the activities specified in the contract with the vendor. If the contract does not specify any performance criteria, the allowance is recognized over the term of the contract.

Vendor allowances are generally deducted from cost of sales, unless there is clear evidence that they should be classified as revenue resulting from the Company providing a distinct good or service to the vendor. Ahold Delhaize recognizes vendor allowances only where there is evidence of a binding arrangement with the vendor, the amount can be estimated reliably and receipt is probable.

8 Expenses by nature continued

Accounting policies continued

Selling expenses
Selling expenses relate to our store and online operations and consist of employees' salaries and wages, store expenses, depreciation related to owned and leased stores, advertising costs and other selling expenses. Other revenue derived from operational activities that does not qualify as net sales to retail customers is included as an offset to selling expenses.

General and administrative expenses
General and administrative expenses consist of support office employees' salaries and wages, rent and depreciation of support offices, impairment losses and reversals, gains and losses on the sale of non-current assets and disposal groups held for sale, restructuring costs, and other general and administrative expenses. Revenue from contracts that do not qualify as net sales to retail customers from operational activities is included as an offset to general and administrative expenses.

9 Net financial expenses

€ million	2020	2019
Interest income	35	65
Interest expense	(138)	(175)
Net interest expense on defined benefit pension plans	(16)	(18)
Interest accretion to lease liability	(357)	(366)
Gains (losses) on foreign exchange	(5)	4
Fair value gains (losses) on financial instruments	12	4
Other gains (losses)	(16)	(43)
Other financial income (expense)	(9)	(35)
Net financial expenses	**(485)**	**(528)**

Interest income primarily relates to interest earned on cash and cash equivalents, short-term cash deposits and similar instruments.

Interest expense primarily relates to financial liabilities (which include notes and financing obligations), interest accretions to provisions, and amortization of the purchase price allocation on the debt brought in through acquisitions.

Net interest expense on defined benefit pension plans is related to the Company's pension plans being in a net liability position over 2020 and 2019.

For more information on leases and the interest accretion thereon, see *Note 33*.

Other gains (losses) mainly include a loss on the remeasurement of financing obligations in the amount of €16 million. In 2019, Other gains (losses) included the transaction results from the redemption of the cumulative preferred shares, which resulted in a one-off cost of €22 million and a cancellation of mortgages payable in the Czech Republic, which resulted in a one-off cost of €13 million.

Foreign exchange results arising from the purchase of goods for sale or goods and services consumed in Ahold Delhaize's operations are included in cost of sales or in the appropriate element of operating expenses, respectively. In 2020, the Company recorded a net exchange gain of €2 million in operating income (2019: loss nil).

10 Income taxes

Income taxes on continuing operations

The following table specifies the current and deferred tax components of income taxes on continuing operations in the income statement:

€ million	2020	2019
Current income taxes		
Domestic taxes (the Netherlands)	**(131)**	(132)
Foreign taxes		
United States	**(276)**	(146)
Europe – Other	**(119)**	(68)
Total current tax expense	**(525)**	(345)
Deferred income taxes		
Domestic taxes (the Netherlands)	**(73)**	(20)
Foreign taxes		
United States	**204**	(47)
Europe – Other	**63**	(5)
Total deferred tax expense	**194**	(72)
Total income taxes on continuing operations	**(331)**	(417)

Effective income tax rate on continuing operations

Ahold Delhaize's effective tax rate in its consolidated income statement differed from the Netherlands' statutory income tax rate of 25.0%. The following table reconciles the statutory income tax rate with the effective income tax rate in the consolidated income statement:

	2020	
	€ million	Tax rate
Income before income taxes	**1,706**	
Income tax expense at statutory tax rate	**(427)**	**25.0%**
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	**55**	**(3.2)%**
Deferred tax income (expense) related to recognition of deferred tax assets – net	**42**	**(2.5)%**
Non-taxable income (expense)	**15**	**(0.9)%**
Other	**(16)**	**0.9%**
Total income taxes	**(331)**	**19.4%**

	2019	
	€ million	Tax rate
Income before income taxes	2,134	
Income tax expense at statutory tax rate	(534)	25.0%
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	63	(3.0)%
Deferred tax income (expense) related to recognition of deferred tax assets – net	15	(0.7)%
Non-taxable income (expense)	(6)	0.3%
Other	50	(2.3)%
Subtotal income taxes[1]	(412)	19.3%
Tax rate changes as a result of local tax reforms	(5)	0.2%
Total income taxes	(417)	19.6%

1 Excluding the impact of tax rate changes due to local tax reforms.

The rate differential indicates the effect of Ahold Delhaize's taxable income being generated and taxed in jurisdictions where tax rates differ from the statutory tax rate in the Netherlands. In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) tax deductible expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans as explained in *Note 24*. These incremental pension liabilities reduced our U.S. earnings before tax significantly, impacting the rate differential. If we were to exclude these incremental pension liabilities, our reported effective tax rate would increase from 19.4% to 23.0% on a pro forma basis.

Other includes discrete items and one-time transactions. For 2020, it includes a net tax expense of €34 million related to the movement of uncertain tax positions in several jurisdictions. For 2019, it includes €26 million tax income related to releases of uncertain tax positions in several jurisdictions for which tax audits were finalized or the statute of limitations expired.

Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to nil in 2020 (2019: nil).

10 Income taxes continued

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 3, 2021, and December 29, 2019, are as follows:

€ million	December 30, 2018	Recognized in income statement	Other	December 29, 2019	**Recognized in income statement**	**Other**	**January 3, 2021**
Leases and financings	453	(23)	8	439	**(12)**	**(35)**	**393**
Pensions and other (post-)employment benefits	237	29	22	288	**193**	**2**	**482**
Provisions	93	(9)	5	89	**17**	**(20)**	**86**
Derivatives	—	—	(1)	—	**—**	**—**	**—**
Interest	88	—	2	90	**(35)**	**(3)**	**51**
Other	71	(2)	(50)	19	**57**	**8**	**84**
Total gross deductible temporary differences	942	(5)	(14)	925	**219**	**(49)**	**1,095**
Unrecognized deductible temporary differences	(54)	(2)	(1)	(57)	**52**	**3**	**(2)**
Total recognized deductible temporary differences	888	(7)	(15)	868	**271**	**(46)**	**1,093**
Tax losses and tax credits	490	(80)	4	414	**(44)**	**(12)**	**358**
Unrecognized tax losses and tax credits	(294)	42	—	(253)	**6**	**5**	**(241)**
Total recognized tax losses and tax credits	196	(39)	4	161	**(38)**	**(7)**	**116**
Total net deferred tax asset position	1,084	(46)	(11)	1,029	**232**	**(53)**	**1,209**
Property, plant and equipment and intangible assets	(1,418)	42	(23)	(1,398)	**(36)**	**69**	**(1,365)**
Inventories	(170)	(10)	(4)	(184)	**(3)**	**16**	**(170)**
Other	(12)	(58)	51	(19)	**—**	**4**	**(15)**
Total deferred tax liabilities	(1,600)	(26)	24	(1,601)	**(38)**	**89**	**(1,550)**
Net deferred tax assets (liabilities)	(516)	(72)	13	(573)	**194**	**36**	**(341)**

The column Other in the table above includes amounts recorded in equity, divestments and exchange rate differences, as well as reclassifications between deferred tax components and the application of tax losses and tax credits against current year income tax payables.

Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. The deferred tax assets and liabilities are presented as non-current assets and liabilities on the balance sheet as follows:

€ million	**January 3, 2021**	December 29, 2019
Deferred tax assets	**323**	213
Deferred tax liabilities	**(664)**	(786)
Net deferred tax liabilities	**(341)**	(573)

10 Income taxes continued

As of January 3, 2021, Ahold Delhaize had operating and capital loss carryforwards of a total nominal amount of €2,314 million, mainly expiring between 2021 and 2035 (December 29, 2019: €2,805 million). The following table specifies the years in which Ahold Delhaize's operating and capital loss carryforwards and tax credits are scheduled to expire:

€ million	2021	2022	2023	2024	2025	2026–2030	2031–2035	After 2035	Does not expire	Total
Operating and capital losses (nominal value)	11	2	39	152	89	516	443	55	1,007	**2,314**
Operating and capital losses (tax value)	1	—	2	9	6	33	27	3	264	**345**
Tax credits	2	1	2	1	1	—	—	—	5	**12**
Tax losses and tax credits	2	1	4	11	7	33	27	3	269	**358**
Unrecognized tax losses and tax credits	(2)	(1)	(1)	(2)	(1)	(5)	(4)	—	(225)	**(241)**
Total recognized tax losses and tax credits	—	—	3	9	7	28	22	3	44	**116**

The majority of the above-mentioned deferred tax assets relate to tax jurisdictions in which Ahold Delhaize has suffered a tax loss in the current or a preceding period. Operating and capital loss carryforwards related to one jurisdiction may not be used to offset income taxes in other jurisdictions. Of the loss carryforwards, €1,301 million relates to U.S. state taxes, for which a weighted average tax rate of 6.1% applies.

No deferred income taxes are recognized on undistributed earnings of Ahold Delhaize's subsidiaries and joint ventures, as the undistributed earnings will not be distributed in the foreseeable future. The cumulative amount of undistributed earnings on which the Group has not recognized deferred income taxes was approximately €124 million at January 3, 2021 (December 29, 2019: €114 million).

Income taxes in equity and comprehensive income

Current and deferred income taxes recognized in and transferred from equity and comprehensive income are as follows:

€ million	2020	2019
Remeasurement of defined benefit pension plans	**25**	18
Currency translation differences on loans	**1**	(2)
Cash flow hedges	**—**	1
Share-based compensation	**2**	3
Total	**29**	20

Income taxes paid

The following table specifies the income taxes paid per country:

€ million	2020	2019
The United States	**(260)**	(138)
The Netherlands	**(140)**	(124)
Belgium	**(17)**	(4)
Greece	**(6)**	(14)
Czech Republic	**(1)**	(3)
Serbia	**(5)**	(10)
Romania	**(14)**	(6)
Other Europe	**(43)**	(59)
Total income taxes paid	**(486)**	(358)

For the United States, tax payments were impacted by higher taxable income in 2020. For Belgium, the income tax paid in 2019 and 2020 was impacted by available operating losses carryforward which were (partly) offset by taxable income. Other Europe included a tax payment in 2020 of €16 million, related to a tax claim. This claim is being disputed by Ahold Delhaize and we will continue to defend our tax position in this matter.

10 Income taxes continued

Accounting estimates and judgments

The ultimate tax effects of transactions may be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax positions. The Company recognizes liabilities for uncertain tax positions when it is probable that additional tax will be due or recognizes assets for uncertain tax positions when it is probable that the benefit will flow to the Company and the benefit can be reliably measured. Probability is estimated using the Company's interpretation of legislation and relevant case law and the Company assumes that the taxation authorities have full knowledge of all facts and circumstances.

Management is required to make significant judgment in determining whether deferred tax assets are realizable. The Company determines this on the basis of expected taxable profits arising from the reversal of recognized deferred tax liabilities and on the basis of budgets, cash flow forecasts and impairment models. The Company assesses and weighs all positive and negative evidence to support this determination. Where utilization is not considered probable, deferred tax assets are not recognized in the balance sheet.

Accounting policies

Income tax expense represents the sum of current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current tax expense is based on the best estimate of taxable income for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date and adjustments for current taxes payable (receivable) for prior years. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax basis used in the computation of taxable income. Deferred tax assets and liabilities are generally recognized for all temporary differences. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets, including deferred tax assets for tax loss carryforward positions and tax credit carryforward positions, are recognized to the extent that it is probable that future taxable income will be available against which temporary differences, unused tax losses or unused tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are not discounted. Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. Current income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset and when the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The ultimate tax effects of some transactions can be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax positions. The Company recognizes liabilities for uncertain tax positions when it is probable that additional taxes will be due or recognizes assets for uncertain tax positions when it is probable that the benefit will flow to the Company and the benefit can be reliably measured. To measure the liability for the uncertain tax position, management determines whether uncertainties need to be considered separately or together based on which approach better predicts the resolution of the uncertainty. The Company also recognizes the liability for either the most likely amount or the expected value (probability weighted average), depending on which method it expects to better predict the resolution.

These liabilities are presented as current income taxes payable, except in jurisdictions where prior tax losses are being carried forward to be used to offset future taxes that will be due; in these instances, the liabilities are presented as a reduction of deferred tax assets. Interest accrued on uncertain tax positions is considered to be a financial expense of the Company. Any other adjustments to uncertain tax position liabilities are recognized within income tax expense.

11 Property, plant and equipment

€ million	Buildings and land	Other	Under construction	Total
As of December 30, 2018				
At cost	11,663	8,024	494	20,181
Accumulated depreciation and impairment losses	(5,071)	(5,064)	—	(10,135)
Carrying amount	**6,592**	**2,960**	**494**	**10,046**
Year ended December 29, 2019				
Additions	267	533	1,073	1,873
Transfers from under construction	569	566	(1,135)	—
Acquisitions through business combinations	5	2	1	8
Depreciation	(613)	(782)	—	(1,396)
Impairment losses	(38)	(30)	—	(68)
Impairment reversals	3	1	—	5
Assets classified (to) from held for sale or sold	(75)	(8)	(3)	(86)
Other movements	(5)	—	(4)	(9)
Exchange rate differences	94	47	3	144
Closing carrying amount	**6,801**	**3,289**	**429**	**10,519**
As of December 29, 2019				
At cost	12,476	8,941	429	21,846
Accumulated depreciation and impairment losses	(5,675)	(5,653)	—	(11,327)
Carrying amount	**6,801**	**3,289**	**429**	**10,519**
Year ended January 3, 2021				
Additions	488	708	1,060	2,256
Transfers from under construction	523	460	(983)	—
Acquisitions through business combinations	—	1	—	1
Depreciation	(607)	(827)	(1)	(1,435)
Impairment losses	(25)	(12)	—	(37)
Impairment reversals	2	—	—	2
Assets classified (to) from held for sale or sold	(20)	(5)	(1)	(26)
Other movements	—	5	1	6
Exchange rate differences	(379)	(187)	(22)	(588)
Closing carrying amount	**6,783**	**3,431**	**483**	**10,696**
As of January 3, 2021				
At cost	12,289	8,913	483	21,685
Accumulated depreciation and impairment losses	(5,506)	(5,482)	—	(10,989)
Carrying amount	**6,783**	**3,431**	**483**	**10,696**

Buildings and land includes stores, distribution centers, warehouses and improvements to these assets. Other property, plant and equipment mainly consists of furnishings, machinery and equipment, trucks, trailers and other vehicles. Assets under construction mainly consists of stores and improvements to stores and furnishings, machinery and equipment.

The higher of the value in use or fair value less cost of disposal represents an asset's recoverable amount. The value-in-use method involves estimating future cash flows. The present value of estimated future cash flows has been calculated using pre-tax discount rates ranging between 6.0% and 12.2% (2019: 5.8%-12.8%). Fair value represents the price that would be received to sell an asset in an orderly transaction between market participants and is generally measured by using an income approach or a market approach. The income approach is generally applied by using discounted cash flow projections based on the assets' highest and best use from a market participants' perspective. The market approach requires the comparison of the subject assets to transactions involving comparable assets by using inputs such as bid or ask prices or market multiples.

In 2020, Ahold Delhaize recognized net impairment losses of €35 million for property, plant and equipment (2019: €63 million). These were related to The United States (2020: €19 million, 2019: €46 million) and Europe (2020: €16 million, 2019: €17 million) and were recognized mainly for underperforming and closed stores.

The additions to property, plant and equipment include capitalized borrowing costs of €6 million (2019: €3 million). Generally, the capitalization rate used to determine the amount of capitalized borrowing costs is a weighted average of the interest rate applicable to the respective operating companies. This rate ranged between 2.5% and 7.1% (2019: 2.2%-7.6%).

Other movements mainly includes transfers between asset classes and transfers to investment property.

The carrying amount of buildings and land includes amounts related to assets held under financings of €113 million (December 29, 2019: €138 million). Ahold Delhaize does not have legal title to these assets.

Company-owned property, plant and equipment with a carrying amount of €96 million (December 29, 2019: €103 million) has been pledged as security for liabilities, mainly for loans.

Accounting estimates and judgments

Judgments are required, not only to determine whether there is an indication that an asset may be impaired, but also whether indications exist that impairment losses previously recognized may no longer exist or may have decreased (impairment reversal). After indications of impairment have been identified, estimates and assumptions are used in the determination of the recoverable amount of a non-current asset. These involve estimates of expected future cash flows (based on future growth rates and remaining useful life) and residual value assumptions, as well as discount rates to calculate the present value of the future cash flows.

11 Property, plant and equipment continued

Accounting policies

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and borrowing costs incurred during construction. Where applicable, estimated asset retirement costs are added to the cost of an asset. Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately.

The ranges of estimated useful lives of property, plant and equipment are:

Land	indefinite
Buildings	30–40 years
Certain structural components of buildings	10–20 years
Finish components of buildings	5–10 years
Machinery and equipment	3–15 years
Other	5–10 years

The useful lives, depreciation method and residual value are reviewed at each balance sheet date and adjusted, if appropriate.

Depreciation of leasehold improvements is calculated on a straight-line basis over either the lease term (including renewal periods when renewal is reasonably assured) or the estimated useful life of the asset, whichever is shorter.

Impairment of non-current assets other than goodwill

Ahold Delhaize assesses on a quarterly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which it belongs. Individual stores are considered separate CGUs for impairment testing purposes. The carrying value of the store includes mainly its property, plant and equipment and right-of-use assets (if held under a lease arrangement).

The recoverable amount is the higher of an asset's fair value less costs of disposal or the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimated future cash flows exclude lease payments if the cash-generating unit is held under a lease arrangement, but include a replacement capex if needed to maintain the ongoing operation during the forecast period.

An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

In subsequent years, Ahold Delhaize assesses whether indications exist that impairment losses previously recognized for non-current assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognized in operating income as an impairment reversal. An impairment reversal is recognized only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred.

12 Right-of-use asset

€ million	Buildings and land	Other	Total
Carrying amount as of December 30, 2018	**6,927**	**100**	**7,027**
Year ended December 29, 2019			
Additions	428	71	499
Reassessments and modifications to leases	765	4	769
Acquisitions through business combinations	47	—	47
Depreciation	(987)	(39)	(1,026)
Termination of leases	(25)	(12)	(36)
Impairment losses	(7)	(1)	(8)
Assets classified (to) from held for sale or sold	(1)	—	(1)
Transfer (to) from right-of-use assets – investment property	5	—	5
Reclassifications (to) from net investment in leases	(67)	—	(67)
Exchange rate differences	100	1	100
Carrying amount as of December 29, 2019	**7,184**	**124**	**7,308**
Year ended January 3, 2021			
Additions	584	47	630
Reassessments and modifications to leases	1,105	(3)	1,102
Acquisitions through business combinations	2	—	2
Depreciation	(1,015)	(41)	(1,056)
Termination of leases	(48)	(1)	(49)
Impairment losses	(2)	—	(2)
Transfer (to) from right-of-use assets – investment property	41	(5)	36
Reclassifications (to) from net investment in leases	(79)	—	(79)
Exchange rate differences	(432)	(5)	(437)
Carrying amount as of January 3, 2021	**7,340**	**116**	**7,455**

Buildings and land includes stores, distribution centers and warehouses. Other mainly consists of furnishings, machinery and equipment and vehicles. Right-of-use assets that meet the criteria of an investment property are included in *Note 13*. For more information on leases, see *Note 33*.

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for leases, see *Note 33*, and for impairments, see *Note 11*.

Accounting policies

For more information on the accounting policies for leases, see *Note 33*.

13 Investment property

€ million	Right-of-use asset investment property	Company-owned investment property	Total Investment property
As of December 30, 2018			
At cost	869	989	1,858
Accumulated depreciation and impairment losses	(510)	(385)	(895)
Carrying amount	**359**	**604**	**963**
Year ended December 29, 2019			
Additions	15	10	25
Reassessments and modifications to leases	12	—	12
Depreciation	(26)	(25)	(51)
Impairment losses and reversals – net	(9)	(6)	(15)
Termination of leases	(8)	—	(8)
Assets classified (to) from held for sale or sold	—	(56)	(56)
Reclassifications (to) from net investment in leases	(8)	—	(8)
Transfers (to) from right-of-use assets, property, plant and equipment and intangible assets	(5)	8	3
Exchange rate differences	8	11	19
Closing carrying amount	**337**	**546**	**883**
As of December 29, 2019			
At cost	881	977	1,858
Accumulated depreciation and impairment losses	(544)	(431)	(975)
Carrying amount	**337**	**546**	**883**

13 Investment property continued

€ million	Right-of-use asset investment property	Company-owned investment property	Total Investment property
Year ended January 3, 2021			
Additions	18	8	27
Reassessments and modifications to leases	5	—	5
Depreciation	(27)	(23)	(50)
Impairment losses and reversals – net	(1)	(6)	(8)
Termination of leases	(6)	—	(6)
Assets classified (to) from held for sale or sold	—	(9)	(9)
Reclassifications (to) from net investment in leases	(8)	—	(8)
Transfers (to) from right-of-use assets, property, plant and equipment and intangible assets	(36)	(4)	(39)
Exchange rate differences	(23)	(33)	(56)
Closing carrying amount	**259**	**480**	**739**
As of January 3, 2021			
At cost	689	866	1,554
Accumulated depreciation and impairment losses	(430)	(386)	(816)
Carrying amount	**259**	**480**	**739**

A significant portion of the Company's investment property comprises shopping centers containing both an Ahold Delhaize store and third-party retail units. The third-party retail units generate rental income, but are primarily of strategic importance to Ahold Delhaize in its retail operations. Ahold Delhaize recognizes the part of a shopping center leased to a third-party retailer as investment property, unless it represents an insignificant portion of the property.

The net impairment losses recognized were mainly related to The United States (2020: €8 million, 2019: €15 million).

The company-owned investment property includes an amount related to assets held under financings of €17 million (December 29, 2019: €26 million). Ahold Delhaize does not have legal title to these assets. Company-owned investment property with a carrying amount of €63 million (December 29, 2019: €72 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of January 3, 2021, amounted to approximately €1,010 million (December 29, 2019: €1,159 million). Fair value of investment property has generally been measured using an income or market approach. Fair value for right-of-use asset investment property is the fair value of the right-of-use itself, not the fair value of the property under lease. Approximately 75% of Ahold Delhaize's fair value measurements are categorized within Level 2. The most significant inputs into this valuation approach are observable market retail yields and tenant rents to calculate the fair value. The remaining fair value measurements that are categorized within Level 3 primarily include the fair value measurements based on the Company's own valuation methods and the fair value for certain mixed-use properties and properties held for strategic purposes. For certain mixed-use properties and properties held for strategic purposes, Ahold Delhaize cannot determine the fair value of the investment property reliably. In such cases, the fair value is assumed to be equal to the carrying amount.

Rental income from investment property (both company-owned and right-of-use asset) included in the income statement in 2020 amounted to €64 million (2019: €86 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2020 amounted to €24 million (2019: €28 million).

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for impairments, see *Note 11*.

Accounting policies

Investment property consists of land and buildings held by Ahold Delhaize to earn rental income or for capital appreciation, or both. These properties are not used by the Company in the ordinary course of business. The Company often owns (or leases) shopping centers containing an Ahold Delhaize as well as third-party retail units. In these cases, the third-party retail units generate rental income, but are primarily of strategic importance for operating purposes to Ahold Delhaize in its retail operations. The Company recognizes the part of an owned (or leased) shopping center that is leased to third-party retailers as investment property, unless it represents an insignificant portion of the property. Land and buildings leased to franchisees are not considered to be investment property as they contribute directly to Ahold Delhaize's retail operations. Investment property is measured on the same basis as property, plant and equipment.

Right-of-use assets are separately disclosed as a line in the balance sheet, but right-of-use assets that meet the definition of investment property are included in "Investment property" and separately disclosed in the notes.

14 Intangible assets

€ million	Goodwill	Brand names	Software	Customer relationships	Other	Under development	Total
As of December 30, 2018							
At cost	7,102	3,202	1,400	208	932	111	12,955
Accumulated amortization and impairment losses	(8)	(6)	(852)	(98)	(178)	—	(1,142)
Carrying amount	**7,094**	**3,196**	**548**	**110**	**754**	**111**	**11,813**
Year ended December 29, 2019							
Additions	—	—	103	—	13	217	334
Transfers from under development	—	—	140	—	5	(144)	—
Acquisitions through business combinations	32	—	1	—	4	—	37
Amortization	—	(2)	(235)	(13)	(34)	—	(285)
Impairments	—	—	(1)	—	(1)	—	(3)
Other movements	—	—	—	—	—	—	1
Exchange rate differences	108	46	4	1	2	1	163
Closing carrying amount	**7,233**	**3,241**	**559**	**98**	**743**	**185**	**12,060**
As of December 29, 2019							
At cost	7,242	3,249	1,578	211	941	185	13,406
Accumulated amortization and impairment losses	(8)	(8)	(1,019)	(113)	(198)	—	(1,347)
Carrying amount	**7,233**	**3,241**	**559**	**98**	**743**	**185**	**12,060**
Year ended January 3, 2021							
Additions	—	—	110	—	16	302	428
Transfers from under development	—	—	251	—	10	(261)	—
Acquisitions through business combinations	5	—	—	—	—	—	6
Amortization	—	(2)	(255)	(13)	(34)	(1)	(304)
Impairments	—	—	—	—	—	—	—
Other movements	—	—	2	—	—	(5)	(2)
Exchange rate differences	(407)	(178)	(18)	(3)	(8)	(8)	(621)
Closing carrying amount	**6,831**	**3,061**	**651**	**82**	**728**	**212**	**11,565**
As of January 3, 2021							
At cost	6,839	3,070	1,796	196	948	212	13,062
Accumulated amortization and impairment losses	(8)	(10)	(1,145)	(114)	(220)	—	(1,497)
Carrying amount	**6,831**	**3,061**	**651**	**82**	**728**	**212**	**11,565**

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) or groups of CGUs expected to benefit from the business combination.

Brand names include retail brands as well as certain own brands referring to ranges of products. Retail brands are strong and well-established brands of supermarkets, convenience stores and online stores protected by trademarks that are renewable indefinitely in their relevant markets. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives. Ahold Delhaize brands play an important role in the Company's business strategy. Ahold Delhaize believes that there is currently no foreseeable limit to the period over which the retail brands are expected to generate net cash inflows, and therefore they are assessed to have an indefinite useful life.

Customer relationships consist primarily of pharmacy scripts and customer lists recognized through the acquisition of bol.com in 2012. Other mainly includes intangible assets related to relationships with franchisees and affiliates recognized in connection with the Ahold Delhaize merger, location development rights, deed restrictions and similar assets. Intangible assets under development relate mainly to software development.

14 Intangible assets continued

The carrying amounts of goodwill allocated to CGUs within Ahold Delhaize's reportable segments and brands recognized from business acquisitions are as follows:

€ million		Goodwill January 3, 2021	Goodwill December 29, 2019	Brand names January 3, 2021[1]	Brand names December 29, 2019[1]
Reportable segment	**Cash-generating unit**				
The United States	Stop & Shop	**862**	942	**—**	—
	Food Lion	**944**	1,032	**1,186**	1,297
	The GIANT Company	**526**	575	**—**	—
	Hannaford	**1,659**	1,813	**706**	772
	Giant Food	**309**	338	**—**	—
Europe	Albert Heijn (including the Netherlands and Belgium)	**1,425**	1,425	**—**	—
	Delhaize (including Belgium and Luxembourg)	**432**	432	**786**	786
	bol.com (including the Netherlands and Belgium)	**201**	201	**86**	86
	Albert (Czech Republic)	**176**	181	**—**	—
	Alfa Beta (Greece)	**142**	137	**137**	137
	Mega Image (Romania)	**133**	135	**85**	86
	Delhaize Serbia (Republic of Serbia)	**12**	12	**75**	76
	Etos	**8**	8	**—**	—
	Gall & Gall	**1**	1	**—**	—
Ahold Delhaize Group		**6,831**	7,233	**3,061**	3,241

1 Included own brands at Food Lion (€7 million; December 29, 2019: €8 million), Hannaford (€7 million; December 29, 2019: €8 million), Greece (€3 million; December 29, 2019: €3 million) and Romania (€2 million; December 29, 2019: €2 million).

Goodwill impairment testing

In the 2020 annual goodwill impairment test, the recoverable amounts of the CGUs were based on fair value less costs of disposal. Except for Food Lion, Hannaford and Delhaize, in the 2019 annual goodwill impairment test, the recoverable amount of the CGUs were based on value in use.

The disposal of a CGU would require the buyer to assume associated lease liabilities for the stores and distribution centers, and, therefore, the need to make the contractual lease payments. The fair value less costs of disposal of the CGU would be the sale price for the CGU including the lease liabilities, less the costs of disposal. Therefore the cash flow projections used in determining recoverable amounts included the lease payments. The carrying values of the CGUs tested included their right-of-use assets. To perform a meaningful comparison, the carrying amounts of the lease liabilities were then deducted when determining the carrying values of the CGUs tested.

Fair value represents the price that would be received for selling an asset in an orderly transaction between market participants and is generally measured using an income approach or a market approach. We used discounted cash flow projections based on the assets' highest and best use from a market participant's perspective; taking financial plans as approved by management as a base (Level 3 valuation). The discounted cash flow projections generally cover a period of five years. Due to the expected continuation of high growth in the relevant online retail market, we projected cash flows for bol.com over a 10-year period to better reflect the growth expectations in sales, profitability and cash generation as this business has not yet reached a steady state.

The key assumptions for the discounted cash flow projections relate to the weighted average cost of capital (hereafter: discount rate), sales growth, operating margin and growth rate (terminal value). The post-tax discount rates reflect specific risks relating to relevant CGUs and the key assumptions used in the cash flow projections and the composition of the assets and liabilities included in the CGUs carrying value. The post-tax discount rates are as follows:

	Post-tax discount rate
The U.S. brands	**5.5%**
The brands in the Netherlands (excluding bol.com)	**5.2%**
Delhaize	**5.5%**
bol.com	**9.5%**
Albert (Czech Republic)	**6.2%**
Alfa Beta (Greece)	**7.7%**
Mega Image (Romania)	**9.6%**
Delhaize Serbia (Republic of Serbia)	**8.8%**

The sales growth rates and operating margins used to estimate future performance are based on past performance and our experience of growth rates and operating margins achievable in Ahold Delhaize's main markets. The average annual compound sales growth rates applied in the projected periods ranged between 0.3% and 10.8% for the CGUs excluding bol.com. The average operating margins applied in the projected periods ranged between 2.9% and 6.4% for the CGUs excluding bol.com. For bol.com, the fair value less costs of disposal has been estimated based on modest sales growth and modest positive operating margins in the second part of the projection period. The terminal value to extrapolate cash flows beyond the explicit forecast period included one year of additional growth based on the long-term inflation expectations that ranged between 1.5% and 2.9% for the CGUs; no additional growth was assumed thereafter.

14 Intangible assets continued

Key assumptions relating to CGUs to which a significant amount of goodwill or intangible assets with indefinite useful lives is allocated are as follows:

	Post-tax discount rate	Growth rate (terminal value)
Stop & Shop	5.5%	2.1%
Food Lion	5.5%	2.1%
Hannaford	5.5%	2.1%
Albert Heijn	5.2%	1.8%
Delhaize	5.5%	1.6%

Accounting estimates and judgments

Intangible assets

For accounting estimates and judgments relating to intangible assets, see *Note 4*.

Impairments

Judgments are required to determine whether there is an indication that a CGU to which goodwill has been allocated may be impaired. Estimates and assumptions are involved in the determination of the recoverable amount of the CGUs. These include assumptions related to discount rates and cash flow projections (such as sales growth rates, operating margins and growth rates to determine terminal value).

Accounting policies

Goodwill and impairment of goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition. It is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment.

For the purposes of impairment testing, goodwill is allocated to each of the CGUs (or groups of CGUs) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a CGU (or group of CGUs) representing the lowest level within the Company at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. Goodwill on acquisitions of joint ventures and associates is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a CGU's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On the partial or complete disposal of an operation, the goodwill attributable to that operation is included in the determination of the gain or loss on disposal.

Other intangible assets

Separately acquired intangible assets and internally developed software are carried at cost less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are recognized at fair value at the date of acquisition (which is regarded as their cost).

Brand names and customer, franchise and affiliate relationships acquired in business acquisitions are stated at fair value determined using an income approach. Direct costs related to the development of software for internal use are capitalized only if the costs can be measured reliably, technological feasibility has been established, future economic benefits are probable, and the Company intends to complete development and use the software. All other costs, including all overhead, general and administrative, and training costs, are expensed as incurred.

Amortization is computed using the straight-line method based on estimated useful lives, which are as follows:

Software	3-10 years
Customer relationships	7-25 years
Retail brands	indefinite
Own brands	10-15 years
Franchise and affiliate relationships	14-40 years
Other	5 years-indefinite

The useful lives, amortization method and residual value are reviewed at each balance sheet date and adjusted, if appropriate. Brand names, intangible assets under development and other intangible assets with indefinite lives are assessed for impairment annually, or whenever there is an indication that the asset may be impaired.

15 Investments in joint ventures and associates

In 1992, Ahold Delhaize partnered with Jerónimo Martins, SGPS, S.A. in the joint venture JMR – Gestão de Empresas de Retalho, SGPS, S.A. ("JMR"). Ahold Delhaize holds 49% of the shares in JMR and shares equal voting power on JMR's board of directors with Jerónimo Martins, SGPS, S.A. JMR operates food retail stores in Portugal under the brand name Pingo Doce.

Ahold Delhaize holds 51% of the shares in P.T. Lion Super Indo ("Super Indo"). Super Indo operates supermarkets in Indonesia. Although Ahold Delhaize has a 51% investment in Super Indo, the Company cannot exercise its majority voting rights mainly due to (i) a quorum requirement for the board of directors to decide on critical operating and financing activities and (ii) a requirement of unanimous affirmative decisions in the board of directors on significant and strategic investing and financing matters, such as budgets and business plans and any resolution on the allocation of profits and distribution of dividends.

Therefore, JMR and Super Indo are joint ventures and are accounted for using the equity method. There are no quoted market prices available.

Ahold Delhaize is also a partner in various smaller joint arrangements and associates that are individually not material to the Group.

Changes in the carrying amount of Ahold Delhaize's interest in joint ventures and associates are as follows:

€ million	JMR 2020	Super Indo 2020	Other 2020	Total 2020
Beginning of the year	160	54	14	229
Share in income (loss) of joint ventures	13	10	(2)	22
Dividend	(15)	—	(1)	(16)
Exchange rate differences	—	(5)	(1)	(6)
End of the year	158	59	10	227

€ million	JMR 2019	Super Indo 2019	Other 2019	Total 2019
Beginning of the year	142	43	28	213
Share in income (loss) of joint ventures	33	8	9	50
Dividend	(15)	—	(21)	(36)
Investments classified (to) from held for sale or sold	—	—	(2)	(2)
Exchange rate differences	—	3	1	4
End of the year	160	54	14	229

Share in income (loss) from continuing operations for Ahold Delhaize's interests in all individually immaterial joint ventures was a loss of €2 million (2019: an income of €9 million) and nil for individually immaterial associates (2019: nil).

Set out below is the summarized financial information for JMR and Super Indo (on a 100% basis).

€ million	JMR 2020	JMR 2019	Super Indo 2020	Super Indo 2019
Summarized statement of comprehensive income				
Net sales	4,253	4,389	559	486
Depreciation and amortization	(148)	(148)	(16)	(16)
Interest income	—	—	2	2
Interest expense	(2)	(1)	—	—
Interest accretion to lease liability	(22)	(20)	(2)	(3)
Income tax expense	(6)	(19)	(4)	(2)
Income from continuing operations	26	67	20	15
Net income	26	67	20	15
Other comprehensive income	—	—	—	—
Total comprehensive income	26	67	20	15

€ million	JMR January 3, 2021	JMR December 29, 2019	Super Indo January 3, 2021	Super Indo December 29, 2019
Summarized balance sheet				
Non-current assets	1,601	1,595	90	98
Current assets				
Cash and cash equivalents	39	40	84	68
Other current assets	398	394	60	58
Total current assets	438	434	143	126
Non-current liabilities				
Financial liabilities	367	370	30	33
Other liabilities	38	31	7	6
Total non-current liabilities	405	401	37	39
Current liabilities				
Financial liabilities (excluding trade payables)	191	177	7	5
Other current liabilities	1,120	1,124	92	94
Total current liabilities	1,311	1,300	99	98
Net assets	322	328	98	86

15 Investments in joint ventures and associates continued

The reconciliation of the summarized financial information presented above to the carrying amount of JMR and Super Indo is as follows:

€ million	JMR 2020	JMR 2019	Super Indo 2020	Super Indo 2019
Opening net assets	**328**	290	**86**	67
Net income	**26**	67	**20**	15
Dividend	**(31)**	(31)	**—**	—
Exchange rate differences	**—**	—	**(8)**	5
Closing net assets	**322**	328	**98**	86
Interest in joint venture	**49%**	49%	**51%**	51%
Closing net assets included in the carrying value	**158**	160	**50**	44
Goodwill	**—**	—	**9**	10
Carrying value	**158**	160	**59**	54

Commitments and contingent liabilities in respect of joint ventures and associates

JMR is involved in investigations by the competition authority in Portugal into alleged violations of the respective antitrust laws for some products sold by its 100%-owned subsidiary Pingo Doce in Portugal. Following search-and-seizure actions carried out in late 2016 and early 2017 in several companies operating in the food distribution sector, the Portuguese Competition Authority (AdC) decided to open several inquiries. Within the scope of these inquiries, it issued, since then, statements of objections for alleged anti-competitive practices against various suppliers and retailers, including Pingo Doce. Pingo Doce received eight statements of objections for alleged anti-competitive practices, consisting of price alignment for certain products. Throughout the course of these investigations, Pingo Doce has fully cooperated with the authorities.

At the end of 2020, Pingo Doce was notified of decisions issued by the AdC regarding two of the above-mentioned proceedings, imposing fines on six retailers, including Pingo Doce, and two of their suppliers. In the case of Pingo Doce, these decisions implied a single fine in the amount of €91 million.

Pingo Doce disagrees with these decisions, which it considers to be completely ungrounded. As such, Pingo Doce will file the respective appeals before the Portuguese Competition, Regulation and Supervision Court ("Tribunal da Concorrência, Regulação e Supervisão"). Under the terms of the applicable law, Pingo Doce also will request suspension of the fine pending the appeal against a guarantee, to prevent the immediate payment of the fine. Based on the opinion of its legal counsels and economic advisors, Pingo Doce is fully convinced of the strength and merits of its position. Therefore, no provision was recognized for this imposed fine in the JMR accounts.

As to the remaining six proceedings, Pingo Doce has already filed four statements of defense, and in due course, will submit its response to the remaining two, as it considers all statements of objections to be ungrounded – and will wait for the respective decisions from AdC.

In addition, our JMR joint venture is involved in several tax proceedings initiated by the Portuguese tax authorities. These tax claims are contested by our JMR joint venture. For these tax claims, JMR issued several bank guarantees for a total amount of €122 million. Ahold Delhaize's indirect share of these JMR-issued guarantees is €60 million, based on our ownership interest.

There are no other significant contingent liabilities or restrictions relating to the Company's interest in the joint ventures and associates. The commitments are presented in *Note 34*.

Accounting policies

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where Ahold Delhaize has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Company accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where Ahold Delhaize has rights to the net assets of the arrangement and, therefore, the Company equity accounts for its interest.

Associates are entities over which Ahold Delhaize has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. Associates are accounted for using the equity method.

Under the equity method, investments in joint ventures and associates are measured initially at cost and subsequently adjusted for post-acquisition changes in Ahold Delhaize's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial figures of joint ventures and associates to ensure consistency with the accounting policies of the Company.

Unrealized gains on transactions between Ahold Delhaize and its joint ventures and associates are eliminated to the extent of the Company's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

16 Other non-current financial assets

€ million	January 3, 2021	December 29, 2019
Net investment in leases	**397**	396
Reinsurance assets	**174**	160
Loans receivable	**42**	44
Defined benefit asset	**78**	43
Other	**14**	18
Total other non-current financial assets	**705**	661

For more information on the Net investment in leases, see *Note 33*.

Part of the self-insured risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. At the same time, Ahold Delhaize assumes a share of the reinsurance treaty risks that is measured by Ahold Delhaize's participation percentage in the treaty. The participation percentage is the ratio of premium paid by Ahold Delhaize to the total premium paid by all treaty members. In connection with this pooling arrangement, the Company recognizes reinsurance assets and reinsurance liabilities (see also *Note 19*, *Note 23* and *Note 26*) on the balance sheet. There were no significant gains or losses related to this pooling arrangement during 2020 or 2019.

Of the non-current loans receivable, €21 million matures between one and five years and €21 million after five years (December 29, 2019: €23 million between one and five years and €21 million after five years). The current portion of loans receivable of €5 million (December 29, 2019: €16 million is included in Other current financial assets (see *Note 19*).

The defined benefit asset at January 3, 2021, represents defined benefit pension plans for which the fair value of plan assets exceeds the present value of the defined benefit obligations. For more information on defined benefit plans, see *Note 24*.

Accounting policies

For more information on the accounting policies for financial assets and reinsurance assets, see *Note 30*.

17 Inventories

€ million	January 3, 2021	December 29, 2019
Finished products and merchandise inventories	**3,181**	3,288
Raw materials, packaging materials, technical supplies and other	**64**	59
Total inventories	**3,245**	3,347

In 2020, €1,567 million has been recognized as a write-off of inventories in the income statement (2019: €1,531 million). Write-offs include, among others, spoilage, damaged product and product donated to food banks.

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for vendor allowances, see *Note 8*.

Accounting policies

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost consists of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their location and condition ready for sale, net of vendor allowances attributable to inventories. For certain inventories, cost is approximated using the retail method, in which the sales value of the inventories is reduced by the appropriate percentage of gross margin. The cost of inventories is determined using either the first-in, first-out (FIFO) method or the weighted average cost method, depending on their nature or use. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated marketing, distribution and selling expenses.

Included in the value of inventory is an amount representing the estimated value of inventories that have already been sold that the Company expects to be returned for a refund by customers.

Cost of sales

For more information on the accounting policies for cost of sales, see *Note 8*.

Vendor allowances

For more information on the accounting policies for vendor allowances, see *Note 8*.

18 Receivables

€ million	January 3, 2021	December 29, 2019
Trade receivables	**1,122**	1,072
Vendor allowance receivables	**616**	585
Other receivables	**334**	329
	2,072	1,986
Provision for impairment	**(97)**	(81)
Total receivables	**1,975**	1,905

The receivable balances are presented net of accounts payable and subject to an enforceable netting arrangement between the Company and the counterparty. The total effect of netting as of January 3, 2021, is €235 million (December 29, 2019: €208 million).

18 Receivables continued

At January 3, 2021, the aging analysis of receivables was as follows:

			Past due			
€ million	Total	Not past due	0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables	**1,122**	**776**	**260**	**9**	**15**	**62**
Vendor allowance receivables	**616**	**456**	**96**	**23**	**12**	**30**
Other receivables	**334**	**170**	**74**	**23**	**17**	**51**
	2,072	**1,402**	**429**	**55**	**44**	**143**
Provision for impairment	**(97)**	**(5)**	**(7)**	**(5)**	**(18)**	**(61)**
Total receivables	**1,975**	**1,397**	**422**	**49**	**26**	**82**
Expected credit loss	**4.7%**	**0.3%**	**1.6%**	**9.9%**	**41.5%**	**42.9%**

At December 29, 2019, the aging analysis of receivables was as follows:

			Past due			
€ million	Total	Not past due	0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables[1]	1,072	792	198	12	13	58
Vendor allowance receivables	585	458	90	19	11	7
Other receivables	329	174	70	38	9	38
	1,986	1,424	358	69	32	103
Provision for impairment	(81)	(6)	(7)	(2)	(9)	(56)
Total receivables	1,905	1,418	351	67	23	47
Expected credit loss	4.1%	0.4%	2.0%	3.4%	29.4%	54.6%

1 Trade receivables not past due and Trade receivables 0-3 months are restated for Belgium in order to provide a more accurate view of the outstanding receivables and to align the presentation of Belgium with other countries. Not past due increased by €118 million and 0-30 days decreased by €118 million.

The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. The Company does not hold any significant collateral on its receivables. Management believes there is no further credit risk provision required in excess of the normal individual and collective impairment assessment, based on the aging analysis performed as of January 3, 2021. For more information about credit risk, see *Note 30*.

The changes in the provision for impairment were as follows:

€ million	2020	2019
Beginning of the year	**(81)**	(87)
Charged to income	**(57)**	(29)
Used	**40**	35
Exchange rate differences	**2**	—
End of the year	**(97)**	(81)

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for vendor allowances, see *Note 8*.

19 Other current financial assets

€ million	January 3, 2021	December 29, 2019
Net investment in leases – current portion	**88**	78
Investments in debt instruments (FVPL[1]) – current portion	**129**	130
Short-term deposits and similar instruments	**58**	15
Reinsurance assets – current portion (see *Note 16*)	**80**	76
Short-term loans receivable	**5**	16
Other	**2**	2
Total other current financial assets	**360**	317

1 Fair Value through Profit or Loss (FVPL).

For more information on Net investment in leases – current portion, see *Note 33*.

The Investments in debt instruments relate primarily to investments in U.S. treasury bond funds, which are held by one of the Company's captive insurance companies.

As of January 3, 2021, short-term deposits and similar instruments included short-term investments with a maturity at acquisition of between three and 12 months. Of the short-term deposits and similar instruments as of January 3, 2021, €14 million was restricted (December 29, 2019: €12 million). The restricted investments are held for insurance purposes for U.S. workers' compensation and general liability programs.

At each reporting date, the Company assesses whether there is evidence that a financial asset or group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at amortized costs. In 2020, the Company recognized net impairment charges for these financial assets of nil (2019: €6 million). The net impairments were included in Other gains (losses); see *Note 9*.

Accounting policies

For more information on the accounting policies for financial assets and reinsurance assets, see *Note 30*.

20 Cash and cash equivalents

€ million	January 3, 2021	December 29, 2019
Cash in banks and cash equivalents	**2,707**	3,467
Cash on hand	**226**	250
Total cash and cash equivalents	**2,933**	3,717

Cash and cash equivalents include all cash-on-hand balances, checks, debit and credit card receivables, short-term highly liquid cash investments, and time deposits with original maturities of three months or less. Time deposits and similar instruments with original maturities of more than three months but less than 12 months are classified as other current financial assets. Bank overdrafts are included in short-term borrowings.

Of the cash and cash equivalents as of January 3, 2021, €23 million was restricted (December 29, 2019: €17 million).

Cash and cash equivalents include €681 million (December 29, 2019: €1,391 million) held under a notional cash pooling arrangement. This cash amount was fully offset by an identical amount included under Other current financial liabilities. From an operational perspective, the balances in the cash pool are netted. However, in accordance with the guidance of IAS 32 regarding the offsetting of debit and credit balances for financial reporting purposes, these balances have to be presented on a gross basis on the balance sheet (see *Note 26* and *Note 30*).

Ahold Delhaize's banking arrangements allow the Company to fund outstanding checks when presented to the bank for payment. This cash management practice may result in a net cash book overdraft position, which occurs when the total issued checks exceed available cash balances within the Company's cash concentration structure. Such book overdrafts are classified in accounts payable and amounted to €441 million (December 29, 2019: €277 million). No right to offset with other bank balances exists for these book overdraft positions.

21 Equity attributable to common shareholders

Shares and share capital

Authorized share capital comprises the following classes of shares:

€ million	January 3, 2021	December 29, 2019
Common shares		
(2020 and 2019: 1,923,515,827 of €0.01 par value each)	**19**	19
Cumulative preferred shares		
(2020 and 2019: 2,250,000,000 of €0.01 par value each)	**23**	23
Cumulative preferred financing shares		
(2020 and 2019: 326,484,173 of €0.01 par value each)	**3**	3
Total authorized share capital	**45**	45

Issued share capital

As of January 3, 2021 and December 29, 2019, the common shares comprise 100% of the issued share capital. Ahold Delhaize had no cumulative preferred shares and no cumulative preferred financing shares outstanding as of January 3, 2021 and December 29, 2019. The Company acquired and canceled all cumulative preferred financing shares in 2019.

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Such rights do not apply in respect of treasury shares that are held by the Company.

Common shares and additional paid-in capital

Changes in the number of common shares and the number of treasury shares were as follows:

	Number of common shares issued and fully paid (x 1,000)	Number of treasury shares (x 1,000)	Number of common shares outstanding (x 1,000)
Balance as of December 30, 2018	**1,183,725**	**53,525**	**1,130,200**
Share buyback	—	45,621	(45,621)
Cancellation of treasury shares	(83,000)	(83,000)	—
Share-based payments	—	(3,377)	3,377
Balance as of December 29, 2019	**1,100,725**	**12,769**	**1,087,956**
Share buyback	—	43,417	(43,417)
Share-based payments	—	(2,497)	2,497
Balance as of January 3, 2021	**1,100,725**	**53,689**	**1,047,036**

Dividends on common shares

On April 8, 2020, the General Meeting of Shareholders approved the dividend over 2019 of €0.76 per common share. The final dividend for 2019 of €0.46 per common share was paid on April 23, 2020, while the interim dividend for 2019 of €0.30 per common share was paid on August 29, 2019.

On August 5, 2020, the Company announced the interim dividend for 2020 of €0.50 per common share, which was paid on August 27, 2020. In the aggregate, in 2020, the Company paid dividends on common shares in the amount of €1,026 million.

The Management Board, with the approval of the Supervisory Board, proposes that a dividend of €0.90 per common share be paid with respect to 2020. This dividend is subject to approval by the General Meeting of Shareholders. If approved, a final dividend of €0.40 per common share will be paid on April 29, 2021. This is in addition to the interim dividend of €0.50 per common share, which was paid on August 27, 2020. The total dividend payment for the full year 2020 would, therefore, total €0.90 per common share (2019: €0.76).

The final dividend of €0.40 per common share has not been included as a liability on the consolidated balance sheet as of January 3, 2021. The payment of this dividend will not have income tax consequences for the Company.

21 Equity attributable to common shareholders continued

Share buyback

The share buyback program of €1 billion that started on January 2, 2020, was successfully completed on December 3, 2020. In total, 43,416,759 of the Company's own shares were repurchased at an average price of €23.03 per share. The related transaction costs amounted to €1 million.

On January 4, 2021, the Company commenced the €1 billion share buyback program that was announced on November 4, 2020. The program is expected to be completed before the end of 2021.

Share-based payments

Share-based payments recognized in equity in the amount of €61 million (2019: €47 million) relate to the 2020 Global Reward Opportunity (GRO) share-based compensation expenses (see *Note 32*) and the associated current and deferred income taxes.

Cumulative preferred shares

The Company's Articles of Association provide for the possible issuance of cumulative preferred shares. The Company believes that its ability to issue this class of shares could at least delay an attempt by a potential bidder to make a hostile takeover bid, allowing the Company and its stakeholders time to discuss and respond to the offer in an orderly process. According to Dutch law, a response device is limited in time and therefore cannot permanently block a take-over of the Company concerned. Instead, it aims to facilitate an orderly process in which the interests of the continuity of the Company, its shareholders and other stakeholders are safeguarded in the best way possible.

Moreover, outside the scope of a public offer, but also under other circumstances, the ability to issue this class of shares may safeguard the interests of the Company and its stakeholders and resist influences that might conflict with those interests by affecting the Company's continuity, independence or identity. No cumulative preferred shares were outstanding as of January 3, 2021, or during 2020 and 2019.

In March 1989, the Company entered into an agreement with the Dutch foundation Stichting Continuïteit Ahold Delhaize (SCAD, previously named Stichting Ahold Continuïteit), as amended and restated in April 1994, March 1997, December 2001, December 2003 and May 2018 (the "Option Agreement"). Pursuant to the Option Agreement, SCAD has been granted an option to acquire cumulative preferred shares from the Company from time to time for no consideration.

The Option Agreement entitles SCAD, under certain circumstances, to acquire cumulative preferred shares from the Company up to a total par value that is equal to the total par value of all issued and outstanding shares of Ahold Delhaize's share capital, excluding cumulative preferred shares, at the time of exercising the option. If the authorized share capital of the Company is amended during the term of the option, the Option Agreement provides for a corresponding change of the total par value of cumulative preferred shares under option.

The holders of the cumulative preferred shares are entitled to one vote per share and a cumulative dividend expressed as a percentage of the amount called-up and paid-in to purchase the cumulative preferred shares. The percentage to be applied is the sum of (1) the average basic refinancing transaction interest rate as set by the European Central Bank – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – plus 2.1%, and (2) the average interest surcharge rate – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – that would be charged by the largest credit institution in the Netherlands (based on the balance sheet total as of the close of the fiscal year immediately preceding the fiscal year over which the dividend is paid). The minimum percentage to be applied is 5.75%. Subject to limited exceptions, any potential transfer of cumulative preferred shares requires the approval of the Management Board. Cumulative preferred shares can only be issued in a registered form. The Company may stipulate that only 25% of the par value will be paid upon subscription to cumulative preferred shares until payment in full is later required by the Company. SCAD would then only be entitled to a market-based interest return on its investment.

SCAD is a foundation organized under the laws of the Netherlands. Its purpose under its articles is to safeguard the interests of the Company and its stakeholders and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity. SCAD seeks to realize its objectives by acquiring and holding cumulative preferred shares and by exercising the rights attached to these shares, including the voting rights. The SCAD board has four members, who are appointed by the board of SCAD itself.

If the board of SCAD considers acquiring cumulative preferred shares or exercising voting rights on cumulative preferred shares, it will make an independent assessment and, pursuant to Dutch law, it must ensure that its actions are proportional and reasonable. If SCAD acquires cumulative preferred shares, it will only hold them for a limited period of time. These principles are in line with Dutch law, which only allows response measures that are proportionate, reasonable and limited in time. In the case of liquidation, the SCAD board will decide on the use of any remaining residual assets.

Legal reserves

In accordance with the Dutch Civil Code and statutory requirements in other countries, legal reserves have to be established in certain circumstances. Legal reserves are not available for distribution to the Company's shareholders. The currency translation reserve, cash flow hedging reserve and other reserves include non-distributable amounts. Of the total equity as per January 3, 2021, of €12,432 million, an amount of €431 million is non-distributable (December 29, 2019: €590 million out of total equity of €14,083 million). See *Note 10* to the parent company financial statements for more details on the legal reserves.

Accounting policies

Equity instruments issued by the Company are recorded at the value of proceeds received. Own equity instruments that are bought back (treasury shares) are deducted from equity. When reissued or cancelled, shares are removed from the treasury shares on a FIFO basis, and recorded as a reduction of the additional paid-in capital, in accordance with the Company's Articles of Association. Incremental costs that are directly attributable to issuing or buying back own equity instruments are recognized directly in equity, net of the related tax. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

22 Loans and credit facilities

The notes in the table below were either issued by or guaranteed by Ahold Delhaize unless otherwise noted. The amortization of the purchase price allocation to the debt acquired through business combinations is allocated to the respective maturity brackets.

€ million, unless otherwise stated	January 3, 2021					December 29, 2019		
	Outstanding notional redemption amount		Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
EUR 400 notes 3.125%, due 2020	EUR	400	—	—	—	402	—	402
EUR 300 notes EURIBOR + 18 bps, due 2021	EUR	300	300	—	300	—	300	300
EUR 750 notes 0.875%, due 2024	EUR	750	—	750	750	—	750	750
EUR 600 notes 0.250%, due 2025	EUR	600	—	600	600	—	600	600
USD 62 indebtedness 8.62%, due 2025	USD	62	10	40	51	19	44	63
EUR 500 notes 1.125%, due 2026	EUR	500	—	500	500	—	500	500
EUR 500 notes 1.75%, due 2027	EUR	500	—	500	500	—	—	—
USD 71 notes 8.05%, due 2027	USD	71	2	70	72	2	78	80
USD 500 notes 6.875%, due 2029	USD	500	—	409	409	—	447	447
USD 271 notes 9.00%, due 2031	USD	271	5	287	292	6	319	325
USD 827 notes 5.70%, due 2040	USD	477	3	464	467	3	510	513
Deferred financing costs			(4)	(17)	(21)	(3)	(17)	(20)
Total notes			316	3,604	3,920	429	3,533	3,962
Financing obligations[1]			21	193	214	22	241	263
Mortgages payable[2]			11	63	74	2	64	66
Other loans			—	2	2	—	3	3
Total loans			348	3,863	4,210	453	3,841	4,294

1 The weighted average interest rate for the financing obligations amounted to 7.4% at the end of 2020 (2019: 7.2%).
2 Mortgages payable are collateralized by buildings and land. The weighted average interest rate for these mortgages payable amounted to 7.5% at the end of 2020 (2019: 10.5%).

22 Loans and credit facilities continued

On April 10, 2019, Ahold Delhaize repaid its 4.125% USD 300 million notes on maturity, for which $130 million was outstanding at year-end 2018.

On June 19, 2019, Ahold Delhaize issued its first EUR 600 million Sustainability Bond with a term of six years, maturing on June 26, 2025. The issuance was priced at 99.272% and carries an annual coupon of 0.25%.

On March 26, 2020, Ahold Delhaize launched and priced EUR 500 million fixed rate bonds due in 2027. The seven-year fixed rate bonds bear a coupon of 1.75% per annum and were issued at a price of 99.44% of the nominal value.

On February 27, 2020, Ahold Delhaize repaid its 3.125% EUR 400 million notes on maturity.

The fair values of financial instruments, corresponding derivatives, and the foreign exchange and interest rate risk management policies applied by Ahold Delhaize are disclosed in *Note 30*.

Credit facilities
Ahold Delhaize has access to a €1.0 billion committed, unsecured, multi-currency and syndicated credit facility. In December 2020, Ahold Delhaize closed a €1.0 billion sustainability linked revolving credit facility, maturing in 2023 with two one-year extension options. This new facility refinanced the 2015-dated €1.0 billion facility.

The credit facility has a mechanism to adjust the margin based on the Company's performance on predefined sustainability targets. It contains customary covenants and is subject to a financial covenant that requires Ahold Delhaize, in the event that its corporate rating from Standard & Poor's and Moody's is lower than BBB/Baa2, respectively, not to exceed a maximum leverage ratio of 5.5:1.

During 2020 and 2019, the Company was in compliance with these covenants. However, it was not required to test the financial covenant as a result of its credit rating. As of January 3, 2021, there were no outstanding borrowings under the facility other than letters of credit to an aggregate amount of $178 million (€146 million).

Ahold Delhaize also has access to uncommitted credit facilities to cover working capital requirements, issuance of guarantees and letters of credit. As of January 3, 2021, €64 million was utilized.

23 Other non-current financial liabilities

€ million	January 3, 2021	December 29, 2019
Lease liabilities	**8,442**	8,484
Reinsurance liabilities	**170**	162
Other long-term financial liabilities	**283**	56
Other	**10**	13
Total other non-current financial liabilities	**8,905**	8,716

For more information on lease liabilities see *Note 33*.

The Company recognizes reinsurance liabilities on its balance sheet in connection with a pooling arrangement between unrelated companies (see *Note 16*).

As of January 3, 2021, Other long-term financial liabilities mainly consists of:

- $286 million (€234 million) financial liability for the withdrawal from the National Plan and the 1500 Plan (see *Note 24*);
- $43 million (€35 million) liability for the discounted amount of the remaining settlement liability, relating to a 2013 agreement with the New England Teamsters and Trucking Industry Pension Fund (NETTI) to settle Stop & Shop's pension liabilities in the fund; and
- $10 million (€8 million) financial liability for rent payments for nine Tops stores that the Company agreed to make for a period of 72 months (see *Note 34*).

Other mainly includes financial guarantees.

Accounting policies

Financial guarantees
Financial guarantees made by Ahold Delhaize to third parties that may require the Company to incur future cash outflows if called upon to satisfy are recognized at inception as liabilities at fair value. Fair value is measured as the premium received, if any, or calculated using a scenario analysis. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the obligation or the amount initially recognized less cumulative amortization corresponding to the expiration or repayment of the underlying amount guaranteed.

Reinsurance liabilities
For more information on the accounting policies for reinsurance liabilities, see *Note 30*.

24 Pensions and other post-employment benefits

€ million	January 3, 2021	December 29, 2019
Defined benefit liabilities	**763**	677
Other long-term pension plan obligations	**472**	—
Total pension and other post-employment benefits	**1,235**	677

Post-employment benefits are provided through a number of funded and unfunded defined benefit plans and defined contribution plans, the most significant of which are in the United States and the Netherlands. For more information on the defined benefit liabilities and the other long-term pension plan obligations as presented in the table above, see the sections titled *Defined benefit plans*, *Multi-employer plans (MEPs)*, and *FELRA and MAP settlement agreement*. The current portion of other long-term pension plan obligations in the amount of €26 million is included in *Note 27*.

The following table provides an overview of the pension and other post-employment benefit expenses recorded in the income statement:

€ million	2020	2019
Defined benefit costs	**129**	179
Defined benefit costs – FELRA and MAP settlement agreement	**174**	—
Total defined benefit costs (see section *Defined benefit plans*)	**303**	179
Defined contribution plans (see section *Defined contribution plans*)	**120**	107
Multi-employer plans (see section *Multi-employer plans (MEPs)*):		
Defined benefit plans	**77**	88
Defined contribution plans	**293**	299
Withdrawal and settlement:		
FELRA and MAP settlement agreement	**502**	—
National Plan withdrawal	**559**	—
1500 Plan withdrawal	**183**	—
Total pension and other post-employment benefit expenses[1]	**2,037**	673

1 Total pension and other post-employment benefit expenses include €1,418 million related to the FELRA and MAP settlement agreement and the National Plan and 1500 Plan withdrawals.

More information on these defined benefit plans and defined contribution plans is provided in the sections below.

Defined benefit plans

Ahold Delhaize has a number of defined benefit pension plans covering a substantial number of employees, former employees and retirees in the Netherlands, the United States, Belgium, Greece and Serbia.

Net assets relating to one plan are not offset against liabilities of another plan, resulting in the following presentation of the pension and other post-employment benefits on the consolidated balance sheet:

€ million	January 3, 2021	December 29, 2019
Defined benefit liabilities	**763**	677
Defined benefit assets	**(78)**	(43)
Total net defined benefit plan funded status	**685**	633

The defined benefit assets are part of the other non-current financial assets; for more information, see *Note 16*.

In the Netherlands, the Company has a career average plan covering all employees, except for bol.com employees, over the age of 21. The plan provides benefits to participants or beneficiaries upon retirement, death or disability. The plan's assets, which are made up of contributions from Ahold Delhaize and its employees, are managed by Stichting Ahold Delhaize Pensioen ("Ahold Delhaize Pensioen"), an independent foundation. The contributions are established in a funding agreement between Ahold Delhaize, employee representatives and Ahold Delhaize Pensioen and are generally set every five years, or at the time of a plan change. The contributions are determined as a percentage of an employee's pension base.

In the United States, the Company maintains a funded plan covering a limited population of employees. This plan is closed to new participants. The plan provides a life annuity benefit based upon final pay to participants or beneficiaries upon retirement, death or disability. The assets of the plan, which are made up of contributions from Ahold Delhaize, are maintained with various trustees. Contributions to the plan are required under the current funding policy if the prior year-end funding ratio falls below 100% as measured using regulatory interest rates without funding relief in order to avoid variable Pension Benefit Guaranty Corporation (PBGC) premiums. In addition, the Company provides additional pension benefits for certain Company executives and life insurance and medical care benefits for certain retired employees meeting age and service requirements at its U.S. subsidiaries, all of which the Company funds as claims are incurred.

24 Pensions and other post-employment benefits continued

In Belgium, the Company sponsors plans for substantially all of its employees. The plans are funded by fixed monthly contributions from both the Company and employees, which are adjusted annually according to the Belgian consumer price index. Certain employees who were employed before 2005 could choose not to participate in the employee contribution part of the plans. The plans assure employees receive a lump-sum payment at retirement based on the contributions made, and provide employees with death-in-service benefits. Belgian law prescribes a variable minimum guaranteed rate of return with Belgian 10-year government bonds as the underlying benchmark, and a collar of 1.75% and 3.75%. The Company substantially insures these returns with external insurance companies that receive and manage the contributions to the plans. According to the relevant legislation, a short-fall only needs to be compensated by the employer at the point in time when the employee either retires or leaves the Company. As these plans have defined benefit features (when the return provided by the insurance company can be below the legally required minimum return, in which case the employer has to cover the gap with additional contributions), the Company treats these plans as defined benefit plans. In order to avoid the gap, or reduce it to a minimum, the Company has opened a new cash balance plan, under branch 23 rules in Belgium, as of July 1, 2017. All new employees who begin service after this date will be included in this new plan. The level of contributions remains unchanged, but the new plan is expected to experience higher returns in the long term than those generated under the branch 21 rules followed by the older plans.

Additionally, in Belgium, the Company maintains a plan covering Company executives that provides lump-sum benefits to participants upon death or retirement based on a formula applied to the last annual salary of the participant before his or her retirement or death. The plan is subject to the legal requirement to guarantee a minimum return on contributions. The plan's assets, which are made up of contributions, are managed through a fund that is administered by an independent insurance company, providing a minimum guaranteed return. The plan participant's contributions are defined in the terms of the plan, while the annual contributions to be paid by the Company are determined based on the funding level of the plan and are calculated based on current salaries, taking into account the legal minimum funding requirement, which is based on the vested reserves to which employees are entitled upon retirement or death. The plan mainly invests in debt securities in order to achieve the required minimum return. The Company bears any risk above the minimum guarantee given by the insurance company. There are no asset ceiling restrictions. In order to avoid returns being less than the minimum guaranteed return, or reduce the risk to a minimum, the level of contributions at July 1, 2017, has been capped and applied under the classic branch 21 rules. Any increase in contributions after July 1, 2017, will be managed in accordance with branch 23 rules, which are expected to experience higher returns in the long term.

In Greece, the Company operates an unfunded defined benefit post-employment plan. This plan relates to retirement benefits prescribed by Greek law, consisting of lump-sum compensation payable in case of normal retirement or termination of employment. The amount of the indemnity is based on an employee's monthly earnings and a multiple depending on the length of service and the status of the employee. There is no legal requirement to fund these plans with contributions or other plan assets. Employees participate in the plan once they have completed a minimum service period, which is generally one year.

In Serbia, the Company has an unfunded defined benefit plan that provides a lump-sum benefit upon the employee's retirement, as prescribed by Serbian law. The benefit is based on a fixed multiple of the higher of the (i) average gross salary of the employee, (ii) average gross salary in the Company or (iii) average gross salary in the country, each determined at the time the employee retires. There is no legal requirement to fund these plans with contributions or other plan assets.

The pension plans expose the Company to actuarial risks such as: longevity risk, interest rate risk, currency risk, salary risk and investment risk. Longevity risk relates to the mortality assumptions used to value the defined benefit obligation, where an increase in participants' life expectancies will increase a plan's liability. Interest rate risk relates to the discount rate used to value the defined benefit obligation, where a decrease in the discount rate will increase a plan's liability; however, this will be partially offset by an increase in the return on a plan's investments in debt instruments. The pension plans may mitigate interest rate risk by entering into interest rate swap contracts. Currency risk relates to the fact that a plan holds investments that may not be denominated in the same currency as the plan's obligations. The pension plans may mitigate currency risk by purchasing forward currency instruments. Salary risk relates to salary increase assumptions used to value the defined benefit obligation, where an increase will result in a higher plan liability. See section *Plan assets* for more details on the Company's asset-liability matching strategy employed to manage its investment risk.

The net defined benefit cost in 2020 and 2019 were as follows:

€ million	2020	2019
Service cost:		
Current service cost	**206**	152
Past service cost	**67**	—
Gain on settlement	**—**	(3)
Net interest expense	**16**	18
Administrative cost	**13**	11
Termination benefits	**1**	1
Components of defined benefit cost recorded in the income statement	**303**	179
Remeasurements recognized:		
Return on plan assets, excluding amounts included in net interest (income) expense	**(578)**	(1,162)
(Gain) loss from changes in demographic assumptions	**(194)**	10
(Gain) loss from changes in financial assumptions	**912**	1,251
Experience (gains) losses	**(32)**	(23)
Components of defined benefit cost recognized in other comprehensive income	**108**	76
Total net defined benefit cost	**411**	256

24 Pensions and other post-employment benefits continued

The changes in the defined benefit obligations and plan assets in 2020 and 2019 were as follows:

€ million	The Netherlands 2020	The Netherlands 2019	The United States 2020	The United States 2019	Rest of world 2020	Rest of world 2019	Total 2020	Total 2019
Defined benefit obligations								
Beginning of the year	**5,911**	4,777	**1,547**	1,333	**351**	281	**7,809**	6,391
Current service cost	**163**	118	**24**	19	**18**	14	**206**	152
Past service cost	**(107)**	—	**174**	—	**—**	—	**67**	—
Gain on settlements	**—**	—	**—**	(16)	**—**	—	**—**	(16)
Interest expense	**73**	94	**52**	60	**4**	5	**129**	158
Termination benefits	**—**	—	**—**	—	**1**	1	**1**	1
Contributions by plan participants	**25**	23	**—**	—	**1**	1	**26**	24
Benefits paid	**(96)**	(95)	**(76)**	(72)	**(10)**	(8)	**(181)**	(176)
(Gain) loss from changes in demographic assumptions	**(192)**	(9)	**(2)**	18	**—**	—	**(194)**	10
(Gain) loss from changes in financial assumptions	**749**	1,035	**141**	164	**23**	52	**912**	1,251
Experience (gains) losses	**(34)**	(32)	**5**	4	**(3)**	5	**(32)**	(23)
Exchange rate differences	**—**	—	**(143)**	37	**—**	—	**(143)**	37
End of the year	**6,492**	5,911	**1,721**	1,547	**387**	351	**8,600**	7,809
Plan assets								
Fair value of assets, beginning of the year	**5,642**	4,588	**1,285**	1,101	**249**	194	**7,177**	5,883
Acquisitions through business combinations	**—**	—	**—**	—	**—**	—	**—**	—
Interest income	**68**	88	**43**	49	**2**	3	**114**	140
Company contribution	**264**	101	**47**	22	**18**	18	**328**	140
Contributions by plan participants	**25**	23	**—**	—	**1**	1	**26**	24
Benefits paid	**(96)**	(95)	**(76)**	(72)	**(10)**	(8)	**(181)**	(176)
Settlement payments	**—**	—	**—**	(13)	**—**	—	**—**	(13)
Administrative cost	**(9)**	(8)	**(3)**	(3)	**—**	—	**(13)**	(11)
Return on plan assets, excluding amounts included in net interest (income) expense	**445**	946	**116**	175	**17**	42	**578**	1,162
Exchange rate differences	**—**	—	**(113)**	27	**—**	—	**(113)**	27
Fair value of assets, end of the year	**6,339**	5,642	**1,298**	1,285	**278**	249	**7,915**	7,177
Funded status	**(153)**	(269)	**(423)**	(262)	**(109)**	(102)	**(685)**	(633)

The total defined benefit obligation of €8,600 million as of January 3, 2021, includes €379 million related to plans that are wholly unfunded. These plans include pension plans in Greece and Serbia and other benefits (such as life insurance and medical care) and supplemental executive retirement plans in the United States.

There have been plan amendments in the Netherlands and the United States, resulting in a loss of €67 million. As of January 1, 2021, the Dutch pension plan rules have changed, resulting in a total past service credit of €107 million. These changes include:

- A decrease in accrual rate from 2.0% to 1.75%, which led to a gain of €111 million
- An increase in maximum salary cap to the legal maximum (€112,189), which led to a loss of €4 million
- An increase in the level of employer and employee contributions. This change had no effect on the defined benefit obligation at the end of the year

In the United States, the introduction of the FELRA & MAP single-employer plan excess benefit plan led to a past service cost in the P&L of $211 million (€174 million) (see section *Multi-employer defined benefit plans – FELRA and MAP settlement agreement*).

24 Pensions and other post-employment benefits continued

During 2017, Ahold Delhaize decided to transition a select population of employees participating in its defined benefit pension plan in the United States to a defined contribution plan, effective January 1, 2020. Accrued benefits under the defined benefit plan for these employees were frozen as of December 31, 2019. In 2020, the Company made transition contributions of €3 million to compensate affected employees for the benefit freeze. These transition contributions were already accrued for in 2017.

Cash contributions

From 2020 to 2021, Company contributions are expected to decrease from €264 million to €99 million in the Netherlands (impacted by the additional funding as explained below and a prepayment of the 2021 contributions in the amount of €33 million), increase from $54 million (€47 million) to $55 million (€45 million) for all defined benefit plans in the United States including the new variable annuity pension plans ("VAPP"), and decrease from €18 million to €17 million for all plans in the rest of the world.

As of year-end 2020, the funding ratio, calculated in accordance with regulatory requirements, of the Dutch plan was 101.5%. Under the financing agreement with Ahold Delhaize Pensioen, contributions are made as a percentage of employees' pension bases and shared between Ahold Delhaize and the employees. The agreement also allows for a reduction in premiums if certain funding conditions are met. In addition, Ahold Delhaize can be required to contribute a maximum amount of €150 million over a five-year period if the funding ratio is below 105%. At year-end 2016, the funding ratio was 104% and the Company and Ahold Delhaize Pensioen agreed to an additional funding of €28 million under the financing agreement, which was included in the 2017 cash contributions. In 2020, the Company and Ahold Delhaize Pensioen agreed to the remaining additional funding of €122 million, which was included in the 2020 cash contributions. The impact of the additional payment on the funding ratio as of year-end 2020 was approximately 2%.

The Ahold Delhaize USA pension plan's funding ratio at year-end 2020 was 134%, measured using regulatory interest rates allowed by the U.S. government as part of funding relief, which are higher than otherwise would be allowed. Based upon this funding ratio, under the current funding policy, we do not expect to make a funding contribution to the Ahold Delhaize USA pension plan in 2021.

Actuarial assumptions

The calculations of the defined benefit obligation and net defined benefit cost are sensitive to the assumptions set out below. These assumptions require a large degree of judgment. Actual experience may differ from the assumptions made. The assumptions required to calculate the actuarial present value of benefit obligations and the net defined benefit costs are determined per plan and are as follows (expressed as weighted averages):

	The Netherlands		The United States		Rest of world	
%	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate	**0.8**	1.2	**2.8**	3.5	**0.7**	1.0
Future salary increases	**2.5**	2.5	**4.3**	4.3	**3.7**	3.8
Future pension increases	**0.8**	0.7	**0.0**	0.0	**0.0**	0.0

Assumptions regarding longevity are based on published statistics and mortality tables. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	The Netherlands		The United States		Rest of world	
Years	**2020**	2019	**2020**	2019	**2020**	2019
Longevity at age 65 for current pensioners						
Male	**21.0**	21.4	**20.2**	20.4	N/A	N/A
Female	**23.3**	23.6	**22.1**	22.4	N/A	N/A
Longevity at age 65 for current members aged 50						
Male	**22.5**	23.1	**21.3**	21.6	N/A	N/A
Female	**24.7**	25.3	**23.2**	23.5	N/A	N/A

The following table summarizes how the effect on the defined benefit obligations at the end of the reporting period would have increased (decreased) as a result of a 0.5% change in the respective assumptions and a one-year increase in life expectancy.

€ million	The Netherlands	The United States	Rest of world	Total
Discount rate				
0.5% increase	(776)	(94)	(27)	(898)
0.5% decrease	928	105	32	1,066
Future salary increases				
0.5% increase	95	—	13	108
0.5% decrease	(90)	—	(11)	(100)
Future pension increases				
0.5% increase	852	—	N/A	852
0.5% decrease	(728)	—	N/A	(728)
Life expectancy				
1 year increase at age 65	280	57	1	338

The above sensitivity analyses are based on a change in each respective assumption while holding all other assumptions constant. In reality, one might expect interrelationships between the assumptions, especially between discount rate and future salary increases as both depend to a certain extent on expected inflation rates. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

24 Pensions and other post-employment benefits continued

Plan assets

The pension plan asset allocation differs per plan. The allocation of plan assets was as follows:

	The Netherlands		The United States		Rest of world	
€ million	**2020**	2019	**2020**	2019	**2020**	2019
Equity instruments:						
Consumer goods	**388**	340	**18**	15	**—**	—
Financial services	**188**	206	**13**	15	**—**	—
Telecommunications and information	**223**	163	**11**	11	**—**	—
Energy and utilities	**96**	116	**19**	17	**—**	—
Industry	**423**	381	**8**	7	**—**	—
Other	**346**	358	**102**	95	**8**	—
Debt instruments:						
Government	**1,653**	1,543	**161**	95	**—**	—
Corporate bonds (investment grade)	**446**	429	**601**	662	**—**	—
Corporate bonds (non-investment grade)	**8**	8	**—**	—	**—**	—
Other	**—**	—	**70**	77	**30**	13
Real estate:						
Retail	**2**	4	**—**	—	**—**	—
Offices	**1**	2	**—**	—	**—**	—
Residential	**1**	2	**—**	—	**—**	—
Other	**—**	—	**43**	47	**—**	—
Investment funds	**1,842**	1,645	**145**	152	**—**	8
Insurance contracts	**—**	—	**—**	—	**239**	229
Derivatives:						
Interest rate swaps	**280**	139	**—**	—	**—**	—
Forward foreign exchange contracts	**27**	6	**—**	—	**—**	—
Cash and cash equivalents	**409**	308	**21**	27	**—**	—
Other	**7**	(8)	**84**	65	**—**	—
Total	**6,339**	5,642	**1,298**	1,285	**278**	249

Virtually all equity and debt instruments have quoted prices in active markets. Derivatives can be classified as Level 2 instruments, and real estate and some investment funds as Level 3 instruments based on the definitions in IFRS 13, "Fair Value Measurement." It is Ahold Delhaize Pensioen's policy to use interest rate swaps to partially hedge its exposure to interest rate risk on the pension liability. Foreign currency exposures are hedged by the use of forward foreign exchange contracts.

In the Netherlands, the plan assets are managed by outside investment managers following investment strategies based on the composition of the plan liabilities. With the aid of asset liability management modeling, analyses are made of possible future economic scenarios and investment portfolios. Based on these analyses, investment strategies are determined to produce optimal investment returns at acceptable funding ratio risk levels. Less favorable years can be part of these scenarios. During 2020, the strategic targets for asset allocation of the Dutch pension plan were: 50% return portfolio (equity, high-yield debt, emerging-market debt, private equity and real estate) and 50% matching portfolio (government bonds, interest swaps, € credits, mortgages and cash).

In the United States, the plan assets are managed by external investment managers and rebalanced periodically. Pension plan assets are invested in a trust intended to comply with the Employee Retirement Income Security Act of 1974 (ERISA), as amended, the United States Tax Code, and applicable fiduciary standards. In 2020, AON was approved by the Fiduciary Committee as the pension plan's Outsourced Chief Investment Officer (OCIO). The OCIO manages the entire pension plan portfolio and acts as fiduciary under ERISA. The Fiduciary Committee monitors the OCIO's performance. The long-term investment objective for the plan's assets is to maintain an acceptable funding ratio of the plan's assets and liabilities without undue exposure to risk. During 2020, the strategic targets were: 11% equity securities, 5% hedge funds and 84% debt securities.

In 2020, the Dutch plan had €2 million of plan assets invested in Ahold Delhaize's financial instruments (2019: €2.0 million). In 2020 or 2019, the U.S. plans did not have any plan assets invested in Ahold Delhaize financial instruments.

The actual return on plan assets in 2020 was 9.1% for the Dutch plan (2019: 22.6%) and 14.1% for the Ahold Delhaize USA pension plan (2019: 22.4%).

Benefit maturities

The weighted average duration of the defined benefit obligations of the plans in the Netherlands, the United States and the rest of world are 26.9, 14.1, and 16.0 years, respectively.

The expected schedule of benefit payments for the plans are as follows:

€ million	The Netherlands	The United States	Rest of world	Total
Amount due within one year	93	73	7	173
Amount due between two and five years	379	306	53	738
Amount due between six and ten years	603	412	68	1,083

24 Pensions and other post-employment benefits continued

Defined contribution plans

The Company operates defined contribution plans in the Netherlands, the United States, Belgium, Greece and Czech Republic. As mentioned above, the defined contribution plans in Belgium are accounted for as defined benefit plans due to the guaranteed return elements of the plans. The largest defined contribution plans exist in the United States, where the Company sponsors profit-sharing retirement plans that include a 401(k) feature that permits participating employees to make elective deferrals of their compensation and requires the Company to make matching contributions.

During 2020 and 2019, the Company contributed €120 million and €107 million, respectively, to its defined contribution plans. These contributions were recognized as an expense in the income statement and related entirely to continuing operations in 2020 and 2019.

Multi-employer plans (MEPs)

A number of union employees in the United States are covered by MEPs based on obligations arising from collective bargaining agreements. These plans provide retirement and other benefits to participants generally based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed in equal number by employers and unions and they are typically responsible for oversight of the investment of the assets and administration of the plan. Contribution rates and, in some instances, benefit levels are generally determined through the collective bargaining process between the participating employers and unions. At year-end, none of the Company's collective bargaining agreements required an increase in the Company's total pension contributions for MEPs to meet minimum funding requirements.

Most of these plans are defined contribution plans. The plans that are defined benefit plans, on the basis of the terms of the benefits provided, are accounted for as defined contribution plans because, among other things, there is insufficient information available to account for these plans as defined benefit plans. These plans are generally flat dollar benefit plans. Ahold Delhaize is generally one of several employers participating in most of these plans and, in the event that Ahold Delhaize withdraws from a plan, its allocable share of the plan's obligations (with certain exceptions) would be based upon unfunded vested benefits in the plan at the time of such withdrawal. Ahold Delhaize's obligation to pay for its allocable share of a plan's unfunded vested benefits is called a withdrawal liability. The withdrawal liability payable by Ahold Delhaize at such time as it experiences a withdrawal from a plan is based upon the applicable statutory formula, plan computation methods and actuarial assumptions, and the amount of the plan's unfunded benefits. Ahold Delhaize does not have sufficient information to accurately determine its ratable share of plan obligations and assets following defined benefit accounting principles and the financial statements of the MEPs are drawn up on the basis of other accounting policies than those applied by Ahold Delhaize. Consequently, these MEPs are not included in the Company's balance sheet.

The risks of participating in MEPs are different from the risks of single-employer plans. Ahold Delhaize's contributions are pooled with the contributions of other contributing employers, and are therefore used to provide benefits to employees of these other participating employers. If other participating employers cease to participate in the plan without paying their allocable portion of the plan's unfunded obligations, this could result in increases in the amount of the plan's unfunded benefits and, thus, Ahold Delhaize's future contributions. Similarly, if a number of employers cease to have employees participating in the plan, Ahold Delhaize could be responsible for an increased share of the plan's deficit. If Ahold Delhaize seeks to withdraw from a MEP, it generally must obtain the agreement of the applicable unions and will likely be required to pay withdrawal liability in connection with this. If a MEP in which Ahold Delhaize participates becomes insolvent, Ahold Delhaize may be required to increase its contributions, in certain circumstances, to fund the payment of benefits by the MEP.

Under normal circumstances, when a MEP reaches insolvency, it must reduce all accrued benefits to the maximum level guaranteed by the United States' PBGC. MEPs pay annual insurance premiums to the PBGC for such benefit insurance. PBGC currently projects that its multi-employer insurance program will become insolvent by the end of the PBGC's 2026 fiscal year. If the PBGC's multi-employer insurance program becomes insolvent, it may become unable to fund the PBGC-guaranteed benefits owed by insolvent MEPs, which might impact our future contribution obligations to certain plans. Various legislative initiatives to assist the PBGC and/or the multi-employer pension system in the United States are under consideration by the United States Congress, but it is unclear whether any of these initiatives will be enacted.

MEP - Defined benefit plans

At the end of 2020, Ahold Delhaize participated in 7 MEPs that are defined benefit plans on the basis of the terms of the benefits provided (Ahold Delhaize participated in 11 such plans in 2019). The Company's participation in these MEPs is outlined in the following tables.

Ahold Delhaize's participation percentage is an indication based on the relevant amount of its contributions during the year in relation to the total amount of contributions made to the plan.

The estimate of the Company's net proportionate share of the plans' deficits is based on the latest available information received from these plans, such as the plans' measurement of plan assets and the use of discount rates between 6.5% and 8.5%. The estimate does not represent Ahold Delhaize's direct obligation. While it is our best estimate, based upon information available to us, it is imprecise and a reliable estimate of the amount of the obligation cannot be made.

The EIN/Pension Plan Number column provides the Employer Identification Number (EIN) and the three-digit pension plan number. As with all pension plans, multi-employer pension plans in the U.S. are regulated by the ERISA; the United States Tax Code; as amended; the Pension Protection Act of 2006 (PPA); and the Multi-employer Pension Reform Act of 2014 (MPRA), among other legislation.

Under the PPA, plans are categorized as "endangered" (Yellow Zone), "seriously endangered" (Orange Zone), "critical" (Red Zone), or neither endangered nor critical (Green Zone). This categorization is primarily based on three measures: the plan's funded percentage, the number of years before the plan is projected to have a minimum funding deficiency under ERISA and the number of years before the plan is projected to become insolvent. A plan is in the "Yellow Zone" if the funded percentage is less than 80% or a minimum funding deficiency is projected within seven years. If both of these triggers are reached, the plan is in the "Orange Zone." Generally, a plan is in the "Red Zone" if a funding deficiency is projected at any time in the next four years (or five years if the funded percentage is less than 65%). Plans with a funding ratio above 80% are generally designated as being in the "Green Zone." A plan in the "Red Zone" may be further categorized as "critical and declining" if the plan is projected to become insolvent within the current year or within either the next 14 years or the next 19 years, depending on the plan's ratio of inactive participants to active participants and the plan's specific funding percentage. MEPs in endangered or critical status are required by U.S. law to develop either a funding improvement plan (FIP) or a rehabilitation plan (RP) to enhance funding through reductions in benefits, increases in contributions, or both.

The FIP/RP Status Pending/Implemented column in the table below indicates plans for which an FIP or an RP is pending or has been implemented. Additional information regarding the multi-employer plans listed in the following tables can be found on the website of the U.S. Department of Labor (www.efast.dol.gov).

24 Pensions and other post-employment benefits continued

€ million, except Ahold Delhaize's participation percentages	EIN / Pension plan number	ERISA zone status	FIP / RP status pending / implemented	Year of Form 5500[1]	Expiration date of collective bargaining agreement	**January 3, 2021** Annual contributions[2]	Plan deficit / (surplus)[3]	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus)[4]
New England Teamsters & Trucking Industry Pension	04-6372430/001	Red (Critical and declining)	Implemented	2019	March 29, 2025	**5**	**—**	**2.6%**	**—**
UFCW Local 1262 & Employers Pension Fund	22-6074414/001	Red	Implemented	2019	October 23, 2023 – February 10, 2024	**6**	**43**	**29.6%**	**13**
Warehouse Employees' Union Local 730 Pension Trust Fund	52-6124754/001	Red (Critical and declining)	Implemented	2019	May 15, 2027	**3**	**94**	**86.5%**	**82**
Other plans[5]						**7**	**5,489**	**1.0%**	**(29)**
Total						**21**	**5,627**		**65**

€ million, except Ahold Delhaize's participation percentages	EIN / Pension plan number	ERISA zone status	FIP / RP status pending / implemented	Year of Form 5500[1]	Expiration date of collective bargaining agreement	December 29, 2019 Annual contributions[2]	Plan deficit / (surplus)[3]	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus)[4]
FELRA & UFCW Food Pension Fund	52-6128473/001	Red (Critical and declining)	Implemented	2018	October 26, 2019	23	1,335	56.6%	756
Mid-Atlantic UFCW & Participating Employers Pension Fund	46-1000515/001	Green	No	2018	October 26, 2019	10	(18)	62.0%	(11)
New England Teamsters & Trucking Industry Pension	04-6372430/001	Red (Critical and declining)	Implemented	2018	March 29, 2025	6	—	2.6%	—
UFCW Local 1262 & Employers Pension Fund	22-6074414/001	Red	Implemented	2018	October 23, 2023 – February 10, 2024	5	85	43.4%	37
United Food & Commercial Workers International Union – Industry Pension Fund	51-6055922/001	Green	No	2018	February 23, 2019 – October 31, 2020	23	(270)	23.8%	(64)
UFCW Local 1500 Pension Plan	23-7176372/001	Yellow	Implemented	2018	December 26, 2020	12	182	39.9%	73
Warehouse Employees' Union Local 730 Pension Trust Fund	52-6124754/001	Red (Critical and declining)	Implemented	2018	March 14, 2022	3	99	86.0%	85
Other plans[5]						6	5,882	0.9%	(15)
Total						88	7,295		861

1 Form 5500 is part of ERISA's overall reporting and disclosure framework and includes the financial statements of a MEP.
2 The total annual contributions for the multi-employer defined benefit pension plans recorded in the income statement are €77 million (2019: €88 million). The annual contributions for the settled plans (FELRA & UFCW Food Pension Fund, Mid-Atlantic UFCW & Participating Employers Pension Fund, United Food & Commercial Workers International Union – Industry Pension Fund and UFCW Local 1500 Pension Plan) were €56 million in 2020 (see more information on the new plans in the paragraphs below).
3 The deficit/(surplus) of the plans is heavily influenced by the discount rate applied by the plans, which ranges between 6.5% and 8.5%. MEPs discount the liabilities at the plan's expected rate of return on assets. As a plan nearing insolvency reduces liquidity risk and expected volatility, its expected rate of return on assets declines and, as such, the discount rate will decline, resulting in an increase of the deficit within the plan.
4 Ahold Delhaize's proportionate share of deficit (surplus) is calculated by multiplying the deficit/(surplus) of each plan that the Company participates in by Ahold Delhaize's participation percentage in that plan. This proportional share of deficit/(surplus) is an indication of our share of deficit/(surplus) based on the best available information. The deficit is calculated in accordance with the accounting policies and funding assumptions applied by the relevant plan and does not represent any obligation or liability Ahold Delhaize may have in respect of the plan, which would be accounted for and measured in accordance with Ahold Delhaize's accounting policies.
5 Other plans include Teamsters Local 639 Employers Pension Plan, UFCW Local 464A Pension Fund, Bakery and Confectionery Union Pension Fund and IAM National Pension Fund with participation percentages as of January 3, 2021, equal to 4.7%, 23.5%, 0.5% and 0.0%, respectively.

24 Pensions and other post-employment benefits continued

If the underfunded liabilities of the multi-employer pension plans are not reduced, either by improved market conditions, reductions in benefits and/or collective bargaining changes, increased future payments by the Company and the other participating employers may result. However, all future increases generally will be subject to the collective bargaining process.

In 2020, Ahold Delhaize withdrew from the United Food & Commercial Workers International Union–Industry Pension Fund (the“National Plan”) and the United Food & Commercial Workers (UFCW) – Local 1500 Pension Fund (the “1500 Plan”) resulting in a total withdrawal liability of $634 million (€559 million) and $222 million (€183 million), respectively. In 2020, Ahold Delhaize paid $590 million, which included a transition payment to the new plan as explained below. The outstanding withdrawal liability as of January 3, 2021, amounts to $286 million (€234 million). This withdrawal liability is recorded as a financial liability; see *Note 23*.

For the National Plan, a new multi-employer variable annuity pension plan (“VAPP”) will be established and will be effective retrospectively as of July 1, 2020. The new plan is a defined benefit plan and the Company will apply defined benefit accounting. The transition payment in the amount of $18 million has been recorded as pension assets and, with $1 million service costs, resulted in a $17 million net pension asset as of year end. For the 1500 Plan, the Company will provide associates who are members of the UFCW Local 1500 future service retirement benefits through an existing defined contribution plan for which defined contribution accounting is applied.

In 2021, the Company expects its total contributions to multi-employer defined benefit plans to be €22 million, which includes RP contribution increases, where applicable. Ahold Delhaize has a risk of increased contributions and withdrawal liability (upon a withdrawal) if any of the participating employers in an underfunded MEP withdraw from the plan or become insolvent and are no longer able to meet their contribution requirements or if the MEP itself no longer has sufficient assets available to fund its short-term obligations to the participants in the plan. Including the annual contributions of €56 million for the settled plans (FELRA & UFCW Food Pension Fund, Mid-Atlantic UFCW & Participating Employers Pension Fund, United Food & Commercial Workers International Union - Industry Pension Fund and UFCW Local 1500 Pension Plan) the contribution decrease from €77 million to €22 million. If and when a withdrawal liability is assessed, it may be substantially higher than the proportionate share disclosed above. Any adjustment for a withdrawal liability will be recorded when it is probable that a liability exists and the amount can be reliably estimated. Ahold Delhaize does not have a contractual agreement with any MEP that determines how a deficit will be funded, except for the FELRA and MAP settlement agreement as described below.

FELRA and MAP settlement agreement

On December 31, 2020, Giant Food, UFCW Locals 27 and 400 (collectively the “Union Locals”), the PBGC, the Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund (“FELRA”) and the Mid-Atlantic UFCW and Participating Employers Pension Fund (“MAP”) finalized a settlement agreement on Giant Food’s funding obligations with respect to FELRA and MAP. As a result of this agreement, the PBGC has approved the combining of MAP into FELRA (the “Combined Plan”) and has agreed to provide financial assistance to the Combined Plan following its insolvency, which is currently projected to occur in 2022. The agreement is intended to resolve all of Giant Food’s existing liabilities with respect to the FELRA and MAP Plans and improves the security of pension benefits for associates and reduces financial risk for Giant Food.

The agreement consists of the following components:

- Following the combination of FELRA and MAP, the PBGC will provide financial assistance to the Combined Plan after it becomes insolvent to fund benefit payments up to the level guaranteed by the PBGC. Giant Food will pay the withdrawal liability to the Combined Plan in monthly installments, commencing in February 2021, for the next 25 years.
- Giant Food will create a new single-employer plan to cover benefits accrued by Giant Food associates under the Combined Plan that exceed the PBGC’s guarantee level following the Combined Plan’s insolvency (“excess benefits”).
- Giant Food will create a new MEP with another employer to provide excess benefits for certain other participants in the Combined Plan for whom Giant Food previously assumed responsibility. Giant Food intends to exercise its option to withdraw from this plan, which is currently estimated to be approximately $10 million (€8 million) in total, at some point during the next few years.

Each of the above plans is a frozen plan, meaning that no further benefits will be accrued. With this agreement, Giant Food has significantly reduced its pension exposure and has improved the security of pension benefits for plan participants. The above plans, in essence, remain defined benefit plans; see *Principal risks and uncertainties* in this Annual Report for related risk factors for pension and other post-employment benefits.

As part of establishing these plans, Giant Food recorded a $609 million (€502 million) pension-related liability and a $211 million (€174 million) defined benefit obligation, with a corresponding reduction in the Ahold Delhaize FELRA and MAP MEP off-balance sheet liabilities. This pension-related liability was recorded as a pension expense in 2020. The current portion of the pension-related liability is included in Other current liabilities (see *Note 27*).

Giant’s associates who are represented by UFCW Locals 27 and 400 will accrue benefits under a single-employer variable annuity plan beginning January 1, 2021. The defined benefit obligation of $211 million relates to this new variable annuity single-employer plan and represents the best estimate based on information available at year end. Any relevant adjustments will be recorded in 2021.

As mentioned above, the PBGC currently projects that its multi-employer insurance program will become insolvent by the end of the PBGC’s 2026 fiscal year. If the PBGC’s multi-employer insurance program becomes insolvent, it may become unable to fund the PBGC-guaranteed benefits owed by insolvent MEPs. Various legislative initiatives to assist the PBGC and/or the multi-employer pension system in the United States are under consideration by the United States Congress, but it is unclear whether any of these initiatives will be enacted. In the event that the PBGC fails to fund the benefits that are guaranteed by the PBGC after the Combined Plan becomes insolvent, the settlement agreement to which Giant Food is a party requires the Company to fund the benefit payments that are not paid by the PBGC for certain participants through Giant’s new single-employer plan for excess benefits.

24 Pensions and other post-employment benefits continued

MEP – Defined contribution plans

Ahold Delhaize also participates in 40 MEPs that are defined contribution plans on the basis of the terms of the benefits provided. The majority of these plans provide health and welfare benefits. The Company contributed €293 million and €299 million to multi-employer defined contribution plans during 2020 and 2019, respectively. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2020 and 2019. These plans vary significantly in size, with contributions to the three largest plans representing 52% of total contributions.

Accounting estimates and judgments

The present value of the pension obligations depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. Other key assumptions include longevity and future salary and pension increases.

Accounting policies

The net assets and net liabilities recognized on the consolidated balance sheet for defined benefit plans represent the actual surplus or deficit in Ahold Delhaize's defined benefit plans measured as the present value of the defined benefit obligations less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Defined benefit obligations are actuarially calculated on the balance sheet date using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using market yields on high-quality corporate bonds (i.e., bonds rated AA or higher), denominated in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities.

Defined benefit costs are split into three categories:

- Service cost, past service cost, gains and losses on curtailment and settlements
- Net interest expense or income
- Remeasurement

The first category is presented as labor costs within operating earnings. Past-service costs are recognized in the income statement in the period of plan amendment. Results from curtailments or settlements are recognized immediately.

Past service years within the Dutch pension plan are calculated based upon a methodology that uses the maximum past service years based on accrued benefits or a participant's actual date of hire.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is presented within net financial expenses.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (if applicable), and the return on plan assets (excluding interest) are recognized immediately in the balance sheet with a charge or credit to other comprehensive income in the period in which it occurs. Remeasurements recorded in other comprehensive income are not recycled to the income statement.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions. Post-employment benefits provided through industry MEPs, managed by third parties, are generally accounted for under defined contribution criteria.

25 Provisions

The table below specifies the changes in total provisions (current and non-current):

€ million	Self-insurance program	Claims and legal disputes	Severance and termination benefits	Onerous contracts[1]	Other	Total
As of December 29, 2019						
Current portion	267	23	39	8	13	349
Non-current portion	599	29	12	32	52	724
Carrying amount	**866**	**52**	**51**	**40**	**65**	**1,074**
Year ended January 3, 2021						
Additions charged to income	220	31	52	584	24	910
Used during the year	(170)	(19)	(52)	(27)	(18)	(287)
Released to income	(4)	(6)	(2)	(3)	(2)	(17)
Interest accretion	6	—	—	3	1	10
Effect of changes in discount rates	54	—	—	1	1	56
Other movements	—	(1)	—	(527)	—	(528)
Exchange rate differences	(80)	(2)	—	(38)	(2)	(122)
Closing carrying amount	**891**	**54**	**49**	**32**	**70**	**1,096**
As of January 3, 2021						
Current portion	278	36	40	8	17	378
Non-current portion	613	18	8	25	53	718
Carrying amount	**891**	**54**	**49**	**32**	**70**	**1,096**

1 The additions, usage, other movements and exchange rate differences in 2020 mainly relate to the withdrawal from the National Plan in the United States. See Note 24.

Maturities of total provisions as of January 3, 2021, are as follows:

€ million	Self-insurance program	Claims and legal disputes	Severance and termination benefits	Onerous contracts	Other	Total
Amount due within one year	278	36	40	8	17	378
Amount due between one and five years	381	15	8	15	23	442
Amount due after five years	233	4	—	10	30	276
Total	**891**	**54**	**49**	**32**	**70**	**1,096**

Self-insurance program

Ahold Delhaize is self-insured for certain potential losses, mainly relating to general liability, vehicle liability, workers' compensation and property losses incurred by its subsidiaries. Some of Ahold Delhaize's self-insured losses are retained at its captive insurance companies. The captives' maximum self-insurance retention per occurrence, including defense costs, is $2 million (€2 million) for general liability, $15 million (€13 million) for commercial vehicle liability, $5 million (€4 million) for workers' compensation in the United States and an amount equivalent to the capped continued payment of wages in The Netherlands, $5 million (€4 million) for property losses in Europe and $9 million (€8 million) with an annual aggregate of $25 million (€22 million) for property losses in the United States. Part of the self-insured risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies; see *Note 16*.

The measurement of the self-insurance provisions involves estimates and judgments to be made regarding future claim patterns, which include estimates on the number of future claims, timing and amount of payment of damages and costs associated with the settlement of future claims.

Claims and legal disputes

The Company is party to a number of legal proceedings arising out of its business operations. Such legal proceedings are subject to inherent uncertainties. Management, supported by internal and external legal counsel, where appropriate, determines whether it is probable that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized.

Severance and termination benefits

This provision relates to payments to employees whose employment with the Company has ended, either as part of a restructuring or a voluntary separation plan. The measurement of the provision involves estimates and judgments about the population and number of employees that will ultimately be affected by the plans, estimates of salary ranges used to measure future cash flows, and assumptions of periods of service, if relevant.

Onerous contracts

Onerous contract provisions relate to unfavorable contracts where the unavoidable costs of meeting the obligations under the contracts exceed the benefits expected to be received. The judgments and estimates made in the measurement of onerous contracts relate to unavoidable future costs anticipated to be incurred.

Other

Other provisions include loyalty programs, long-term incentives, jubilee payments, asset retirement obligations, provisions for environmental risks and supplemental medical benefits. The judgments and estimates made in the measurement of these provisions relate to the estimated costs to be incurred at an unknown future date.

The loyalty program provision of €20 million as of January 3, 2021 (December 29, 2019: €15 million), relates to a third-party customer loyalty program in the Netherlands and reflects the estimated cost of benefits to which customers participating in the loyalty program are entitled. When measuring the provision for loyalty programs, management estimates the expected timing of the redemptions by customers and the expected breakage (benefits granted but never redeemed).

25 Provisions continued

Accounting estimates and judgments

The recognition of provisions requires estimates and assumptions regarding the timing and the amount of outflow of resources. The main estimates are as follows:

- Self-insurance program: estimates and assumptions include an estimate of claims incurred but not yet reported, historical loss experience, projected loss development factors, estimated changes in claim reporting patterns, claim settlement patterns, judicial decisions and legislation. It is possible that the final resolution of claims may result in significant expenditures in excess of existing reserves.
- Loyalty programs: estimating the cost of benefits to which customers participating in the loyalty program are entitled includes assumptions on redemption rates. These estimates and assumptions apply to all loyalty programs, irrespective of whether they are accounted for as sales deferrals or provisions for future payments made at redemption.
- Claims and legal disputes: management, supported by internal and external legal counsel, where appropriate, determines whether it is probable that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized.
- Severance and termination benefits: the provisions relate to separation plans and agreements and use the best estimate, based on information available to management, of the cash flows that will likely occur. The amounts that are ultimately incurred may change as the plans are executed.
- Onerous contracts: mainly relate to unfavorable contracts and include the excess of the unavoidable costs of meeting the contractual obligations over the benefits expected to be received under such contracts.

Accounting policies

Provisions are recognized when (i) the Company has a present (legal or constructive) obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) the amount can be reliably estimated. The amount recognized is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant.

The provision for the Company's self-insurance program is recorded based on claims filed and an estimate of claims incurred but not yet reported. The provision includes expenses incurred in the claim settlement process that can be directly associated with specific claims. Other expenses incurred in the claim settlement process are expensed when incurred. The Company's estimate of the required liability of such claims is recorded on a discounted basis, utilizing an actuarial method based upon various assumptions that include, but are not limited to, historical loss experience, projected loss development factors and actual payroll costs.

Restructuring-related provisions for severance and termination benefits are recognized when the Company has approved a detailed formal restructuring plan and the restructuring has either commenced or has been announced to those affected by it. Onerous contract provisions are measured at the amount by which the unavoidable costs to fulfill agreements exceeds the expected benefits from such agreements.

26 Other current financial liabilities

€ million	January 3, 2021	December 29, 2019
Lease liabilities – current portion	**1,143**	1,211
Interest payable	**33**	37
Short-term borrowings	**74**	60
Bank overdrafts	**683**	1,395
Reinsurance liabilities – current portion (see Note 16 and Note 23)	**77**	76
Loans – current portion (see Note 22)	**348**	453
Deposit liabilities	**16**	15
Derivative financial instruments	**—**	1
Other	**11**	8
Total other current financial liabilities	**2,386**	3,257

Bank overdrafts includes an amount of €681 million (December 29, 2019: €1,391 million) which relates to the overdraft position of a notional cash pooling arrangement. This bank overdraft is fully offset by an identical amount included under Cash and cash equivalents (see Note 20 and Note 30).

For more information on lease liabilities see Note 33.

Accounting policies

For more information on the accounting policies for financial liabilities and reinsurance liabilities, see Note 30.

27 Other current liabilities

€ million	January 3, 2021	December 29, 2019
Accrued expenses	**1,630**	1,342
Compensated absences	**515**	493
Payroll taxes, social security and VAT	**533**	503
Deferred income[1]	**203**	74
Gift card liabilities[2]	**208**	172
Other[3]	**37**	6
Total other current liabilities	**3,125**	2,591

1 The increase in deferred income mainly relates to our self-insurance activities and is due to the timing of insurance policy renewals. In connection with these insurance policy renewals, there was a similar increase in prepaid expenses. For more information on insurance activities, see *Note 16* and *Note 30*.
2 Gift card sales for the year in the amount of €542 million, offset by redemptions in the amount of €485 million, breakage in the amount of €16 million, and exchange rate differences of €6 million resulted in an ending balance of gift card liabilities of €208 million.
3 Includes the current portion of the pension-related liability for FELRA and MAP of €26 million (2019: nil). For details see *Note 24*.

The non-current portion of the Deferred income amounts to €54 million (December 29, 2019: €63 million), and is included in the "Other non-current liabilities" line of the balance sheet.

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for gift card liabilities, see *Note 7*.

28 Cash flow

The following table presents the reconciliation between the cash and cash equivalents as presented in the statement of cash flows and on the balance sheet:

€ million	January 3, 2021	December 29, 2019
Cash and cash equivalents as presented in the statement of cash flows	**2,910**	3,701
Restricted cash	**23**	17
Cash and cash equivalents as presented on the balance sheet	**2,933**	3,717

The following tables present additional cash flow information:

€ million	2020	2019
Non-cash investing activities		
Accounts payable at year-end related to purchased non-current assets	**334**	321
Assets acquired under leases[1]	**638**	481
Reassessments and modifications to leases[2]	**1,143**	781
Acquisition of businesses (see *Note 4*)		
Total purchase consideration	**(5)**	(43)
Cash acquired	**1**	—
Acquisition of businesses, net of cash acquired	**(4)**	(43)
Divestments of businesses		
Net cash flows related to Tops Markets	**(3)**	(11)
Divestment of businesses	**(3)**	**(11)**
Cash divested	**—**	—
Divestment of businesses, net of cash divested	**(3)**	(11)
Reconciliation between results on divestments of discontinued operations and cash (paid) received		
Result on divestments of discontinued operations before income taxes	**—**	(1)
Changes in provisions and other financial liabilities – net	**(3)**	(10)
Divestment of businesses	**(3)**	(11)
Cash divested	**—**	—
Divestment of businesses, net of cash divested	**(3)**	(11)

1 In 2020, the additions to right-of-use assets (see *Note 12* and *Note 13*) include €7 million of additions through sale and leaseback transactions and €4 million of initial direct costs net of lease incentives received (2019: €33 million of additions through sale and leaseback transactions and initial direct costs), which are excluded from the amount of non-cash investing activities.
2 In 2020, the amount includes €19 million of modifications and remeasurements to investment in leases classified within non-current and current financial assets (see *Note 16* and *Note 19*) and excludes €16 million of lease incentives received net of initial direct costs.

28 Cash flow continued

Changes in liabilities arising from financing activities for the years ended January 3, 2021, and December 29, 2019:

€ million	Loans	Lease liabilities	Short-term borrowings and bank overdrafts	Derivative assets	Derivative liabilities	Total
As of December 29, 2019	**4,294**	**9,695**	**1,455**	**—**	**1**	**15,445**
Proceeds from long-term debt[1]	**506**	**—**	**—**	**—**	**—**	**506**
Acquisitions through business combinations	**1**	**1**	**—**	**—**	**—**	**2**
Repayments of loans and lease liabilities [2]	**(438)**	**(1,599)**	**—**	**—**	**—**	**(2,037)**
Classified (to) held for sale or sold	**(16)**	**—**	**—**	**—**	**—**	**(16)**
Changes in short-term borrowings and overdrafts	**—**	**—**	**(556)**	**—**	**—**	**(556)**
Other cash flows from derivatives	**—**	**—**	**—**	**2**	**—**	**2**
Fair value changes	**—**	**—**	**—**	**(2)**	**(1)**	**(3)**
Additions to lease liabilities	**—**	**645**	**—**	**—**	**—**	**645**
Reassessments and modifications to leases	**—**	**1,136**	**—**	**—**	**—**	**1,136**
Termination of leases	**—**	**(70)**	**—**	**—**	**—**	**(70)**
Amortization of fair value adjustments and interest accretion to lease liability	**(9)**	**357**	**—**	**—**	**—**	**348**
Other non-cash movements	**16**	**—**	**—**	**—**	**—**	**16**
Exchange rate differences	**(144)**	**(579)**	**(142)**	**—**	**—**	**(865)**
As of January 3, 2021	**4,210**	**9,586**	**757**	**—**	**—**	**14,553**

1 The amount is net of deferred financing costs of €5 million, of which €2 million is included in Other within financing cash flows from continuing operations in the statement of cash flows.
2 Repayment of lease liabilities as presented in the statement of cash flows includes €12 million of lease incentives received net of initial direct costs and excludes €3 million of lease payments classified as divestment of business, net of cash divested.

€ million	Loans	Lease liabilities	Cumulative preferred financing shares	Short-term borrowings and bank overdrafts	Derivative assets	Derivative liabilities	Total
As of December 30, 2018	3,845	9,432	455	753	(1)	—	14,484
Proceeds from long-term debt[1]	593	—	—	—	—	—	593
Acquisitions through business combinations	—	45	—	—	—	—	45
Repayments of loans, lease liabilities and cumulative preferred financing shares[2,3]	(166)	(1,535)	(455)	—	—	—	(2,156)
Changes in short-term borrowings and overdrafts	—	—	—	689	—	—	689
Other cash flows from derivatives	—	—	—	—	—	(5)	(5)
Fair value changes	—	—	—	—	1	6	7
Additions to lease liabilities	—	513	—	—	—	—	513
Reassessments and modifications to leases	—	781	—	—	—	—	781
Termination of leases	—	(60)	—	—	—	—	(60)
Amortization of fair value adjustments and interest accretion to lease liability	(19)	366	—	—	—	—	347
Exchange rate differences	41	153	—	13	—	—	207
As of December 29, 2019	4,294	9,695	—	1,455	—	1	15,445

1 The amount is net of deferred financing costs of €7 million, of which €3 million is included in Other within financing cash flows from continuing operations in the statement of cash flows.
2 Repayments of loans and cumulative preferred financing shares as presented in the statement of cash flows include a €35 million premium paid for the settlement of part of the mortgage payables and cumulative preferred financing shares.
3 Repayment of lease liabilities as presented in the statement of cash flows excludes €4 million of lease payments classified as divestment of business, net of cash divested.

28 Cash flow continued

Accounting policies

The Company has chosen to prepare the statement of cash flows using the indirect method, which presents cash flows from operating activities as the income from continuing operations adjusted for non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash flows in foreign currencies have been translated using weighted average periodic exchange rates. Interest paid on loans is presented as a financing activity, while interest received is presented as an investing activity. Acquisitions and divestments of businesses are presented net of cash and cash equivalents acquired or disposed of, respectively. The Company has chosen to present dividends paid to its shareholders as a financing activity.

In the cash flow statement, the Company has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments are not split between interest and principal portions but are shown as one line, "Repayment of lease liabilities," in the cash flow statement. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

The Company has classified cash flows from operating leases as operating activities. Cash flows representing the collection of principal and interest payments for finance lease receivables are classified as investing activities and disclosed using a single line in the cash flow statement, "Lease payments received on lease receivables."

29 Earnings per share

The calculation of basic and diluted net income per share attributable to common shareholders is based on the following data:

	2020	2019
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic and diluted earnings per share	**1,397**	1,766
Number of shares (in millions)		
Weighted average number of common shares for the purposes of basic earnings per share	**1,067**	1,107
Effect of dilutive potential common shares:		
Conditional shares from share-based compensation programs	**5**	5
Weighted average number of common shares for the purposes of diluted earnings per share	**1,072**	1,112

The calculation of the basic and diluted income from continuing operations per share attributable to common shareholders is based on the same number of shares as detailed above and the following earnings data:

€ million	2020	2019
Income from continuing operations, attributable to common shareholders for the purposes of basic and diluted earnings per share	**1,397**	1,767

Both basic and diluted income per share from discontinued operations attributable to common shareholders amounted to €0.00 (2019: €0.00), based on the loss from discontinued operations attributable to common shareholders of nil (2019: €1 million) and the denominators detailed above.

Accounting policies

Basic net income per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Basic income from continuing operations per share is calculated by dividing income from continuing operations attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted income per share is calculated by dividing the net income/income from continuing operations attributable to shareholders by the diluted weighted average number of common shares outstanding. To determine the diluted weighted average number of common shares outstanding, the weighted average number of shares outstanding is adjusted for the conditional shares from the share-based compensation programs.

30 Financial risk management and financial instruments

Financial risk management

Ahold Delhaize is exposed to a variety of financial risks, including currency, interest rate, funding, liquidity and counterparty risks. The Company's financial risk management is centralized through its Treasury function, which operates within a regularly reviewed framework of policies and procedures. Ahold Delhaize's Management Board has overall responsibility for the establishment and oversight of the Treasury risk management framework. Ahold Delhaize's management reviews material changes to Treasury policies and receives information related to Treasury activities. The Treasury function does not operate as a profit center and manages the financial risks that arise in relation to underlying business needs.

In accordance with its Treasury policies, Ahold Delhaize uses derivative instruments solely for the purpose of hedging exposures. These exposures are mainly the result of interest rate and currency risks arising from the Company's operations and its sources of financing. Ahold Delhaize does not enter into derivative financial instruments for speculative purposes. The transaction of derivative instruments is restricted to Treasury personnel only and Ahold Delhaize's Internal Control department reviews the Treasury internal control environment regularly.

Relationships with credit rating agencies and monitoring of key credit ratios are also managed by the Treasury department.

Currency risk

Ahold Delhaize operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the U.S. dollar. Since Ahold Delhaize's subsidiaries primarily purchase and sell in local currencies, the Company's exposure to exchange rate movements in its commercial operations is limited. The Company is subject to foreign currency exchange risks due to exchange rate movements in connection with the translation of its foreign subsidiaries' income, assets and liabilities into euros for inclusion in its consolidated financial statements. Translation risk related to Ahold Delhaize's foreign subsidiaries, joint ventures and associates is not actively hedged; however, the Company aims to minimize this exposure by funding its foreign operations in their functional currency wherever feasible.

To protect the value of future foreign currency cash flows, including loan and interest payments, lease payments, dividends and firm purchase commitments, and the value of assets and liabilities denominated in foreign currency, Ahold Delhaize seeks to mitigate its foreign currency exchange exposure by borrowing in local currency and entering into various financial instruments, including forward contracts and currency swaps. It is Ahold Delhaize's policy to cover foreign exchange transaction exposure in relation to existing assets, liabilities and firm purchase commitments.

Foreign currency sensitivity analysis

As of January 3, 2021, Ahold Delhaize carried out a sensitivity analysis with regard to changes in foreign exchange rates to revalue dollar-denominated cash, cash equivalents and debt in its balance sheet at year-end. Assuming the euro had strengthened (weakened) by 10% against the U.S. dollar compared to the actual 2020 rate, with all other variables held constant, the hypothetical result on income before income taxes would have been a decrease (increase) of €5 million (2019: a decrease (increase) of €2 million), as a result of foreign exchange revaluation of U.S. dollar-denominated monetary assets and liabilities held by non-U.S. dollar functional currency subsidiaries.

The loss on foreign exchange recognized in the 2020 income statement related to the revaluation of unhedged leases reported in the balance sheet amounted to €15 million (2019: loss of €8 million). The strengthening (weakening) of the euro by 10% against the other currencies, with all other variables held constant, would result in a loss (gain) of €69 million (2019: €63 million).

Interest rate risk

Ahold Delhaize's outstanding debt and investment position is exposed to changes in interest rates. To manage interest rate risk, Ahold Delhaize has an interest rate management policy aiming to reduce volatility in its interest expense and maintaining a target percentage of its debt in fixed-rate instruments. As of January 3, 2021, 92% of Ahold Delhaize's long-term bonds was at fixed rates of interest (December 29, 2019: 92%).

Interest rate sensitivity analysis

The total interest expense recognized in the 2020 income statement related to the variable rates of short- and long-term debt amounted to nil (2019: nil). An increase (decrease) in market interest rates by 25 basis points, with all other variables (including foreign exchange rates) held constant, would have resulted in a loss (gain) of €1 million (2019: €1 million).

The total interest income recognized in the 2020 income statement amounted to €35 million (2019: €65 million), mainly related to variable rate money market fund investments and deposits. The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would have resulted in a gain of €7 million or a loss of €7 million, respectively (2019: gain of €5 million or a loss of €5 million).

The above sensitivity analyses are for illustrative purposes only as, in practice, market rates rarely change in isolation from other factors that also affect Ahold Delhaize's financial position and results.

Supply chain financing

Ahold Delhaize has supply chain finance arrangements with third party banks. As of January 3, 2021, the amounts due under the supply chain finance arrangements classified as trade payables were €862 million (December 29, 2019: €610 million). For more information on the accounting policies regarding supply chain finance arrangements see section *Accounting policies – Supply chain financing* below. The terms, including the payment terms, of the trade payables that are part of the supply chain finance arrangements are not substantially different from the terms of the Company's trade payables that are not part of the supply chain arrangement.

Credit risk

Ahold Delhaize has no significant concentrations of credit risk. The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate is calculated based on delinquency status and actual historical credit loss experience. As a result, management believes there is no further credit risk provision required over the normal individual and collective impairment, based on an aging analysis performed as of January 3, 2021. For further discussion on Ahold Delhaize's receivables, see Note 16 and Note 18.

Financial transactions are predominantly entered into with investment grade financial institutions. The Company requires a minimum short-term rating of A1/P1 and a minimum long-term rating of A3/A- for its deposit and investment products. The Company may deviate from this requirement from time to time for operational reasons. Regarding credit risk, derivative contracts with counterparties are entered into primarily under the standard terms and conditions of the International Swaps and Derivatives Association (ISDA). With certain counterparties, Ahold Delhaize has credit support annexes in place that materially reduce the counterparty risk exposure because of a contractual exchange of cash collateral. Ahold Delhaize has policies that limit the amount of counterparty credit exposure to any single financial institution or investment vehicle and actively monitors these exposures.

30 Financial risk management and financial instruments continued

Counterparty risk is measured by adding the nominal value of cash, short-term deposits and marketable securities, and the mark-to-market of derivative instruments, netted with the collateral posted, if any. As a result, the highest exposure to a single financial counterparty, excluding AAA-rated money market funds, on January 3, 2021, amounted to €108 million (December 29, 2019: €240 million).

Offsetting of financial instruments

Ahold Delhaize has several financial assets and financial liabilities that are subject to offsetting or enforceable master netting arrangements and similar agreements.

Cash pool

The Company has implemented a cash pool system, allowing a more efficient management of the daily working capital needs of the participating operating entities. The settlement mechanism of the cash pool is provided by an external financial counterparty. The cash pool system exposes the Company to a single net amount with that financial counterparty rather than the gross amount of several current accounts and bank overdraft balances with multiple financial counterparties. From an operational perspective, the balances in the cash pool are netted. However, under the guidance of IAS 32 regarding the offsetting of debit and credit balances for financial reporting purposes, these balances have to be presented on a gross basis on the balance sheet (see Note 20 and Note 26).

ISDA master agreements for derivatives

The Company has entered into several ISDA master agreements in connection with its derivative transactions. In general, under such agreements, the amounts owed by each counterparty to another on the same day in respect of the same transaction payable in the same currency are aggregated into a single net amount payable by one party to the other.

Under certain circumstances, if all transactions under the ISDA master agreement are terminated, e.g., when a credit event such as payment default occurs, the termination value is assessed and only a single net amount is payable in the settlement of all transactions governed by the ISDA master agreement.

The ISDA agreements do not meet the criteria for offsetting in the balance sheet. This is because the Company does not currently have a legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of a future event such as a default. ISDAs are considered to be master netting arrangements for IFRS 7 disclosure purposes.

The following table shows the maximum exposure of the Company's financial assets and financial liabilities that are subject to offset or enforceable master netting arrangements and similar agreements for the year ended January 3, 2021.

€ million	Gross and net amounts in the balance sheet	Cash collateral received/ pledged[1]	Net exposure
Assets			
Cash and cash equivalents	709	681	28
Total	**709**	**681**	**28**
Liabilities			
Bank overdrafts	681	681	—
Total	**681**	**681**	**—**

1 Amounts not offset in the balance sheet but subject to master netting arrangements (or similar).

Liquidity risk

Ahold Delhaize views available cash balances and funds from operating activities as its primary sources of liquidity, complemented with access to external sources of funds when deemed to be required. Ahold Delhaize manages short-term liquidity based on projected cash flows. As of January 3, 2021, the Company's liquidity position primarily comprised €2,438 million of cash (including short-term deposits and similar instruments and the current portion of investments in debt instruments, adjusted for cash held under a notional cash pooling arrangement), and the €1 billion revolving credit facility, of which €146 million is drawn.

Based on the current operating performance and liquidity position, the Company believes that its liquidity position will be sufficient for working capital, capital expenditures, commitments related to acquisitions, interest payments, dividends, the announced €1 billion share buyback program and scheduled debt repayments for the next 12 months. In addition, the Company has access to the amount available on its revolving credit facility and to the debt capital markets based on its current credit ratings.

The following tables summarize the expected maturity profile of the Company's financial liabilities (including derivatives) as of January 3, 2021, and December 29, 2019, respectively, based on contractual undiscounted payments.

All financial liabilities held at the reporting date, for which payments are already contractually agreed, have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curve interest rates as of January 3, 2021, and December 29, 2019, respectively. See Note 34 for the liquidity risk related to guarantees.

Year ended January 3, 2021

		Contractual cash flows			
€ million	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities[1]					
Notes	**(3,920)**	**(412)**	**(1,779)**	**(2,652)**	**(4,843)**
Other loans	**(2)**	**—**	**—**	**(2)**	**(2)**
Financing obligations	**(214)**	**(35)**	**(114)**	**(40)**	**(189)**
Mortgages payable	**(74)**	**(16)**	**(68)**	**—**	**(84)**
Accounts payable	**(6,795)**	**(6,795)**	**—**	**—**	**(6,795)**
Short-term borrowings	**(757)**	**(757)**	**—**	**—**	**(757)**
Reinsurance liabilities	**(248)**	**(78)**	**(100)**	**(71)**	**(249)**
Other	**(319)**	**(9)**	**(264)**	**(45)**	**(318)**
Derivative financial liabilities					
Cross-currency swaps and foreign currency derivatives	**—**	**—**	**—**	**—**	**—**

1 The maturity analysis for lease liabilities is included in Note 33.

30 Financial risk management and financial instruments continued

Year ended December 29, 2019

€ million	Net carrying amount	Contractual cash flows: Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities[1]					
Notes	(3,962)	(533)	(1,486)	(2,976)	(4,995)
Other loans	(3)	—	—	(3)	(3)
Financing obligations	(263)	(40)	(136)	(68)	(244)
Mortgages payable	(66)	(7)	(73)	—	(80)
Accounts payable	(6,311)	(6,311)	—	—	(6,311)
Short-term borrowings	(1,455)	(1,455)	—	—	(1,455)
Reinsurance liabilities	(238)	(81)	(108)	(65)	(254)
Other	(92)	(21)	(20)	(49)	(90)
Derivative financial liabilities					
Cross-currency swaps and foreign currency derivatives	(1)	(1)	—	—	(1)

1 The maturity analysis for lease liabilities is included in *Note 33*.

Credit ratings

Maintaining investment grade credit ratings is a cornerstone of Ahold Delhaize's financial strategy because such ratings optimize the cost of funding and facilitate access to a variety of lenders and markets. Ahold Delhaize's current credit ratings from the solicited rating agencies are:

- Standard & Poor's: corporate credit rating BBB, with a stable outlook as of June 2009 (previous rating BBB- assigned in 2007).
- Moody's: issuer credit rating Baa1, with a stable outlook as of February 2018 (previous rating Baa2 assigned in August 2015).

Capital risk management

The Company's primary objective to manage capital is the optimization of its debt and equity balances to sustain the future development of the business, maintain its investment grade credit rating and maximize shareholder value.

Ahold Delhaize may balance its capital structure in several ways, including through the payment of dividends, capital repayment, new share issues, share buybacks and the issuance or redemption of debt.

Financial instruments

Accounting classification and fair values of financial instruments

The following table presents the fair value of financial instruments, based on Ahold Delhaize's categories of financial instruments, including current portions, compared to the carrying amount at which these instruments are included on the balance sheet:

€ million	January 3, 2021 Carrying amount	January 3, 2021 Fair value	December 29, 2019 Carrying amount	December 29, 2019 Fair value
Financial assets at amortized cost				
Loans receivable	**47**	**52**	59	65
Trade and other (non-)current receivables	**1,982**	**1,982**	1,914	1,914
Lease receivable	**442**	**468**	444	473
Cash and cash equivalents	**2,933**	**2,933**	3,717	3,717
Short-term deposits and similar instruments	**58**	**58**	15	15
	5,461	**5,493**	6,150	6,185
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	**254**	**254**	236	236
Investments in debt instruments	**138**	**138**	141	141
	391	**391**	377	377
Derivative financial instruments				
Derivatives	**—**	**—**	—	—
Total financial assets	**5,853**	**5,884**	6,527	6,562

30 Financial risk management and financial instruments continued

€ million	January 3, 2021 Carrying amount	Fair value	December 29, 2019 Carrying amount	Fair value
Financial liabilities at amortized cost				
Notes	**(3,920)**	**(4,422)**	(3,962)	(4,246)
Other loans	**(2)**	**(2)**	(3)	(3)
Financing obligations	**(214)**	**(176)**	(263)	(216)
Mortgages payable	**(74)**	**(80)**	(66)	(65)
Accounts payable	**(6,795)**	**(6,795)**	(6,311)	(6,311)
Short-term borrowings	**(757)**	**(757)**	(1,455)	(1,455)
Interest payable	**(33)**	**(33)**	(37)	(37)
Other	**(319)**	**(337)**	(92)	(97)
	(12,115)	**(12,603)**	(12,190)	(12,430)
Financial liabilities at fair value through profit or loss				
Reinsurance liabilities	**(248)**	**(248)**	(238)	(238)
Derivative financial instruments				
Derivatives	**—**	**—**	(1)	(1)
Total financial liabilities excluding lease liabilities	**(12,363)**	**(12,851)**	(12,429)	(12,669)
Lease liabilities	**(9,586)**	**N/A**	(9,696)	N/A
Total financial liabilities	**(21,949)**	**N/A**	(22,125)	N/A

Of Ahold Delhaize's categories of financial instruments, only derivatives, investments in debt instruments and reinsurance assets (liabilities) are measured and recognized on the balance sheet at fair value. These fair value measurements are categorized within Level 2 of the fair value hierarchy. The Company uses inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The fair value of derivative instruments is measured by using either a market or income approach (mainly present value techniques). Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates that match the maturity of the contracts. Interest rate swaps are measured at the present value of expected future cash flows. Expected future cash flows are discounted by using the applicable yield curves derived from quoted interest rates.

To the extent that no cash collateral is contractually required, the valuation of Ahold Delhaize's derivative instruments is adjusted for the credit risk of the counterparty, called Credit Valuation Adjustment (CVA), and adjusted for Ahold Delhaize's own credit risk, called Debit Valuation Adjustment (DVA). The valuation technique for the CVA/DVA calculation is based on relevant observable market inputs.

No CVA/DVA adjustments are made to the valuation of certain derivative instruments, for which both Ahold Delhaize and its counterparties are required to post or redeem cash collaterals if the value of a derivative exceeds a threshold defined in the contractual provisions. Such cash collaterals materially reduce the impact of both the counterparty and Ahold Delhaize's own non-performance risk on the value of the instrument. The portion of outstanding derivatives that was collateralized as of January 3, 2021, is nil (December 29, 2019: nil).

The carrying amount of trade and other (non-)current receivables, cash and cash equivalents, accounts payable, short-term deposits and similar instruments, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because any expected recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings for which an active market exists are based on year-end quoted prices. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market is estimated using discounted cash flow analyses based on market rates prevailing at year-end.

As of January 3, 2021, short-term deposits and similar instruments (€58 million) contain short-term liquid investments that are considered part of Ahold Delhaize's cash management financial assets.

Derivatives

Fair values, notional amounts, maturities and the qualification of derivative financial instruments for accounting purposes are presented in the table below:

€ million	Maturity	January 3, 2021 Fair value Assets	Fair value Liabilities	Notional amount
Forward foreign currency contracts	Within 1 year	—	—	—
Total cash flow hedges		**—**	**—**	**—**
Forward foreign currency contracts	Within 1 year	—	—	—
Total fair value hedges		**—**	**—**	**—**
Forward foreign currency contracts	Within 1 year	—	—	**25**
Total derivatives – no hedge accounting treatment		**—**	**—**	**25**
Total derivative financial instruments		**—**	**—**	**25**

30 Financial risk management and financial instruments continued

€ million	Maturity	December 29, 2019 Fair value Assets	Liabilities	Notional amount
Forward foreign currency contracts	Within 1 year	—	—	9
Total cash flow hedges		—	—	9
Forward foreign currency contracts	Within 1 year	—	—	6
Total fair value hedges		—	—	6
Forward foreign currency contracts	Within 1 year	—	(1)	310
Total derivatives – no hedge accounting treatment		—	(1)	310
Total derivative financial instruments		—	(1)	325

Accounting policies

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Company).

At initial recognition, the Company measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset.

After initial recognition, the Company classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive income or iii) FVPL on the basis of both:

- The Company's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income (FVOIC). If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Company measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses.

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

The Company's financial assets measured at amortized cost comprise loans receivable, net investment in leases, trade and other (non-)current receivables, cash and cash equivalents, short-term deposits and similar instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOIC if both i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments measured at FVOIC are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to profit or loss when debt instrument is derecognized.

There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments in equity instruments that are not held for trading and for which the Company made an irrevocable election at the time of initial recognition to account for the equity investment at FVOIC.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at FVPL is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at FVPL is recognized in the consolidated statement of income for the reporting period in which it arises.

The Company may, at initial recognition, irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Company's financial instruments measured at FVPL comprise reinsurance assets, derivatives and certain investments in debt instruments.

30 Financial risk management and financial instruments continued

Accounting policies continued

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for derivatives and reinsurance liabilities. Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments

All derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Gains and losses resulting from the fair value remeasurement are recognized in the income statement as fair value gains (losses) on financial instruments, unless the derivative qualifies and is effective as a hedging instrument in a designated hedging relationship. In order for a derivative financial instrument to qualify as a hedging instrument for accounting purposes, the Company must document (i) at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions and (ii) its assessment, both at hedge inception and on an ongoing basis, of whether the derivative that is used in the hedging transaction is highly effective in offsetting changes in fair values or cash flows of hedged items. Derivatives that are designated as hedges are accounted for as either cash flow hedges or fair value hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized initially in the cash flow hedging reserve, a separate component of equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are reclassified into the income statement in the same period in which the related exposure impacts the income statement. When a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately recognized in the income statement.

Fair value changes of derivative instruments that qualify for fair value hedge accounting treatment are recognized in the income statement in the periods in which they arise, together with any changes in fair value of the hedged asset or liability. If the hedging instrument no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortized in the income statement over the hedged item's remaining period to maturity.

Reinsurance assets and liabilities

Under Ahold Delhaize's self-insurance program, part of the insurance risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. In accordance with the pooling arrangement, the Company assumes a share of the reinsurance treaty risks that is measured in relation to the percentage of Ahold Delhaize's participation in the treaty. Reinsurance assets include estimated receivable balances related to reinsurance contracts purchased by the Company. Reinsurance liabilities represent the expected insurance risks related to reinsurance contracts sold by the Company. Reinsurance assets and liabilities are measured on a discounted basis using accepted actuarial methods.

Supply chain financing

The supply chain financing arrangements do not expose Ahold Delhaize to additional credit risk nor provide Ahold Delhaize with a significant benefit of additional financing and, accordingly, it is Ahold Delhaize's policy to classify the amounts due under supply chain finance arrangements with banks as trade payables. In accordance with our accounting policy, trade payables are presented as operating activities in our cash flow statements. Suppliers choose to enter into these arrangements, which provide them with the option of access to earlier payment at favorable interest rates from the bank based on Ahold Delhaize's credit rating. If suppliers do not choose early payment under these arrangements, their invoices are settled by the bank under the applicable payment terms.

31 Related party transactions

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company considers all members of the Executive Committee (ExCo) and Supervisory Board to be key management personnel as defined in IAS 24 "Related Party Disclosures." At the end of 2020, the ExCo consisted of the Management Board and four other members.

The total compensation of key management personnel in 2020 amounted to €32,449 thousand (2019: €25,077 thousand). This includes an estimate of additional wage tax relating to key management personnel leaving the Company due in accordance with Dutch tax laws of €2 million (2019: €1 million).

(Service) Agreements with individual Management Board members

Frans Muller

In 2020, the Company provided Frans Muller with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of €1,085 thousand was increased by 1.6% to €1,102 thousand, effective at the start of 2020. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of above-target performance. The at-target award under the equity-based long-term incentive plan is 235% of base salary. Unless Frans' service agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2023. If the Company terminates his service agreement for reasons other than cause, Frans is entitled to a severance payment equal to one year's base salary or retirement treatment on his unvested performance shares in case of termination in 2019 through 2023. His service agreement may be terminated by the Company with a notice period of 12 months and by Frans with a notice period of six months. Frans participates in the Company's Dutch pension plan.

Natalie Knight

Natalie Knight was appointed Chief Financial Officer and a member of the Management Board at the Annual General Meeting of Shareholders on April 8, 2020. She started at Ahold Delhaize as Executive Vice President Finance and Member of the Executive Committee on March 1, 2020. In 2020, the Company provided Natalie with an annual base salary of €660 thousand, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of above-target performance. The at-target award under the equity-based long-term incentive plan is 175% of base salary. In recognition of the long-term incentive that was outstanding and forfeited at the time of Natalie's resignation at Arla Foods, two performance share awards were granted with a grant value of €600 thousand each, which will vest the day after the annual General Meeting of Shareholders of Ahold Delhaize in 2021 and 2022, respectively, and will further be subject to the terms and conditions of the long-term incentive plan (including performance targets), as well as the five-year holding period from the date of grant as applicable to members of the Management Board. Furthermore, Natalie receives school fees and a temporary housing allowance of €7,000 net per month. Unless Natalie's service agreement is otherwise terminated, she will be eligible for reappointment at the annual General Meeting of Shareholders in April 2024. If the Company terminates her service agreement for reasons other than cause, Natalie is entitled to a severance payment equal to one year's base salary. Her service agreement may be terminated by the Company with a notice period of 12 months and by Natalie with a notice period of six months. Natalie participates in the Company's Dutch pension plan.

Kevin Holt

In 2020, the Company provided Kevin Holt with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of $1,070 thousand was increased by 1.6% to $1,088 thousand, effective at the start of 2020. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of above-target performance. The at-target award under the equity-based long-term incentive plan is 235% of base salary. Furthermore, Kevin receives a housing allowance of up to $7,500 net per month. Kevin was reappointed as a member of the Management Board for a term ending on the day of the annual General Meeting of Shareholders to be held in 2024. If the Company terminates his employment agreement for reasons other than cause, Kevin is entitled to a severance payment equal to one year's base salary, unless he is eligible for retirement. His employment agreement may be terminated by the Company with a notice period of 12 months and by Kevin with a notice period of six months. Kevin and the Company have the option to end Kevin's assignment as per the annual General Meeting of Shareholders to be held in 2022. As executive leadership transition and continuity is critical, Kevin would then subsequently remain attached to the Company as an advisor to the Management Board until December 31, 2022, after which he would retire. Kevin participates in the Company's U.S. pension plan.

Wouter Kolk

In 2020, the Company provided Wouter Kolk with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of €649 thousand was increased by 10.6% to €718 thousand, effective at the start of 2020. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of above-target performance. The at-target award under the equity-based long-term incentive plan is 150% of base salary. Unless Wouter's service agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2022. If the Company terminates his service agreement for reasons other than cause, Wouter is entitled to a severance payment equal to one year's base salary. His service agreement may be terminated by the Company with a notice period of 12 months and by Wouter with a notice period of six months. Wouter participates in the Company's Dutch pension plan.

Jeff Carr

Jeff Carr, CFO Ahold Delhaize and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee after his term expired per the annual General Meeting of Shareholders in April 2020. His employment relationship with Ahold Delhaize terminated as of April 9, 2020, without any severance payment due. Performance shares awarded under the GRO plan will vest at the regular vesting dates. In 2020, the Company provided Jeff with an annual base salary of €769 thousand and participation in the annual cash incentive plan. The at-target amount under the annual cash incentive plan is 100% of base salary and the payout for 2020 is capped at 100%. No performance shares were granted to Jeff in 2020 under the Company's equity-based long-term incentive plan (GRO – see *Note 32*). Jeff received a housing allowance of €1,750 net per month. Furthermore, Jeff participated in the Company's Dutch pension plan.

31 Related party transactions continued

Remuneration of the Management Board by member

€ thousand	Direct remuneration				Deferred remuneration		
	Base salary	EIP[1]	Other[2]	Total direct remuneration	Share-based compensation[3]	Pensions[4]	Total remuneration
Frans Muller							
2020	**1,102**	**1,653**	**257**	**3,012**	**2,935**	**77**	**6,024**
2019	1,085	965	248	2,298	1,971	87	4,356
Natalie Knight[5]							
2020	**477**	**716**	**260**	**1,453**	**817**	**(1)**	**2,269**
2019	—	—	—	—	—	—	—
Kevin Holt							
2020	**954**	**1,431**	**406**	**2,791**	**2,259**	**220**	**5,270**
2019	955	851	429	2,235	1,270	209	3,714
Wouter Kolk							
2020	**718**	**1,077**	**182**	**1,977**	**1,129**	**36**	**3,142**
2019	649	578	168	1,395	400	32	1,827
Total 2020	**3,251**	**4,877**	**1,105**	**9,233**	**7,140**	**332**	**16,705**
Total 2019	2,689	2,394	845	5,928	3,641	328	9,897

Remuneration of the former members of the Management Board

€ thousand	Direct remuneration				Deferred remuneration		
	Base salary	EIP[1]	Other[2]	Total direct remuneration	Share-based compensation[3]	Pensions[4]	Total remuneration
Jeff Carr[6]							
2020	**216**	**216**	**73**	**505**	**861**	**44**	**1,410**
2019	769	685	244	1,698	1,732	33	3,463
Dick Boer[7]							
2020	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2019	—	—	28	28	2,311	27	2,366
Pierre Bouchut[8]							
2020	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2019	—	—	—	—	79	—	79
Total 2020	**216**	**216**	**73**	**505**	**861**	**44**	**1,410**
Total 2019	769	685	272	1,726	4,122	60	5,908

Remuneration of the Executive Committee including Management Board

The table below specifies the remuneration of the ExCo, comprising the Management Board members and the former members of the Management Board as listed above, and the additional ExCo members who were not part of the Management Board.

€ thousand	2020	2019
Base salary	**5,474**	5,328
EIP[1]	**8,275**	4,744
Other[2]	**3,235**	2,461
Share-based compensation[3]	**11,306**	9,681
Pensions[4]	**598**	506
Total remuneration	**28,888**	22,720

1 The ExCo Incentive Plan (EIP) represents accrued annual cash incentives to be paid in the following year based on an overall weighted EIP performance. For an explanation of the Company's remuneration policy, see the *Remuneration* section of this report. The overall 2020 performance multiplier was 150% (2019: 89%).

2 Other mainly includes gross allowances for net pension, tax compensation (tax equalization charges or refunds for expatriates), allowances for housing expenses, relocation costs, international school fees, employer's contributions to social security plans, benefits in kind such as company cars, tax advice, medical expenses and the associated tax gross-up.

3 The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2020 reflects this year's portion of the share grants over the previous four years (plans 2017 to 2020). For more information on the share-based compensation expenses see *Note 32*.

4 Pension costs are the total net periodic pension costs of the applicable pension plans.

5 Natalie Knight started at Ahold Delhaize as Executive Vice President Finance and Member of the Executive Committee on March 1, 2020, and was appointed as member of the Management Board effective April 8, 2020. Her 2020 remuneration reported as member of the Management Board reflects a partial year as of the date of her appointment as member of the Management Board. The table "Remuneration of the Executive Committee including Management Board" reflects the total year 2020, including the period that she was a member of the Executive Committee, but not a member of the Management Board. She received two additional performance share awards with a grant value of €600 thousand each, which will vest the day after the annual General Meeting of Shareholders of Ahold Delhaize in 2021 and 2022 respectively, subject to the terms and conditions of the long-term plan (including performance targets). The related expenses in the amount of €582 thousand were included in "Share-based compensation."

6 Jeff Carr's employment relationship with Ahold Delhaize terminated as of April 9, 2020, without any severance payment due. Shares awarded under the GRO plan will vest at the regular vesting dates. An estimate of these costs in the amount of €921 thousand was recognized in 2019. The total remuneration as presented in the tables above excludes the accrual for estimated additional wage tax payable by the Company in accordance with Dutch tax laws (2019: estimated at €979 thousand; 2020: updated to €1,489 thousand)

7 Dick Boer, President and CEO Ahold Delhaize and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of July 1, 2018, and remained available as an advisor to the Company until mid-2019. His employment relationship with Ahold Delhaize terminated as of July 1, 2019, after which he retired. The performance shares awarded under the GRO plan were settled on an accelerated basis upon the termination of his employment relationship in 2019. In 2019, adjustments to the estimate of the remuneration costs as a result of actual payments were included in Other and the expenses related to the equity-based long-term incentive were included in "Share-based compensation."

8 Pierre Bouchut, Chief Operating Officer Europe and Indonesia and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of January 1, 2018, and remained available as an advisor and for specific initiatives until July 1, 2018. His employment relationship with Ahold Delhaize terminated as of August 31, 2018, after which he retired. Performance shares awarded under the GRO plan will vest at the regular vesting dates.

31 Related party transactions continued

Remuneration of the members of the Supervisory Board

The table below specifies the remuneration of the members of the Supervisory Board. The remuneration of the members of the Supervisory Board in 2019 and in 2020 up to April 8 was determined based on the annual remuneration as adopted by the extraordinary General Meeting of Shareholders on March 14, 2016. The remuneration of the members of the Supervisory Board from April 8, 2020, was determined in line with the Remuneration Policy for the Supervisory Board as adopted by the General Meeting of Shareholders on April 8, 2020.

€ thousand	2020	2019
Peter Agnefjäll (appointed in 2019)[1]	**138**	104
Bill McEwan (reappointed in 2020)[2]	**150**	208
René Hooft Graafland (reappointed in 2018)	**129**	143
Ben Noteboom (reappointed in 2017)[3]	**109**	125
Katie Doyle (appointed in 2019)	**126**	104
Mary Anne Citrino (reappointed in 2020)	**119**	130
Dominique Leroy (reappointed in 2020)[4]	**116**	118
Helen Weir (appointed in 2020)	**88**	—
Frank van Zanten (appointed in 2020)	**83**	—
Jan Hommen (retired in December 2020)[5]	**223**	243
Jacques de Vaucleroy (retired in April 2020)[6]	**31**	120
Rob van den Bergh (resigned in 2019)	**—**	39
Mark McGrath (resigned in 2019)	**—**	44
Total[7,8,9]	**1,312**	1,378

1 Peter Agnefjäll became Vice-Chair of the Supervisory Board and Chair of the Risk Committee, effective July 1, 2020, and received the fees for these roles as of that date. Since January 1, 2021, Peter Agnefjäll has acted as the Chair of the Supervisory Board, meaning he will receive the fee associated with this role as of this date.
2 Bill McEwan acted as Vice-Chair as of April 11, 2018, and received the Vice-Chair remuneration (formerly referred to as Vice-Chair and member of the presidium) from that date. For the period starting July 1, 2018, up and until the first quarter of 2020, Bill McEwan refrained from any remuneration for his role as Chairman of the Remuneration Committee. Effective July 1, 2020, Bill McEwan stepped down as Vice-Chair and per January 1, 2021, Bill McEwan was reinstated as Vice-Chair of the Supervisory Board and will receive the fee for this role going forward.
3 Ben Noteboom became Chair of the Governance and Nomination Committee, effective December 1, 2020, and received the fee for this role.
4 Dominique Leroy acted as Chair of the Governance and Nomination Committee as of April 1, 2020, up and until November 30, 2020, and received the fee for this role.
5 Jan Hommen was appointed Chair of the Supervisory Board, effective April 2018. He became Chair of the Governance and Nomination Committee as of July 1, 2018, and refrained from any remuneration for this role. Effective April 1, 2020, Jan Hommen stepped down as Chair of the Governance and Nomination Committee and he retired from the Supervisory Board, effective January 1, 2021.
6 As of July 1, 2018, Jacques de Vaucleroy refrained from any additional remuneration for his role as Vice-Chair. Jacques de Vaucleroy retired from the Supervisory Board after the annual General Meeting of Shareholders on April 8, 2020.
7 All members of the Supervisory Board were members of the Sustainability and Innovation Committee as of July 1, 2018, and refrained from any remuneration for this membership, except for the Chair(s) of this Committee. Up and until June 30, 2020, Katie Doyle and Peter Agnefjäll co-chaired the Committee and each received half of the remuneration for this role. As of July 1, 2020, Katie Doyle was the sole Chair of the Committee and received the fee for this role.
8 With the arrival and retirement of members of the Supervisory Board, the composition of the several Committees was reorganized, resulting in the composition as detailed in section *Governance* – Our Supervisory Board and became effective on July 1, 2020.
9 For the members who were appointed to or resigned from the Supervisory Board or one of its Committees in 2019 and 2020, the remuneration reflects a partial year.

Shares and other interests in Ahold Delhaize

As of January 3, 2021, Management Board members (excluding the former Management Board members) held the following shares and other interests in Ahold Delhaize:

Number of shares	Common shares subject to additional holding requirement[1]	Other common shares	Total common shares
Frans Muller[2]	79,498	165,359	244,857
Natalie Knight	—	—	—
Kevin Holt	62,885	—	62,885
Wouter Kolk	—	41,416	41,416
Total	**142,383**	**206,775**	**349,158**

1 In line with best practice 3.1.2 VI of the Dutch Corporate Governance Code 2016 and the Management Board remuneration policy, shares granted and vested under the GRO program to Management Board members should be retained for a period of at least five years after grant, except to finance tax payable at the vesting date, or at least until the date of resignation from the Management Board, if this period is shorter.
2 Additionally, 9,579 shares are held by Frans Muller in the form of American Depository Receipts.

As of January 3, 2021, Peter Agnefjäll held 7,200 Ahold Delhaize common shares, Bill McEwan held 7,125 Ahold Delhaize American Depository Receipts, and Ben Noteboom held 15,637 Ahold Delhaize common shares. None of the other Supervisory Board members held Ahold Delhaize shares.

Ahold Delhaize does not provide loans or advances to members of the Management Board or the Supervisory Board. There are no loans or advances outstanding. Ahold Delhaize does not issue guarantees to the benefit of members of the Management Board or the Supervisory Board. No such guarantees are outstanding.

31 Related party transactions continued

Trading transactions

Ahold Delhaize has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Transactions were conducted at market prices. During 2020 and 2019, the Company entered into the following transactions with unconsolidated related parties:

For the year ended January 3, 2021

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
JMR	2	—	1	—	—
Cathedral Commons	—	1	—	—	17
Other	—	3	3	1	9
Total	**2**	**4**	**4**	**1**	**26**

For the year ended December 29, 2019

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
JMR	2	—	2	—	—
Cathedral Commons	—	1	—	—	24
Other	—	3	3	3	12
Total	2	4	5	3	36

These unconsolidated related parties consist of:

- JMR, a joint venture of Ahold Delhaize in the retail business (see *Note 15*).
- Cathedral Commons Partners, LLC, a real estate joint venture of Ahold Delhaize.
- Super Indo, a joint venture of Ahold Delhaize in the retail business (see *Note 15*). There were no transactions with Super Indo in 2020 and 2019.
- "Other," which includes mainly real estate joint ventures in which Ahold Delhaize has an interest and holding properties operated by Ahold Delhaize and Loyalty Management Nederland B.V., an associate of Ahold Delhaize that renders services relating to the management of customer loyalty programs to certain Ahold Delhaize subsidiaries in the Netherlands.
- Ahold Delhaize participates in Coopernic and AMS, which are cooperative European purchase alliances towards third-party vendors. Receivable and payable positions occur with these buying alliances. These transactions are considered to reflect the results of the negotiated purchasing terms with the third-party vendors. As such, these transactions are not shown in the table above of related party transactions.

Furthermore, the Company's post-employment benefit plans in the Netherlands and the United States are considered related parties. For more information on these plans, see *Note 24*.

32 Share-based compensation

In 2020, Ahold Delhaize's share-based compensation program consisted of a share grant program called Global Reward Opportunity (GRO). Total 2020 GRO share-based compensation expenses were €59 million (2019: €51 million). Ahold Delhaize's share-based compensation programs are equity-settled.

The fair value of the performance shares granted under the GRO program in 2020 at grant date was €48 million, of which €6 million related to current and former Management Board members. The fair value is expensed over the vesting period of the grants, adjusted for expected annual forfeitures of 5% (2019: 5%) excluding Management Board members. For the share-based compensation expenses allocable to the individual Management Board members, see *Note 31*.

GRO program

Main characteristics of performance shares granted in 2019 and 2020

A revised GRO program was introduced in 2019. The performance shares granted under this program vest on the day after the annual General Meeting of Shareholders in the third year after the grant, subject to certain performance conditions being met. The revised GRO program employs three financial measures: return on capital (RoC), underlying earnings per share growth (EPS) and total shareholder return (TSR), as well as non-financial performance measures related to sustainability targets.

The total GRO award is comprised of four portions of performance shares. The first 35% is linked to a three-year RoC target. Depending on performance, the number of performance shares that eventually vest may range between zero and a maximum of 150% of the number of performance shares granted.

Another 35% is linked to a three-year EPS growth target. The number of performance shares that vest may range between zero and a maximum of 150% of the number of performance shares granted, depending on the performance.

Another 15% of the total GRO award is linked to TSR (share price growth and dividends paid over the performance period), with performance at vesting benchmarked against the TSR performance of a peer group comprised of 12 companies (see the *Remuneration* section for the composition of the peer group). The number of performance shares that vest depends on the Company's relative ranking in the peer group and may range between zero and a maximum of 150% of the number of performance shares granted (see table on next page for the vesting percentages based on Ahold Delhaize's ranking within the peer group).

For the remaining 15% of the total GRO share award, the performance at vesting is measured using sustainability targets related to the Company's sustainability ambitions. Depending on performance, the number of performance shares that eventually vest can range between zero and a maximum of 150% of the number of performance shares granted.

32 Share-based compensation continued

The table below indicates the percentage of performance shares that could vest based on Ahold Delhaize's TSR ranking within the peer group, for the performance shares granted in 2019 and 2020:

2019–2020 GRO program rank	All participants
1	150%
2	125%
3	110%
4	100%
5	75%
6	50%
7-12	0%

Main characteristics of performance shares granted in 2017 and 2018

The performance shares granted in 2017 and 2018 under the GRO program as introduced in 2016 vest on the day after the annual General Meeting of Shareholders in the third year after the grant, subject to certain performance conditions being met. This program employs two financial measures, RoC and TSR, as well as non-financial performance measures related to sustainability targets.

The first 40% of the total GRO share award is linked to a three-year RoC target. Depending on performance, the number of performance shares that eventually vest may range between zero and a maximum of 150% of the number of performance shares granted.

Another 40% is linked to TSR (share price growth and dividends paid over the performance period), with performance at vesting benchmarked against the TSR performance of a peer group comprised of 14 companies (see table below for the composition of the TSR peer group). The number of performance shares that vest depends on the Company's relative ranking in the peer group and may range between zero and a maximum of 175% of the number of performance shares granted (see table below for the vesting percentages based on Ahold Delhaize's ranking within the peer group).

For the remaining 20% of the total GRO share award, the performance at vesting is measured using sustainability targets related to the Company's sustainability ambitions. The targets set under this non-financial performance measure are both qualitative and quantitative. Depending on performance, the number of performance shares that eventually vest can range between zero and a maximum of 150% of the number of performance shares granted.

The table below shows the composition of the TSR peer group for the performance shares granted in 2017 and 2018:

TSR performance peer group for performance shares granted in 2017 and 2018	
Tesco	Kroger
Carrefour	Costco
Metro Cash & Carry	Target
Casino Guichard Perrachon	Walgreens Boots Alliance
J Sainsbury	Best Buy
W M Morrison	Lowe's Companies
	Walmart

The table below indicates the percentage of performance shares that could vest based on Ahold Delhaize's TSR ranking within the peer group, for the performance shares granted in 2017 and 2018:

2017–2018 GRO program rank	All participants
1	175%
2	150%
3	125%
4	110%
5	100%
6	80%
7	50%
8-14	0%

Performance shares vesting in 2021

In 2021, the performance shares granted in 2018 will vest. The performance shares vesting will comprise performance shares based on the Company's TSR, RoC and sustainability performance. As of the end of 2020, Ahold Delhaize ranked 6th in the TSR peer group with respect to the 2018 grant. Based on this TSR ranking, the vesting percentage for the portion of the 2018 performance shares dependent on Ahold Delhaize's TSR performance was 80%.

At the end of each reporting period, Ahold Delhaize revises its estimates of the number of performance shares that are expected to vest based on the non-market vesting conditions (RoC, EPS and sustainability performance). Ahold Delhaize recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The final vesting percentage for the portion of the 2018 performance shares dependent on Ahold Delhaize's RoC and sustainability performance is 150% and 125% respectively.

On April 15, 2021, a maximum of 0.5 million performance shares granted in 2018 to current and former members of the Management Board under the Ahold Delhaize GRO plan are expected to vest. Except to finance taxes and social security charges due on the vesting date, members of the Management Board cannot sell shares for a period of at least five years following the grant date, or until their date of resignation from the Management Board, if this period is shorter.

On April 15, 2021, a maximum of 2.5 million performance shares granted in 2018 to Ahold Delhaize employees under the Ahold Delhaize GRO plan are expected to vest. As of the vesting date, participants are allowed to sell all or part of the vested shares, subject to insider trading restrictions as applicable from time to time.

The Company will use treasury shares for the delivery of the vested shares.

32 Share-based compensation continued

The following table summarizes the status of the GRO program during 2020 for the individual Management Board members and for all other employees in the aggregate.

	Grant date	Vesting date	End of retention period	Outstanding at the beginning of 2020	Granted	Performance adjustment[1]	Vested[2]	Forfeited	Outstanding at the end of 2020	Maximum number of shares[3]	Fair value per share at the grant date (€)
Frans Muller											
2017 TSR grant	April 13, 2017	April 9, 2020	April 13, 2022	41,152	—	(20,576)	20,576	—	**—**	N/A	9.57
2017 RoC grant				41,152	—	(14,404)	26,748	—	**—**	N/A	17.07
2017 Sustainability grant				20,576	—	2,057	22,633	—	**—**	N/A	17.07
2018 TSR grant	April 12, 2018	April 15, 2021	April 12, 2023	51,408	—	—	—	—	**51,408**	89,963	16.58
2018 RoC grant				51,408	—	—	—	—	**51,408**	77,112	17.89
2018 Sustainability grant				25,704	—	—	—	—	**25,704**	38,555	17.89
2019 TSR grant	April 11, 2019	2022 AGM + 1 day	April 11, 2024	17,304	—	—	—	—	**17,304**	25,956	14.47
2019 RoC grant				40,374	—	—	—	—	**40,374**	60,561	20.01
2019 EPS grant				40,374	—	—	—	—	**40,374**	60,561	20.01
2019 Sustainability grant				17,304	—	—	—	—	**17,304**	25,956	20.01
2020 TSR grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	—	17,261	—	—	—	**17,261**	25,891	14.51
2020 RoC grant				—	40,274	—	—	—	**40,274**	60,411	19.98
2020 EPS grant				—	40,274	—	—	—	**40,274**	60,411	19.98
2020 Sustainability grant				—	17,261	—	—	—	**17,261**	25,891	19.98
Natalie Knight[4]											
2018 TSR grant	April 9, 2020	April 15, 2021	April 9, 2025	—	10,663	—	—	—	**10,663**	18,660	17.10
2018 RoC grant				—	10,663	—	—	—	**10,663**	15,994	18.45
2018 Sustainability grant				—	5,332	—	—	—	**5,332**	7,998	18.45
2019 TSR grant	April 9, 2020	2022 AGM + 1 day	April 9, 2025	—	3,999	—	—	—	**3,999**	5,998	13.40
2019 RoC grant				—	9,331	—	—	—	**9,331**	13,996	18.52
2019 EPS grant				—	9,331	—	—	—	**9,331**	13,996	18.52
2019 Sustainability grant				—	3,999	—	—	—	**3,999**	5,998	18.52
2020 TSR grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	—	7,698	—	—	—	**7,698**	11,547	14.51
2020 RoC grant				—	17,961	—	—	—	**17,961**	26,941	19.98
2020 EPS grant				—	17,961	—	—	—	**17,961**	26,941	19.98
2020 Sustainability grant				—	7,698	—	—	—	**7,698**	11,547	19.98

32 Share-based compensation continued

	Grant date	Vesting date	End of retention period	Outstanding at the beginning of 2020	Granted	Performance adjustment[1]	Vested[2]	Forfeited	Outstanding at the end of 2020	Maximum number of shares[3]	Fair value per share at the grant date (€)
Kevin Holt											
2017 TSR grant	April 13, 2017	April 9, 2020	April 13, 2022	34,563	—	(17,282)	17,281	—	—	N/A	9.57
2017 RoC grant				34,563	—	(12,098)	22,465	—	—	N/A	17.07
2017 Sustainability grant				17,282	—	1,728	19,010	—	—	N/A	17.07
2018 TSR grant	April 12, 2018	April 15, 2021	April 12, 2023	38,066	—	—	—	—	**38,066**	66,615	16.58
2018 RoC grant				38,066	—	—	—	—	**38,066**	57,099	17.89
2018 Sustainability grant				19,033	—	—	—	—	**19,033**	28,549	17.89
2019 TSR grant	April 11, 2019	2022 AGM + 1 day	April 11, 2024	12,766	—	—	—	—	**12,766**	19,149	14.47
2019 RoC grant				29,787	—	—	—	—	**29,787**	44,680	20.01
2019 EPS grant				29,787	—	—	—	—	**29,787**	44,680	20.01
2019 Sustainability grant				12,766	—	—	—	—	**12,766**	19,149	20.01
2020 TSR grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	—	15,412	—	—	—	**15,412**	23,118	14.51
2020 RoC grant				—	35,962	—	—	—	**35,962**	53,943	19.98
2020 EPS grant				—	35,962	—	—	—	**35,962**	53,943	19.98
2020 Sustainability grant				—	15,412	—	—	—	**15,412**	23,118	19.98
Wouter Kolk[5]											
2017 TSR grant	April 13, 2017	April 9, 2020	N/A	15,020	—	(7,510)	7,510	—	—	N/A	9.57
2017 RoC grant				15,020	—	(5,257)	9,763	—	—	N/A	17.07
2017 Sustainability grant				7,510	—	751	8,261	—	—	N/A	17.07
2018 TSR grant	April 12, 2018	April 15, 2021	April 12, 2023	21,433	—	—	—	—	**21,433**	37,507	16.58
2018 RoC grant				21,433	—	—	—	—	**21,433**	32,149	17.89
2018 Sustainability grant				10,717	—	—	—	—	**10,717**	16,075	17.89
2019 TSR grant	April 11, 2019	2022 AGM + 1 day	April 11, 2024	6,607	—	—	—	—	**6,607**	9,910	14.47
2019 RoC grant				15,416	—	—	—	—	**15,416**	23,124	20.01
2019 EPS grant				15,416	—	—	—	—	**15,416**	23,124	20.01
2019 Sustainability grant				6,607	—	—	—	—	**6,607**	9,910	20.01
2020 TSR grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	—	7,175	—	—	—	**7,175**	10,762	14.51
2020 RoC grant				—	16,740	—	—	—	**16,740**	25,110	19.98
2020 EPS grant				—	16,740	—	—	—	**16,740**	25,110	19.98
2020 Sustainability grant				—	7,175	—	—	—	**7,175**	10,762	19.98

32 Share-based compensation continued

	Grant date	Vesting date	End of retention period	Outstanding at the beginning of 2020	Granted	Performance adjustment[1]	Vested[2]	Forfeited	Outstanding at the end of 2020	Maximum number of shares[3]	Fair value per share at the grant date (€)
Jeff Carr[6]											
2017 TSR grant	April 13, 2017	April 9, 2020	N/A	25,662	—	(12,831)	12,831	—	—	N/A	9.57
2017 RoC grant				25,662	—	(8,982)	16,680	—	—	N/A	17.07
2017 Sustainability grant				12,831	—	1,283	14,114	—	—	N/A	17.07
2018 TSR grant	April 12, 2018	April 15, 2021	N/A	29,644	—	—	—	—	**29,644**	51,877	16.58
2018 RoC grant				29,644	—	—	—	—	**29,644**	44,466	17.89
2018 Sustainability grant				14,822	—	—	—	—	**14,822**	22,233	17.89
2019 TSR grant	April 11, 2019	2022 AGM + 1 day	N/A	9,139	—	—	—	—	**9,139**	13,708	14.47
2019 RoC grant				21,323	—	—	—	—	**21,323**	31,984	20.01
2019 EPS grant				21,323	—	—	—	—	**21,323**	31,984	20.01
2019 Sustainability grant				9,139	—	—	—	—	**9,139**	13,708	20.01
Pierre Bouchut[7]											
2017 TSR grant	April 13, 2017	April 9, 2020	N/A	19,641	—	(9,821)	9,820	—	—	N/A	9.57
2017 RoC grant				19,641	—	(6,875)	12,766	—	—	N/A	17.07
2017 Sustainability grant				9,821	—	982	10,803	—	—	N/A	17.07
2018 TSR grant	April 12, 2018	April 15, 2021	N/A	22,244	—	—	—	—	**22,244**	38,927	16.58
2018 RoC grant				22,244	—	—	—	—	**22,244**	33,366	17.89
2018 Sustainability grant				11,122	—	—	—	—	**11,122**	16,683	17.89
Subtotal Management Board members				1,052,516	370,284	(108,835)	231,261	—	**1,082,704**	1,667,406	

1 Represents the adjustment to the number of performance shares granted resulting from the TSR, RoC and sustainability performance.
2 The vesting date of the 2017 grant was April 9, 2020. The share price was €22.09 on April 9, 2020.
3 For the TSR performance grants, the maximum number of performance shares that could potentially vest equals 175% of outstanding performance shares, for the award granted in 2018, if Ahold Delhaize's ranking is one. For the TSR performance grants awarded in 2019 and 2020, the maximum number of performance shares that could potentially vest equals 150% of the outstanding performance shares if the Company's ranking is one. For the RoC performance grants, the EPS performance grants and the sustainability performance grants the maximum number of performance shares that could potentially vest equals 150% of outstanding performance shares (as explained in the sections *Main characteristics of performance shares granted in 2019 and 2020* and *Main characteristics of performance shares granted in 2017 and 2018* above). The minimum number of performance shares that could potentially vest would be nil (as explained in the sections *Main characteristics of performance shares granted in 2019 and 2020* and *Main characteristics of performance shares granted in 2017 and 2018* above).
4 Natalie Knight started at Ahold Delhaize as Executive Vice President Finance and Member of the Executive Committee on March 1, 2020, and was appointed as member of the Management Board effective April 8, 2020. For more information see *Note 31*.
5 Wouter Kolk, Chief Executive Officer Ahold Delhaize Europe and Indonesia has been a member of the Management Board since April 11, 2018.
6 Jeff Carr, Chief Financial Officer and member of the Management Board and Executive Committee stepped down from the Management Board and Executive Committee after his term expired per the annual General Meeting of Shareholders in April 2020. His employment relationship with Ahold Delhaize terminated as of April 9, 2020. Performance shares awarded under the GRO plan will vest at the regular vesting dates. No performance shares were granted to Jeff Carr in 2020.
7 Pierre Bouchut, Chief Operating Officer of Europe and Indonesia and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of January 1, 2018. His employment relationship with Ahold Delhaize was terminated as of August 31, 2018, after which he retired. Performance shares awarded under the GRO plan will vest at the regular vesting dates.

32 Share-based compensation continued

	Outstanding at the beginning of 2020	Granted	Performance adjustment[1]	Vested[2]	Forfeited	Outstanding at the end of 2020
Other employees						
2017 grant	3,371,569	—	(1,067,595)	2,260,116	43,858	—
2018 grant	2,199,548	10,256	—	2,201	93,777	**2,113,826**
2019 grant	2,009,120	10,930	—	1,976	115,616	**1,902,458**
2020 grant	—	2,168,716	—	1,212	54,870	**2,112,634**
Subtotal Management Board members	1,052,516	370,284	(108,835)	231,261	—	**1,082,704**
Total number of shares	8,632,753	2,560,186	(1,176,430)	2,496,766	308,121	**7,211,622**

1 Represents the adjustment to the number of performance shares granted resulting from the TSR, RoC and sustainability performance.
2 The vesting date of the 2017 grant was April 9, 2020. The share price was €22.09 on April 9, 2020.

Valuation model and input variables

The weighted average fair value of the performance shares granted in 2020, for all eligible participants including Management Board members, amounted to €14.54 per share for TSR performance shares and €20.02 per share for RoC performance shares, EPS performance shares and sustainability performance shares (2019: €14.43 per share for TSR performance shares and €19.96 per share for RoC performance shares, EPS performance shares and sustainability performance shares). The fair values of the RoC, EPS and sustainability performance shares are based on the Black-Scholes model. The fair values of the TSR performance shares are determined using a Monte Carlo simulation model, which considers the likelihood of Ahold Delhaize's TSR ending at various ranks as well as the expected share price at each rank. The most important assumptions used in the valuations of the fair values were as follows:

	2020	2019
Closing share price at grant date (€)	**22.42**	22.94
Risk-free interest rate	**(0.6)%**	(0.6)%
Volatility	**21.2%**	19.7%
Assumed dividend yield	**3.8%**	4.2%

Expected volatility has been determined based on historical volatilities for a period of three years.

Accounting policies

The grant date fair value of equity-settled share-based compensation plans is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting periods of the grants. The cumulative expense recognized at each balance sheet date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of performance shares that will eventually vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition (e.g., total shareholder return). Those are treated as vested irrespective of whether or not the market condition is ultimately satisfied, provided that all non-market conditions (e.g., continued employment) are satisfied.

33 Leases

Ahold Delhaize as lessee

Ahold Delhaize leases a significant number of its stores, as well as distribution centers, warehouses, offices and other assets, under lease arrangements. Leases of retail stores typically run for periods of 10 to 20 years, and warehouses and distribution centers for 10 years.

The Company also leases equipment, mainly IT equipment, with average contract terms of four years. The majority of these are short-term leases and/or leases of low-value assets, and the Company has elected not to recognize right-of-use assets and lease liabilities for these leases. The Company expects the amount of expenses incurred for short-term leases and leases of low-value assets to remain broadly consistent in future years.

Right-of-use assets

See *Note 12* for more information on the right-of-use assets.

Lease liabilities

The following table summarizes the expected maturity profile of the Company's lease liabilities as presented in *Note 23* (non-current portion) and *Note 26* (current portion) as of January 3, 2021, and December 29, 2019, respectively, based on the undiscounted payments.

€ million	January 3, 2021	December 29, 2019
Less than one year	**1,406**	1,541
One to five years	**4,870**	5,029
Five to ten years	**3,251**	3,272
Ten to fifteen years	**1,422**	1,422
More than fifteen years	**1,040**	1,115
Total undiscounted lease payments	**11,990**	12,379

Lease liabilities included in the balance sheet	**9,586**	9,696
Current portion (*Note 26*)	**1,143**	1,211
Non-current portion (*Note 23*)	**8,442**	8,484

General

Leases are managed by local management and, accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The terms and conditions of real estate leases include, among others, extension and termination options as well as (additional) variable payments. A large part of the real estate leases also provide for lease payment increases that are based on changes in local price indices, which are generally determined annually. Lease liabilities are remeasured to reflect those revised lease payments only when there is a change in the cash flows.

The Company does not have leases with significant guaranteed residual values or purchase options.

None of Ahold Delhaize's leases impose restrictions on the Company's ability to pay dividends, incur additional debt or enter into additional leasing arrangements.

33 Leases continued

Extension and termination options

Extension and termination options are included in a large number of real estate leases across the Company. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

As at January 3, 2021, potential uncommitted future cash outflows of an estimated €33 billion (undiscounted) (2019: €35 billion) have not been included in the lease liability (and right-of-use asset) because it is not reasonably certain that the leases will be extended (or not terminated).

During the current financial year, an amount of €1,107 million (2019: €781 million) has been recorded as a net increase in the right-of-use assets due to reassessments and modifications of leases, which include, among others, the effect of exercising extension and termination options and changes in lease payments due to inflation-related increases.

The table below summarizes the rate of exercise of termination options.

	Number of contracts with termination options exercisable as of January 3, 2021	Number of contracts with termination options not exercised or not considered reasonably certain to be exercised as of January 3, 2021	Number of contracts with terminations options exercised or considered reasonably certain to be exercised as of January 3, 2021
	Number of leases	Number of leases	Number of leases
Total Ahold Delhaize	2,240	1,960	280

In countries like Greece, Romania and Serbia, it is general practice to be able to terminate contracts, subject to a notice period. A large portion of the termination options listed above relates to vehicle leases in Greece, Romania and Serbia.

In Belgium, real estate leases normally have an initial term of 27 years, but the lessee has the right, by law, to terminate the lease every three years. In practice, contracts are therefore recorded in the real estate system as having a 27-year term with termination options every three years. These termination options are then assessed as part of the determination of the lease term, which is normally established as nine years.

In other countries, limited to no termination options are in place.

Variable payments

Variable payment terms are used for a variety of reasons, including minimizing the fixed cost base for newly established stores or for reasons of margin control and operational flexibility. Variable lease payment terms vary widely across the Company:

- The majority of variable payment terms are based on a range of percentages of store sales. Percentages vary per contract and range between 1% and 6% of net sales of the applicable store.
- Some variable payment terms include minimum rent clauses.

Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales.

The Company expects the amount of variable rental payments to remain broadly consistent in future years.

Commitment for leases not yet commenced

In addition to the leases included on the balance sheet, Ahold Delhaize has signed lease agreements for properties under development of which it has not yet taken possession. The future undiscounted lease payments for these agreements amount to approximately €1,193 million (2019: €294 million). The 2019 figure mainly relates to signed leases related to stores under development. The 2020 number mainly relates to an investing commitment of approximately $1 billion to transform and expand the supply chain operations on the U.S. East Coast. See Note 34 for more information.

Sale and leaseback transactions

There have been no significant sale and leaseback transactions in 2019 and 2020. In 2020, the gain on sale and leaseback transactions of €20 million was mainly the result of transactions in Belgium and the Czech Republic.

Amounts recognized in the income statement

€ million	**2020**	2019
Variable lease payments not included in the measurement of lease liabilities	**(16)**	(21)
Expenses related to short-term leases	**(28)**	(26)
Expenses relating to leases of low-value assets that are not shown above as short-term leases	**(15)**	(18)
Total rent expense	**(59)**	(66)
Depreciation charge for right-of-use assets	**(1,083)**	(1,052)
Interest accretion to lease liability	**(357)**	(366)
Gains (losses) on sale and leaseback transactions	**20**	1
Income from subleasing right-of-use assets	**71**	102

During 2020, net impairments of €2 million (2019: €8 million) on right-of-use assets (excluding investment properties) and €1 million (2019: €9 million) on investment property right-of-use assets were recorded. These impairments mainly relate to buildings leased. No impairments were recognized as a result of COVID-19. Ahold Delhaize did not apply for rent concessions and did not receive material rent concessions.

Amounts recognized in the cash flow statement

€ million	**2020**	2019
Total cash outflow for leases	**(1,646)**	(1,600)

The total cash outflow for leases consists of repayment of lease liabilities (both the principal and interest portion of lease payments), the cash outflows from short-term and low-value leases and variable lease payments not included in the measurement of lease liabilities.

33 Leases continued

Ahold Delhaize as lessor

Ahold Delhaize rents out its investment properties (mainly retail units in shopping centers containing an Ahold Delhaize store) and also (partially) subleases various other properties that are leased by Ahold Delhaize. Ahold Delhaize classifies these leases as operating or finance leases.

Operating leases

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

€ million	January 3, 2021	December 29, 2019
Less than one year	**102**	154
One to two years	**83**	135
Two to three years	**62**	95
Three to four years	**47**	64
Four to five years	**36**	43
More than five years	**82**	105
Total undiscounted lease payments	**413**	596

Finance leases

Net investment in leases

€ million	2020	2019
As of the beginning of the year		
Current portion	**78**	81
Non-current portion	**396**	398
Carrying amount at the beginning of the year	**474**	479
Interest accretion	**13**	14
Repayments	**(99)**	(95)
Impairment losses and reversals – net	**(1)**	—
Terminations	**(2)**	(7)
Reassessments and modifications	**19**	6
Reclassifications (to) from right-of-use assets	**97**	72
Exchange rate differences	**(17)**	5
Closing carrying amount	**485**	474
As of the end of the year		
Current portion	**88**	78
Non-current portion	**397**	396
Carrying amount at the end of the year	**485**	474

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

€ million	January 3, 2021	December 29, 2019
Less than one year	**99**	93
One to two years	**86**	81
Two to three years	**78**	75
Three to four years	**66**	65
Four to five years	**56**	54
More than five years	**105**	132
Total undiscounted lease payments receivable	**491**	500
Unearned finance income	**(45)**	(53)
Total discounted lease payments receivable	**445**	447
Cumulative impairment losses	**(4)**	(3)
Lease receivable	**442**	444
Unguaranteed residual value	**43**	30
Net investment in leases	**485**	474

Lease receivables are principally for real estate. Terms range primarily from five to 12 years.

There are no significant changes in the provision for impairment.

The Company, as lessor, manages risks associated with rights retained in the underlying assets mainly by screening lessees for credit worthiness prior to entering into the lease agreement and following up on outstanding lease payments as part of debtor management. In addition, lease contracts generally include terms about rights in case of delinquency and default. Lease contracts rarely include residual value guarantees.

Amounts recognized in the income statement

€ million	2020	2019
Operating leases		
Rent income relating to fixed payments on operating leases	**156**	183
Rent income relating to variable payments on operating leases	**5**	4
Total rent income	**162**	187
Interest income on net investment in leases	**13**	14

No material rent concessions were recognized as as a result of COVID-19; however, Ahold Delhaize did provide some rent concessions, mainly to tenants in the U.S. markets.

33 Leases continued

Accounting estimates and judgments

Where the Company is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

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 entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company 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, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease, for example related to term, country, currency and security. On a quarterly basis, the Company calculates incremental borrowing rates for each country, broken down into buckets of duration and underlying asset leased.

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 it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of stores, distribution centers and warehouses, the following factors are normally the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made that has a useful life beyond the current lease term.

Where the Company is the lessor, the classification of leases as finance leases or operating leases requires judgments about the fair value of the leased asset, the economic life of the asset, whether or not to include renewal or termination options in the lease term and the appropriate discount rate to use to calculate the present value of the lease payments to be received.

Revenue recognition with respect to sale and leaseback transactions is dependent on management's judgment of whether the Company has satisfied all of its performance obligations and control of the asset is transferred to the buyer, and the determination of the fair value of the asset.

Accounting policies

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception, or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of its relative stand-alone price.

The Company applies the recognition exemptions for short-term leases (less than 12 months) and leases of low-value items, defined by the Company to be below $5,000 per item (on acquisition). The payments for these exempted leases are recognized in the income statement on a straight-line basis over the lease terms.

As a lessee

The Company recognizes a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments, at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred (for example, key money and lease contract commissions), less any incentives received. The right-of-use asset for acquired leases is adjusted for any favorable or unfavorable lease rights recognized as part of the purchase price allocation. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company has elected to separate lease and non-lease components included in lease payments for all leases. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, which are initially measured using the index or rate at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price of a purchase option that the Company is reasonably certain to exercise
- Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

33 Leases continued

Accounting policies continued

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is included in “Other current financial liabilities” and “Other non-current financial liabilities.”

The Company applies judgment to determine the lease term for the lease contracts in which it is a lessee that include renewal and termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. See accounting estimates and judgements for more information.

As a lessor

Lessor accounting remains similar to the previous standard and the Company continues to classify leases as finance or operating leases at lease inception based upon whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, the Company considers certain indicators, such as whether the lease is for the majority of the economic life of the asset.

Leases classified as finance leases result in the recognition of a net investment in a lease representing the Company's right to receive rent payments. The value of the net investment in a lease is the value of the future rent payments to be received and the unguaranteed residual value of the underlying asset discounted using the rate implicit in the lease.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Rent income."

Sale and leaseback

Sale and leaseback transactions are defined as transactions that lead to a sale according to IFRS 15 “Revenue from Contracts with Customers.” Under IFRS 15, the seller-lessee must determine if the transaction qualifies as a sale for which revenue is recognized (i.e., if the transaction is a genuine sale, where all performance obligations are satisfied and control has transferred to the buyer-lessor), or whether the transaction is a collateralized borrowing. More specifically, a sale is considered as such if there is no repurchase option on the asset at the end of the lease term.

If the sale by the Company as seller-lessee qualifies as a sale, the Company derecognizes the asset and recognizes a gain (or loss) that is limited to the proportion of the total gain (or loss) relating to the rights transferred to the buyer-lessor. In addition, the Company recognizes a right-of-use asset arising from the leaseback and measures it at the proportion of the previous carrying amount of the asset relating to the right of use retained. In addition, the Company recognizes the lease liability.

If the fair value of the consideration for the sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, adjustments are made to measure the sales proceeds at fair value as follows:

a. Any below-market terms should be accounted for as a prepayment of lease payments.

b. Any above-market terms should be accounted for as additional financing provided by the buyer-lessor.

If the sale by the Company does not qualify as a sale, the Company keeps the asset transferred on its balance sheet and recognizes a financing obligation (financing) equal to the transferred proceeds or cash received.

34 Commitments and contingencies

Capital investment commitments

As of January 3, 2021, Ahold Delhaize had outstanding capital investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €230 million and €5 million, respectively (December 29, 2019: €593 million and €11 million, respectively). Ahold Delhaize's share in the capital investment commitments of its unconsolidated joint ventures JMR and Super Indo amounted to €1 million as of January 3, 2021 (December 29, 2019: €1 million).

U.S. supply chain

In addition to the capital investments referred to above, on December 10, 2019, Ahold Delhaize announced that it is investing to transform and expand its supply chain operations on the U.S. East Coast. This included investments in two new fully automated Ahold Delhaize USA frozen food facilities to be constructed in the U.S. Northeast and Mid-Atlantic regions. On May 14, 2020, Ahold Delhaize USA entered into a 20-year service agreement for these two facilities, one in Connecticut and one in Pennsylvania. The development of these facilities started in 2020 and the services will be provided as of 2022, at which time they will start impacting our consolidated income statement, balance sheet and statement of cash flows. The future 20-year undiscounted commitment related to this agreement is approximately $1 billion is included in commitments for leases not yet commenced (see Note 33). This is the total commitment for the embedded lease which includes lease and non-lease components. The lease components will be recognized on the balance sheet on the commencement date, which is expected to be in 2022. The non-lease components will be expensed as incurred. The new self-distribution supply chain will enable the U.S. businesses to reduce costs, improve speed to shelf, enhance relationships with vendors, and improve product availability and freshness for customers.

Purchase commitments

Ahold Delhaize enters into purchase commitments with vendors in the ordinary course of business. The Company has purchase contracts with some vendors for varying terms that require Ahold Delhaize to buy services and predetermined volumes of goods and goods not-for-resale at fixed prices. As of January 3, 2021, the Company's purchase commitments were approximately €1,256 million (December 29, 2019: €1,194 million). Not included in the purchase commitments are those purchase contracts for which Ahold Delhaize has received advance vendor allowances, such as upfront signing payments in consideration of its purchase commitments. These contracts generally may be terminated without satisfying the purchase commitments upon the repayment of the unearned portions of the advance vendor allowances. The unearned portion of these advance vendor allowances is recorded as a liability on the balance sheet.

Commitments related to business acquisitions

As of January 3, 2021, the Company has outstanding commitments to acquire an 80% stake in FreshDirect, as well as 62 BI-LO and Harveys Supermarkets and a distribution center from Southeastern Grocers. The total purchase consideration is estimated to be €392 million ($477 million). For more information, see Note 36.

Contingent liabilities

Guarantees

Guarantees to third parties issued by Ahold Delhaize can be summarized as follows:

€ million	January 3, 2021	December 29, 2019
Lease guarantees	713	833
Lease guarantees backed by letters of credit	20	33
Corporate and buyback guarantees	17	24
Total	**750**	891

The amounts included in the table above are the maximum undiscounted amounts the Group could be forced to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee. For lease guarantees, this is based on the committed lease terms as communicated to Ahold Delhaize. Specifics to the guarantees are discussed below.

Lease guarantees

Ahold Delhaize may be contingently liable for leases that have been assigned and/or transferred to third parties in connection with facility closings and disposals. Ahold Delhaize could be required to assume the financial obligations under these leases if any of the third parties are unable to fulfill their lease obligations. The lease guarantees are based on the nominal value of future minimum lease payments of the relevant leases, which extend through 2041 and are based on the committed lease terms as communicated to Ahold Delhaize. The amounts of the lease guarantees set forth in the table above exclude the cost of common area maintenance and real estate taxes; such amounts may vary in time, per region and per property. Certain amounts related to these leases are recognized as a provision or a financial liability; for more information see Note 23 and Note 25.

As of January 3, 2021, the €713 million in the undiscounted lease guarantees as presented in the table above mainly relates to divestments. The following table sets out the undiscounted lease guarantees by divestment:

€ million	January 3, 2021	December 29, 2019
Tops divestments	291	342
BI-LO/Bruno's divestment	105	127
Sweetbay, Harveys and Reid's divestment	95	109
Bottom Dollar Food divestment	89	105
Other[1]	132	150
Total lease guarantees	**713**	833

1 Other includes the divestment of remedy stores in the U.S. and the divestment of Bradlees.

On a discounted basis, these lease guarantees amount to €603 million and €674 million as of January 3, 2021, and December 29, 2019, respectively. If Ahold Delhaize is called upon to satisfy its obligations under the outstanding lease guarantees, it has several options to reduce the Company's gross exposure. Further details on the guarantees related to divestments are discussed below.

34 Commitments and contingencies continued

Lease guarantees related to the Tops Markets divestments

In connection with the divestment of Tops Markets in 2007, Ahold Delhaize retained a contingent liability for 45 leases that carry Ahold Delhaize guarantees. Additionally, Ahold Delhaize retained liabilities related to stores previously divested, including guarantees on five Tops stores in eastern New York state, as well as liabilities related to the Tops convenience stores and the stores in northeast Ohio as outlined under *Lease guarantees related to the divestment of Tops convenience stores: Wilson Farms and Sugarcreek.*

On February 21, 2018, Tops Markets filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. These actions resulted in Ahold Delhaize recognizing €24 million partly as a financial liability and partly as an onerous contract provision (see *Note 23* and *Note 25*), which was presented as an after-tax loss from discontinued operations of €17 million in 2018.

Lease guarantees related to the divestment of Tops convenience stores: Wilson Farms and Sugarcreek

Tops may be contingently liable to landlords under 186 leases assigned in connection with the divestment of the Tops' Wilson Farms and Sugarcreek convenience stores in 2005, in the event of a future default by the tenant under such leases. In addition, Ahold Delhaize may be contingently liable to landlords under the guarantees of 77 of these leases in the same event.

Lease guarantees related to divestment of the Tops northeast Ohio stores

Ahold Delhaize may be contingently liable to landlords under guarantees of 13 leases for locations in northeast Ohio, resulting from its divestment of Tops in 2007 in the event of a future default by the tenant under the leases.

Lease guarantees related to BI-LO/Bruno's divestment

In 2005, Ahold Delhaize divested its U.S. retail subsidiaries BI-LO and Bruno's. On February 5, 2009, and March 23, 2009, Bruno's Supermarkets, LLC and BI-LO, LLC, respectively, filed for protection under Chapter 11 of the U.S. Bankruptcy Code (the "2009 BI-LO Bankruptcy Filing"). As a result of the 2009 BI-LO Bankruptcy Filing, Ahold Delhaize made an assessment of its potential obligations under existing lease guarantees. Consequently, in 2009, Ahold Delhaize recognized provisions of €109 million (see *Note 25*) and related tax benefit offsets of €47 million within results on divestments.

On May 12, 2010, the then reorganized BI-LO exited bankruptcy protection and assumed 149 operating locations that were guaranteed by Ahold Delhaize. Based on the foregoing developments, Ahold Delhaize recognized a reduction of €23 million in its provision, after tax, within results on divestments in the first half of 2010. Since the end of the second quarter of 2010, Ahold Delhaize has entered into settlements with a number of landlords relating to leases of former BI-LO or Bruno's stores that were guaranteed by Ahold Delhaize.

On March 27, 2018, BI-LO and its parent, Southeastern Grocers, Inc., filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code (the "2018 BI-LO Bankruptcy Filing"). As a result of the 2018 BI-LO Bankruptcy Filing, Ahold Delhaize has reassessed its potential obligations under the lease guarantees based upon: (i) the remaining initial term of each lease, (ii) an assessment of the possibility that Ahold Delhaize would have to pay under a guarantee and (iii) any potential remedies that Ahold Delhaize may have to limit future lease payments.

At the end of 2020, the undiscounted lease guarantees relating to BI-LO and Bruno's totaled €105 million. As of January 3, 2021, the remaining provision was €2 million (December 29, 2019: €2 million) with a related tax benefit offset of nil (2019: €1 million); see *Note 25*. This amount represents Ahold Delhaize's best estimate of the discounted aggregate amount of the remaining lease obligations and associated charges, net of known mitigation offsets, which could result in cash outflows for Ahold Delhaize under the various lease guarantees. Ahold Delhaize continues to monitor any developments and pursues its mitigation efforts with respect to these potential lease guarantee liabilities.

Lease guarantees related to Sweetbay, Harveys and Reid's and Bottom Dollar Food divestments

Ahold Delhaize divested its U.S. retail subsidiaries Sweetbay, Harveys and Reid's to BI-LO II in 2014 and its U.S. retail subsidiary Bottom Dollar Food to Aldi in 2015. Ahold Delhaize had provided guarantees for a number of existing leases, which extend through 2037. Ahold Delhaize has made an assessment of its potential obligations under lease guarantees, considering: (i) the remaining term of each lease, (ii) the re-let potential of the property if the acquirer were to default on the lease and (iii) the credit position of the counterparty. At the end of 2020, the undiscounted lease guarantees were €95 million for Sweetbay, Harveys and Reid's and €89 million for Bottom Dollar Food. As of January 3, 2021, the on-balance sheet financial liability representing the fair value of the lease guarantees was €8 million (2019: €10 million); see *Note 23*.

In connection with the 2018 BI-LO Bankruptcy filing described above, BI-LO II has rejected a number of leases for which Ahold Delhaize recognized a provision for lease guarantees in the amount of €22 million in 2018. As of January 3, 2021, the remaining provision for these lease guarantees was €6 million (2019: €11 million); see *Note 25*.

Lease guarantees related to the divestment of U.S. remedy stores

In July 2016, as a condition of receiving regulatory clearance for their merger from the United States Federal Trade Commission (FTC), Ahold and Delhaize entered into a consent agreement ("Consent Agreement") with the FTC that required Ahold and Delhaize to divest certain stores in seven states in order to prevent the merger from being anti-competitive. Ahold Delhaize subsidiaries may be contingently liable under leases that were assigned in connection with required divestitures.

Lease guarantees related to the divestment of Bradlees

In 1992, Stop & Shop spun-off Bradlees Stores, Inc. ("Bradlees") as a public company (the "Bradlees Spin-off"). In connection with the Bradlees Spin-off, Stop & Shop assigned to Bradlees certain commercial real property leases. Pursuant to a 1995 reorganization of Bradlees and a subsequent wind-down and liquidation of Bradlees following a bankruptcy protection filing in 2000 (collectively, the "Bradlees Bankruptcies"), a number of such real property leases were assumed and assigned to third parties. Pursuant to applicable law, Stop & Shop may be contingently liable, subject to applicable defenses, to landlords under certain of the leases assigned in connection with the Bradlees Spin-off and subsequently assumed and assigned to third parties in connection with the Bradlees Bankruptcies.

Lease guarantees backed up by letters of credit

As part of the divestment of U.S. Foodservice in 2007, Ahold Delhaize received an irrevocable standby letter of credit for $216 million (€163 million), which was reduced to $25 million (€20 million) as of January 3, 2021 (2019: $37 million (€33 million)).

Corporate and buyback guarantees

Ahold Delhaize has provided corporate guarantees to certain suppliers of its franchisees or non-consolidated entities. Ahold Delhaize would be required to perform under the guarantee if the franchisee or non-consolidated entity failed to meet its financial obligations, as described in the guarantee. Buyback guarantees relate to Ahold Delhaize's commitment to repurchase stores or inventory from certain franchisees at predetermined prices. The buyback guarantees reflect the maximum committed repurchase value under the guarantees. The last of the corporate and buyback guarantees expire in 2022.

34 Commitments and contingencies continued

Indemnifications as part of divestments of Ahold Delhaize's operations

In the relevant sales agreements, Ahold Delhaize has provided customary indemnifications, including for potential breach of representations and warranties, that often include, but are not limited to, completeness of books and records, title to assets, schedule of material contracts and arrangements, litigation, permits, labor matters, and employee benefits and taxes. These representations and warranties will generally terminate, depending on their specific features, a number of years after the date of the relevant transaction completion date.

The most significant divestment of operations is, to the extent not already covered in the guarantee section above, described below. In addition, specific, limited indemnifications exist for a number of Ahold Delhaize's smaller divestments. The aggregate impact of claims, if any, under such indemnification provisions is not expected to be material.

Disco divestment

As part of the divestment of Disco S.A. ("Disco") in 2004, Ahold Delhaize is required to indemnify Disco and its buyers for the outcome of the Uruguayan litigation described in the *Legal proceedings* section of this Note. Ahold Delhaize's indemnification obligation relating to this litigation is not capped at a certain amount nor restricted to a certain time period.

Taxes

Ahold Delhaize operates in a number of countries and is subject to several direct and indirect taxes including Corporate Income Tax, Value Added Tax, Sales and Use Tax, and Wage Tax. Its income is subject to direct and indirect tax in differing jurisdictions where those taxes are levied on a tax base differing per tax law, jurisdiction and at differing tax rates. Significant judgment is required in determining the direct and indirect tax position. We seek to organize our affairs in a sustainable manner, taking into account the applicable regulations of the jurisdictions in which we operate. As a result of Ahold Delhaize's multi-jurisdictional operations, it is exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of such tax laws. The authorities in the jurisdictions where Ahold Delhaize operates may review the Company's direct and indirect tax returns and may disagree with the positions taken in those returns. While the ultimate outcome of such reviews is not certain, Ahold Delhaize has considered the merits of its filing positions in its overall evaluation of potential tax liabilities for both direct and indirect taxes and believes it has adequate liabilities recorded in its consolidated financial statements for exposures on these matters. Based on its evaluation of the potential tax liabilities and the merits of Ahold Delhaize's filing positions, it is unlikely that potential tax exposures over and above the amounts currently recorded as liabilities in its consolidated financial statements will be material to its financial condition or future results of operations.

In December 2020, Ahold Delhaize subsidiary Delhaize Le Lion/De Leeuw SCA ("DLL") received an adjustment notice from the Belgian tax authorities relating to its filed tax return for 2018. In 2018, DLL executed a common control transaction and transferred the former Delhaize USA business from DLL to Koninklijke Ahold Delhaize N.V. with the purpose of combining the former Delhaize USA business with the former Ahold USA business in order to simplify the legal structure and to elect to file one consolidated federal tax return within the United States. This transaction is tax exempt in Belgium for DLL and falls under the participation exemption in the Netherlands for the receiving entity Koninklijke Ahold Delhaize N.V. The valuation to support the at arm's length principles of the transfer of the underlying Delhaize USA business is supported by an external valuation report. Within the adjustment notice, the Belgian tax authorities informed the Company that, in their opinion, the valuation of the underlying business does not reflect its true market value and they rejected the external valuation report as, in their view, the valuation report is not based on at arm's length principles. Although the entire transaction was tax exempt in Belgium, a correction on the transaction value would be a taxable event under the Belgian tax code. The maximum exposure relating to this adjustment notice amounts to €380 million. Ahold Delhaize disagrees with this position and, in our opinion, the adjustment notice is without any merit and we will vigorously oppose and defend ourselves against it. We filed an objection letter to the adjustment notice. The Belgian tax authorities could decide to issue an additional assessment to our 2018 filed tax return when they disagree with the arguments in our objection letter. Ahold Delhaize has several legal and remediation options, if necessary, to defend our position.

Legal proceedings

Ahold Delhaize and certain of its former or current subsidiaries are involved in a number of legal proceedings, which include litigation as a result of divestments, tax and employment, as well as other litigation and inquiries. The legal proceedings discussed below, whether pending, threatened or unasserted, if decided adversely or settled, may result in liability material to Ahold Delhaize's financial condition, results of operations or cash flows. Ahold Delhaize may enter into discussions regarding the settlement of these and other proceedings, and may enter into settlement agreements, if it believes settlement is in the best interest of Ahold Delhaize's shareholders. In accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets," Ahold Delhaize has recognized provisions with respect to these proceedings, where appropriate, which are reflected on its balance sheet.

Albert Heijn Franchising

In 2014, the Vereniging Albert Heijn Franchisenemers (an association of Albert Heijn franchisees or "VAHFR") asserted claims against Albert Heijn Franchising BV (an Ahold Delhaize subsidiary or "AHF"), for the years 2008 through 2012, the alleged value of which exceeds €200 million in aggregate. On December 24, 2014, proceedings were initiated with respect to these discussions. On November 16, 2016, the District Court in Haarlem issued a judgment rejecting all claims of the VAHFR and the claimants. On February 13, 2017, VAHFR and 240 individual claimants filed an appeal against the judgment and, in September 2017, they asserted unquantified claims for the years 2008 until 2016.

On July 23, 2019, the Court of Appeal issued a judgment rejecting, except for one, all the claims of VAHFR and the claimants. On October 23, 2019, the VAHFR and the claimants filed an appeal in cassation to the Supreme Court. Parties are awaiting the Supreme Court ruling, which is scheduled for March 2021. Depending on the outcome of this ruling these proceedings will be completed or AHF and its affiliates will continue to vigorously defend their interest in the legal proceedings.

Uruguayan litigation

Ahold Delhaize, together with Disco and Disco Ahold International Holdings N.V. ("DAIH"), is party to one lawsuit in Uruguay related to Ahold Delhaize's 2002 acquisition of Velox Retail Holdings' shares in the capital of DAIH. The two other related lawsuits in Uruguay were decided in favor of Ahold Delhaize without any further right to appeal of the plaintiffs in 2013. The damages alleged by the plaintiffs, alleged creditors of certain Uruguayan and other banks, amount to approximately $62 million (€55 million) plus interest and costs. As part of the divestment of Disco to Cencosud in 2004, Ahold Delhaize indemnified Cencosud and Disco against the outcome of these legal proceedings. The one remaining lawsuit is ongoing. Ahold Delhaize continues to believe that the plaintiffs' claims are without merit and will continue to vigorously oppose such claims.

34 Commitments and contingencies continued

National prescription opiate litigation

Several U.S. brands and subsidiaries of Ahold Delhaize have been sued in a number of lawsuits included in In re: National Prescription Opiate Litigation (MDL No. 2804), a multi-district litigation (MDL) matter pending in the United States District Court in the Northern District of Ohio. The MDL contains thousands of cases filed against hundreds of defendants by counties, cities, hospitals and others concerning the impact of opioid abuse. The suits name Ahold Delhaize as a defendant, as well as various subsidiaries, including American Sales Company, LLC, which ceased operations prior to being named as a defendant in any MDL-related case. All of the matters in which Ahold Delhaize or its subsidiaries have been named have been stayed by the court and, therefore, are not being actively litigated at this time while certain cases proceed against other defendants. Ahold Delhaize and its subsidiaries believe the plaintiffs' claims against Ahold Delhaize entities are without merit and will defend against the claims in all these matters, if and when the stay is lifted. Ahold Delhaize is not currently able to predict the outcome of these claims.

Pharmacy regulatory investigation

The Ahold Delhaize USA brands are responding to a civil investigative demand (CID) from the U.S. Department of Justice (DOJ), working together with several state Attorneys General, concerning a False Claims Act investigation relating to pharmacy prescription discount programs. The brands are cooperating with this investigation and communicating with DOJ regarding the CID. As part of its cooperation, Ahold Delhaize has provided factual information, produced documents, and is responding to certain interrogatories. Ahold Delhaize has also raised legal arguments challenging a significant portion of DOJ's investigation. Ahold Delhaize is not currently able to predict the timing or outcome of the investigation.

Other legal proceedings

In addition to the legal proceedings described previously in this Note, Ahold Delhaize and its former or current subsidiaries are parties to a number of other legal proceedings arising out of their business operations. Ahold Delhaize believes that the ultimate resolution of these other proceedings will not, in the aggregate, have a material adverse effect on Ahold Delhaize's financial position, results of operations or cash flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that Ahold Delhaize could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

Accounting estimates and judgments

For accounting estimates and judgments relating to income taxes, see *Note 10*, and for provisions and contingencies, see *Note 25*.

35 List of subsidiaries, joint ventures and associates

The following are Ahold Delhaize's significant subsidiaries, joint ventures and associates as of January 3, 2021:

Consolidated significant subsidiaries

The following subsidiaries are, directly or indirectly, wholly owned by Ahold Delhaize. Subsidiaries not important to providing an insight into the Ahold Delhaize Group as required under Dutch law are omitted from this list.

Retail trade Europe

Albert Heijn B.V., Zaandam, the Netherlands*

Albert Heijn Franchising B.V., Zaandam, the Netherlands*

Gall & Gall B.V., Zaandam, the Netherlands*

Etos B.V., Zaandam, the Netherlands*

bol.com B.V., Utrecht, the Netherlands*

Alfa-Beta Vassilopoulos Single Member S.A., Athens, Greece

Delhaize Le Lion / De Leeuw Comm. VA, Brussels, Belgium

Delhaize Serbia d.o.o. Beograd, Belgrade, Serbia

Mega Image SRL., Bucharest, Romania

Albert Česká republika, s.r.o., Prague, Czech Republic

Albert Heijn België NV / SA, Antwerp, Belgium

Delhaize Luxembourg S.A., Pommerloch, Grand-Duchy of Luxembourg

Retail trade United States

The Stop & Shop Supermarket Company LLC, Quincy, Massachusetts, United States

Food Lion LLC, Salisbury, North Carolina, United States

The GIANT Company LLC, Carlisle, Pennsylvania, United States

Giant of Maryland LLC, Landover, Maryland, United States

Hannaford Bros. Co., LLC, Scarborough, Maine, United States

Other

Ahold Delhaize Coffee Company B.V., Zaandam, the Netherlands*

Ahold Europe Real Estate & Construction B.V., Zaandam, the Netherlands*

Ahold Delhaize Finance Company N.V., Zug, Switzerland

Ahold Finance U.S.A., LLC, Zaandam, the Netherlands*

Ahold Insurance N.V., Willemstad, Curaçao

Ahold Delhaize International Sàrl, Geneva, Switzerland

35 List of subsidiaries, joint ventures and associates continued

Other continued

Ahold Information Services Inc., Greenville, South Carolina, United States

Ahold Lease U.S.A. Inc., Quincy, Massachusetts, United States

Ahold Delhaize Licensing Sàrl, Geneva, Switzerland

Ahold Delhaize Nederland B.V., Zaandam, the Netherlands*

Ahold Delhaize USA Inc., Quincy, Massachusetts, United States

American Sales Company LLC, Lancaster, New York, United States

CUW B.V., Willemstad, Curaçao

Delhaize America LLC, Salisbury, North Carolina, United States

Delhaize "The Lion" Nederland B.V., Zaandam, the Netherlands*

Delhaize US Holding Inc., Salisbury, North Carolina, United States

Guiding Stars Licensing Company LLC, Scarborough, Maine, United States

Lion Lux Finance S.à.r.l., Pommerloch, Grand-Duchy of Luxembourg

Lion Retail Holding S.à.r.l., Pommerloch, Grand-Duchy of Luxembourg

MAC Risk Management Inc., Quincy, Massachusetts, United States

The MollyAnna Company, Williston, Vermont, United States

Retail Business Services LLC, Salisbury, North Carolina, United States

Peapod Digital Labs, LLC, Chicago, Illinois, United States

With respect to the separate financial statements of the Dutch legal entities included in the consolidation, substantially all subsidiaries availed themselves of the exemption laid down in section 403, subsection 1 of Book 2 of the Dutch Civil Code. Pursuant to section 403, Ahold Delhaize has assumed joint and several liability for the debts arising out of the legal acts of these subsidiaries. The determination of which Dutch subsidiaries of Ahold Delhaize, whether significant in the context of this Note or not, make use of the 403 exemption follows from the Dutch trade register. Each of these subsidiaries has filed Ahold Delhaize's 403 declaration with the Dutch trade register. The above significant subsidiaries that make use of the 403 exemption are marked by *.

Significant joint ventures and associates (unconsolidated)

JMR – Gestão de Empresas de Retalho, SGPS, S.A., Lisbon, Portugal (49% owned by Ahold Delhaize's subsidiary Ahold Delhaize International Sàrl)

P.T. Lion Super Indo, Jakarta, Indonesia (51% owned by Ahold Delhaize's subsidiary Delhaize "The Lion" Nederland B.V.)

36 Subsequent events

Acquisition of FreshDirect

On November 18, 2020, Ahold Delhaize and Centerbridge Partners announced they entered into a definitive agreement to acquire FreshDirect, an online grocer based in New York City. Ahold Delhaize will acquire the majority share, funded by cash on hand, and Centerbridge Partners will be a minority equity investor with a 20% stake. Ahold Delhaize's share of the purchase consideration is approximately €269 million ($327 million). The transaction was closed on January 5, 2021.

On a provisional basis, the allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisition of FreshDirect is as follows:

€ million	
Property, plant and equipment	**329**
Right-of-use asset	**210**
Other intangible assets	**94**
Loans	**(118)**
Lease liabilities	**(205)**
Deferred tax liability	**(59)**
Other assets and liabilities – net	**(1)**
Net identifiable assets acquired	**250**
Non-controlling interest	**(67)**
Goodwill	**86**
Total purchase consideration	**269**

Transaction with Southeastern Grocers

On June 3, 2020, Ahold Delhaize announced that Food Lion had agreed to purchase 62 BI-LO and Harveys Supermarkets from Southeastern Grocers. The stores are located in North Carolina, South Carolina and Georgia. The closing of the acquisition of stores will take place over a staggered period from January to April 2021. This transaction with Southeastern Grocers also includes the acquisition of an additional distribution center in Mauldin, South Carolina. The closing date will be no later than four weeks following the last store closing or May 1, 2021. The purchase consideration is estimated to be approximately €123 million ($150 million).

Up until February 26, 2021, in total, 37 stores closed for an allocated purchase consideration of $91 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the transaction will be provided after the acquisition is completely finalized, which is expected to occur in the second quarter of 2021.

Albert Heijn reaches agreement to acquire 39 DEEN supermarkets

On February 16, 2021, Ahold Delhaize announced that Albert Heijn has agreed to acquire 39 DEEN supermarkets. The agreement includes the intended sale of 80 DEEN supermarkets to three parties, Albert Heijn, Vomar and Detailresult Group. Out of the 80 stores, Albert Heijn will acquire 39 stores, Vomar will acquire 22 stores and Detailresult Group (Dekamarkt) will acquire 19 stores. The acquisition is currently expected to close in the second half of 2021, subject to customary closing conditions as well as alignment with the trade unions and the advice of the work councils involved.

Parent company financial statements
Income statement

€ million	Note	2020	2019
Intercompany head office and other recharges		**92**	75
General and administrative expenses		**(65)**	(65)
Total operating expenses	2	**(65)**	(65)
Operating income		**27**	10
Interest expense		**(47)**	(47)
Other financial income (expense)		**(48)**	(59)
Net financial expenses		**(95)**	(106)
Loss before income taxes		**(69)**	(96)
Income taxes	5	**35**	26
Income from subsidiaries and investments in joint ventures after income taxes	7	**1,431**	1,835
Net result after tax		**1,397**	1,766

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

Parent company financial statements
Balance sheet

Before appropriation of current year result

€ million	Note	January 3, 2021	December 29, 2019
Assets			
Right-of-use asset		**1**	1
Intangible assets	6	**57**	49
Deferred tax assets	5	**9**	11
Financial assets	7	**19,938**	21,009
Total non-current assets		**20,005**	21,071
Receivables	8	**60**	28
Prepaid expenses		**25**	13
Other current financial assets	9	**—**	12
Cash and cash equivalents		**47**	157
Total current assets		**132**	210
Total assets		**20,137**	21,281
Liabilities and shareholders' equity			
Issued and paid-in share capital		**11**	11
Additional paid-in capital		**12,246**	12,246
Currency translation reserve		**(839)**	159
Cash flow hedging reserve		**(3)**	(3)
Reserve participations		**420**	420
Accumulated deficit		**(800)**	(516)
Net income		**1,397**	1,766
Shareholders' equity	10	**12,432**	14,083
Provisions	11	**2**	1
Loans	12	**4,944**	5,440
Other non-current liabilities		**17**	1
Total non-current liabilities		**4,960**	5,441
Current liabilities	13	**2,742**	1,756
Total liabilities and shareholders' equity		**20,137**	21,281

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

Notes to the parent company financial statements

1 Significant accounting policies

Basis of preparation

Ahold Delhaize's parent company financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see accounting policies relating to financial statement captions included in the relevant notes to the consolidated financial statements and *Note 3* to the consolidated financial statements).

Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are measured at net asset value (equity method of accounting). Net asset value is based on the measurement of assets (including goodwill), provisions and liabilities, and determination of profit as described in *Note 15* to the consolidated financial statements for investments in joint arrangements and associates. Goodwill is subsumed in the carrying amount of the net asset value if an investment in a subsidiary is acquired through the Company's intermediate subsidiary.

2 Expenses by nature

The operating expenses are specified by nature as follows:

€ million	2020	2019
Labor costs	**(27)**	(27)
Other operational expenses	**(30)**	(31)
Depreciation and amortization	**(9)**	(7)
Total expenses by nature	**(65)**	(65)

Labor costs consists of employee expenses of €22 million (2019: €20 million), other related employee costs of €3 million (2019: €5 million) and other contracted personnel expenses of €2 million (2019: €2 million).

3 Employees

The average number of employees of Koninklijke Ahold Delhaize N.V. in full-time equivalents during 2020 was seven (2019: eight), of whom none were employed outside of the Netherlands. One Management Board member serves as board member outside of the Netherlands via an assignment agreement, but is not employed by Koninklijke Ahold Delhaize N.V.

The current number of employees of Koninklijke Ahold Delhaize N.V. consists primarily of members of the Executive Committee, including the Management Board. Salaries, social security charges and pension expenses amounted to €22 million, €1.2 million and €0.2 million, respectively, for 2020 (2019: expenses of €20 million, €3 million and €0.1 million, respectively).

For information on the parent company's defined benefit pension plan, the remuneration of the Management Board and the Supervisory Board and the parent company's share-based compensation plans, see *Note 24*, *Note 31* and *Note 32*, respectively, to the consolidated financial statements.

The net pension liability and the net pension expense are calculated on the basis of the parent company's active employees only.

4 Auditor fees

Expenses for services provided by the parent company's independent auditor, PricewaterhouseCoopers Accountants N.V. (PwC) and its member firms and affiliates to Ahold Delhaize and its subsidiaries in 2020 and in 2019, are specified as follows:

2020

€ thousand	PwC	Member firms/ affiliates	Total 2020
Audit fees	3,216	4,253	7,470
Audit-related fees	539	196	735
Tax advisory fees	—	—	—
Total	**3,755**	**4,449**	**8,205**

2019

€ thousand	PwC	Member firms/ affiliates	Total 2019
Audit fees	2,250	4,147	6,397
Audit-related fees	399	159	558
Tax advisory fees	—	—	—
Total	2,649	4,306	6,955

The audit fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external independent auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties – Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These audit fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

Audit fees primarily relate to the audit of the consolidated financial statements as included in *Performance: Financial statements* as set out in this Annual Report, certain procedures on our quarterly results and services related to the statutory and regulatory filings of our subsidiaries. Other audit-related fees mainly relate to assurance services on non-financial information and other assurance services.

5 Income taxes

The following table specifies the current and deferred tax components of income taxes in the income statement:

€ million	2020	2019
Current income taxes – the Netherlands	37	28
Deferred income taxes – the Netherlands	(2)	(2)
Total income taxes	**35**	26

Effective income tax rate

The following table reconciles the statutory income tax rate with the effective income tax rate in the income statement:

	2020	
	€ million	Tax rate
Loss before income taxes	(69)	
Income tax (expense) benefit at statutory tax rate	17	25.0%
Adjustments to arrive at effective income tax rate:		
Reserves, (non-)deductibles and discrete items	18	25.7%
Total income taxes (expense) benefit	**35**	**50.7%**

	2019	
	€ million	Tax rate
Loss before income taxes	(96)	
Income tax (expense) benefit at statutory tax rate	24	25.0%
Adjustments to arrive at effective income tax rate:		
Reserves, (non-)deductibles and discrete items	2	2.1%
Total income taxes (expense) benefit	26	27.1%

5 Income taxes continued

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 3, 2021, and December 29, 2019, are as follows:

€ million	December 30, 2018	Recognized in income statement	Other	December 29, 2019	**Recognized in income statement**	**Other**	**January 3, 2021**
Derivatives and loans	12	(1)	—	11	**(3)**	**—**	**8**
Blended rate deferred tax fiscal unity	2	(2)	—	—	**1**	**—**	**1**
Total gross deductible temporary differences	14	(3)	—	11	**(2)**	**—**	**9**
Tax losses and tax credits	—	—	—	—	**—**	**—**	**—**
Total net deferred tax asset position	14	(3)	(1)	11	**(2)**	**—**	**9**
Total deferred tax liabilities	—	—	—	—	**—**	**—**	**—**
Net deferred tax assets	14	(2)	(1)	11	**(2)**	**—**	**9**

Income taxes in equity and comprehensive income

Current and deferred income taxes recognized in and transferred from equity and comprehensive income are as follows:

€ million	**2020**	2019
Cash flow hedges	**—**	1
Total	**—**	1

6 Intangible assets

€ million	Software
As of December 29, 2019	
At cost	70
Accumulated amortization and impairment losses	(20)
Carrying amount	**49**
Year ended January 3, 2021	
Additions	25
Transfers	(9)
Amortization	(8)
Closing carrying amount	**57**
As of January 3, 2021	
At cost	85
Accumulated amortization and impairment losses	(28)
Carrying amount	**57**

7 Financial assets

€ million	January 3, 2021	December 29, 2019
Investments in subsidiaries	**18,933**	19,943
Loans receivable from subsidiaries	**1,006**	1,066
Deferred financing cost	**—**	1
Total financial assets	**19,938**	21,009

The changes in the Investment in subsidiaries were as follows:

€ million	2020	2019
Beginning of year	**19,943**	24,620
Share in income	**1,431**	1,835
Dividends	**(1,438)**	(6,657)
Share of other comprehensive income (loss) and other changes in equity	**(4)**	(96)
Exchange rate differences	**(999)**	241
End of year	**18,933**	19,943

For a list of subsidiaries, joint ventures and associates, see *Note 35* to the consolidated financial statements.

Loans receivable

€ million	2020	2019
Beginning of year	**1,066**	1,232
Intercompany transfers	**(60)**	(165)
Transfers from / (to) investments	**—**	—
End of year	**1,006**	1,066
Current portion	**—**	—
Non-current portion of loans	**1,006**	1,066

The loans receivable are related to loans with subsidiaries.

8 Receivables

€ million	January 3, 2021	December 29, 2019
Receivables from subsidiaries	**41**	19
Receivables from joint ventures	**1**	1
Income tax receivable	**17**	7
Other receivables	**1**	1
Total receivables	**60**	28

9 Other current financial assets

€ million	January 3, 2021	December 29, 2019
Other derivatives external	**—**	12
Other	**—**	1
Total other current financial assets	**—**	12

For more information on derivatives, see *Note 14* to these parent company financial statements.

10 Shareholders' equity

The shareholders' equity in the parent company financial statements equals the equity attributable to common shareholders presented in the consolidated financial statements, except that legal reserve participations and accumulated earnings (deficit) are presented separately.

The currency translation reserve, cash flow hedging reserve and reserve participations are legal reserves that are required by Dutch law. The reserve participations include the increases in net asset value of joint ventures and associates since their first inclusion, less any amounts that can be distributed without legal or other restrictions.

If the currency translation reserve or the cash flow hedging reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance. Of the total equity as of January 3, 2021, €12,432 million, an amount of €431 million is non-distributable (December 29, 2019: €590 million out of total equity of €14,083 million). For more information on the dividends on common shares, see Note 21 to the consolidated financial statements.

The movements in equity can be specified as follows:

			Legal reserves				
€ million	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Reserve participations	Other reserves including retained earnings[1]	Equity attributable to common shareholders
Balance as of December 30, 2018	**12**	**13,999**	**(80)**	**(2)**	**385**	**(109)**	**14,205**
Net income attributable to common shareholders	—	—	—	—	—	1,766	1,766
Other comprehensive income (loss)	—	—	239	(1)	—	(58)	180
Total comprehensive income (loss) attributable to common shareholders	—	—	239	(1)	—	1,708	1,945
Dividends	—	—	—	—	—	(1,114)	(1,114)
Share buyback	—	—	—	—	—	(1,002)	(1,002)
Cancellation of treasury shares	(1)	(1,753)	—	—	—	1,753	—
Share-based payments	—	—	—	—	—	47	47
Other items	—	—	—	—	—	1	1
Other changes in reserves	—	—	—	—	35	(35)	—
Balance as of December 29, 2019	**11**	**12,246**	**159**	**(3)**	**420**	**1,250**	**14,083**
Net income attributable to common shareholders	—	—	—	—	—	1,397	1,397
Other comprehensive income (loss)	—	—	(997)	1	—	(84)	(1,080)
Total comprehensive income (loss) attributable to common shareholders	—	—	(997)	1	—	1,313	316
Dividends	—	—	—	—	—	(1,026)	(1,026)
Share buyback	—	—	—	—	—	(1,001)	(1,001)
Cancellation of treasury shares	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	—	61	61
Other items	—	—	—	—	—	(1)	(1)
Other changes in reserves	—	—	—	—	—	—	—
Balance as of January 3, 2021	**11**	**12,246**	**(839)**	**(3)**	**420**	**597**	**12,432**

1 Other reserves include the remeasurements of defined benefit plans. Costs for internally developed software are also included in other reserves (nil as of January 3, 2021 and December 29, 2019).

11 Provisions

€ million	January 3, 2021	December 29, 2019
Provision for negative equity subsidiaries	—	—
Other provisions	2	1
Total provisions	**2**	1

As of January 3, 2021, €2 million is expected to be utilized within one year (December 29, 2019: nil).

12 Loans

	January 3, 2021	
€ million	Non-current portion	Current portion
EUR 300 notes EURIBOR + 18 bps, due 2021	—	300
EUR 750 notes 0.875%, due 2024	750	—
EUR 600 notes 0.250%, due 2025	600	—
EUR 500 notes 1.125%, due 2026	500	—
EUR 500 notes 1.75%, due 2027	500	—
USD 827 notes 5.70%, due 2040[1]	464	3
Long-term loans from subsidiaries	2,144	650
Deferred financing costs	(15)	(4)
Total loans	**4,944**	**949**

	December 29, 2019	
€ million	Non-current portion	Current portion
EUR 300 notes EURIBOR + 18 bps, due 2021	300	—
EUR 750 notes 0.875%, due 2024	750	—
EUR 600 notes 0.250%, due 2025	600	—
EUR 500 notes 1.125%, due 2026	500	—
USD 827 notes 5.70%, due 2040	510	3
Long-term loans from subsidiaries	2,794	—
Deferred financing costs	(14)	(3)
Total loans	5,440	—

The long-term loans from subsidiaries mature in 2022 (€596 million), 2026 (€391 million), 2028 (€700 million) and 2029 (€458 million). For more information on the external loans, see *Note 22* to the consolidated financial statements.

13 Current liabilities

€ million	January 3, 2021	December 29, 2019
Short-term borrowings from subsidiaries	1,512	1,493
Loans – current portion	949	—
Bank debt and lines of credit	182	186
Payables to subsidiaries	17	17
Interest payable	20	13
Other current liabilities	62	47
Total current liabilities	**2,742**	1,756

The current liabilities are liabilities that mature within one year.

14 Derivatives

The parent company regularly enters into derivative contracts with banks to hedge foreign currency and interest exposures of the parent company or its subsidiaries. Derivative contracts that are entered into to hedge exposures of subsidiaries are generally mirrored with intercompany derivative contracts with the subsidiaries that are exposed to the hedged risks on substantially identical terms as the external derivative contracts. In these parent company financial statements, the external derivative contracts and the intercompany derivative contracts are presented separately on the balance sheet. In situations where the external derivative contract qualifies for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as “Hedging derivatives external” and “Hedging derivatives intercompany,” respectively. In situations where the external derivative contract does not qualify for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as “Other derivatives external” and “Other derivatives intercompany,” respectively.

Fair value movements of external derivative contracts that were entered into to hedge the exposures of subsidiaries are recorded directly in income, where they effectively offset the fair value movements of the mirroring intercompany derivatives that are also recorded directly in income. Details of these derivative contracts, other financial instruments and the parent company’s risk management strategies are included in *Note 30* to the consolidated financial statements and in the tables presented below.

Non-current derivatives – assets

€ million	2020	2019
Beginning of year	—	1
Fair value changes	—	(1)
End of year	—	—

Current derivatives – assets

€ million	2020	2019
Beginning of year	12	—
Unwinding of cross-currency swap	—	—
Fair value changes	(12)	12
End of year	—	12

14 Derivatives continued

Non-current derivatives – liabilities

€ million	2020	2019
Beginning of year	—	2
Fair value changes	16	(2)
End of year	**16**	—

Current derivatives – liabilities

There were no current derivative liabilities in 2020 and 2019.

15 Related party transactions

Koninklijke Ahold Delhaize N.V. has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and were conducted at market prices.

16 Commitments and contingencies

Koninklijke Ahold Delhaize N.V., as the parent company, is party to a cross-guarantee agreement dated May 21, 2007, as amended from time to time, with Delhaize Le Lion/De Leeuw Comm. VA, Delhaize US Holding, Inc. and certain of the subsidiaries of Delhaize US Holding, Inc., under which each party guarantees fully and unconditionally, jointly and severally, the financial indebtedness of the other parties to the agreement.

Notes and loans issued by certain subsidiaries are guaranteed by the parent company, as disclosed in *Note 22* to the consolidated financial statements.

The parent company also guarantees certain lease obligations and other obligations of subsidiaries. Guarantees issued by the parent company regarding the financial obligations of third parties and non-consolidated entities, other than under the cross guarantee mentioned above, amount to €486 million as of January 3, 2021, (December 29, 2019: €603 million).

In addition, the Company has provided a guarantee as of July 30, 2010, for Ahold Finance U.S.A., LLC's outstanding current obligations to third parties.

The parent company has also provided a guarantee as of December 31, 2020, for Giant Food relating to the FELRA and MAP settlement agreement. The parent company guarantees Giant Food's obligation to pay any amounts that are necessary to satisfy the funding commitment solely to the extent Giant fails to satisfy such liabilities when due. The guarantee will be limited to the present value of the PBGC insolvency benefits payable to eligible Giant participants and eligible non-Giant participants under the new single-employer plan as of December 31, 2020. For more information on FELRA and MAP plan, see *Note 24* to the consolidated financial statements.

As part of the divestment of U.S. Foodservice in 2007, Ahold Delhaize received an irrevocable standby letter of credit for $216 million (€163 million), which was reduced to $25 million (€20 million) as of January 3, 2021 (2019: $37 million (€33 million)).

The parent company has provided customary indemnifications, including for potential breach of representations and warranties made in agreements of asset disposals. Guarantees and legal proceedings are further disclosed in *Note 34* to the consolidated financial statements. Under its financing agreement with Stichting Ahold Delhaize Pensioen, Koninklijke Ahold Delhaize N.V. is liable for the pension contributions.

The parent company forms a fiscal unity with Ahold Delhaize's major Dutch subsidiaries for Dutch corporate income tax and Dutch VAT purposes and, for that reason, it is jointly and severally liable for the Dutch corporate income tax liabilities and Dutch VAT liabilities of the whole fiscal unity. Assumptions of liability pursuant to section 403, Book 2 of the Dutch Civil Code are disclosed in *Note 35* to the consolidated financial statements.

17 Distribution of profit

If approved by the General Meeting of Shareholders, a final dividend of €0.40 per common share will be paid on April 23, 2021. This is in addition to the interim dividend of €0.50 per share, which was paid on August 27, 2020. The total dividend payment for the full year 2020 would, therefore, total €0.90 per share (2019: €0.76).

18 Subsequent events

For information regarding subsequent events, see *Note 36* to the consolidated financial statements.

Zaandam, the Netherlands

March 2, 2021

Management Board
Frans Muller

Natalie Knight

Kevin Holt

Wouter Kolk

Supervisory Board
Peter Agnefjäll (Chair)

Bill McEwan (Vice Chair)

René Hooft Graafland

Ben Noteboom

Mary Anne Citrino

Dominique Leroy

Katie Doyle

Helen Weir

Frank van Zanten

ESG statements

ESG statements

Introduction

ESG performance is an important part of how we measure success. At Ahold Delhaize, we have a long history of reporting on our ESG performance and we find that stakeholders' interest in these topics is increasing.

At Ahold Delhaize, our "elevate healthy and sustainable" and "cultivate best talent" growth drivers cover a large part of our ESG performance. At the same time, we continue to embed ESG further in our organization and ensure everyone is aware of its importance.

Our ESG ambitions and strategy are shaped by our most *material ESG impacts*, the UN Sustainable Development Goals (SDGs), market knowledge from our great local brands and several ESG benchmarks, including the SAM Corporate Sustainability Assessment, MSCI, Sustainalytics and the Task Force on Climate-related Financial Disclosures (TCFD). We also consider trends in our markets and around the world, feedback from our stakeholders, and how we align with global frameworks such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB).

To reach our ambitions, we have committed to short- and long-term targets. We strive to further increase healthy sales of our own-brand products, eliminate food and plastic waste, aim for 100% diverse and inclusive workplaces and reach the science-based absolute reduction targets we have set for carbon emissions.

In addition to the focus areas outlined above, we have continued our journey to improve performance in associate development, product safety and sustainability, safety at work and local community connection. This section shows how we performed in 2020 against the ambitions and targets we set for our ESG performance.

How we manage our Healthy and Sustainable strategy

The Executive Committee, supervised and advised by the Supervisory Board (and its Sustainability and Innovation Committee) has accountability for setting strategy and driving performance. Brand leadership is responsible for establishing implementation plans, resourcing their plans and monitoring performance, The GSO Health & Sustainability function reports directly to the President and CEO at the global level. A global Healthy & Sustainable Steering Committee, consisting of two Executive Committee members, senior executives from the regions and the global VP Health & Sustainability, provides insights to steer the strategic direction. A Healthy & Sustainable Leadership Community, made up of regional, global and local Health & Sustainability leads and relevant global functional leaders, drives global coordination and collaboration to speed progress toward our ambitions.

Global Reporting Initiative

We report on our progress in accordance with the GRI Standards: Core option. GRI maintains very comprehensive sustainability reporting standards, which are set by an independent multi-stakeholder process. An overview of how we followed the GRI standards can be found on our *Reporting hub*.
For more information on the definitions used see *Definitions: performance measures.*

Scope

This year's Annual Report on fiscal year 2020 contains ESG data focusing on where we have the most material impact. All Ahold Delhaize brands except bol.com, Etos and Gall & Gall, unless otherwise noted, are included in the figures.

From an operational scope perspective, the data includes the following parts of the business, unless specifically noted otherwise:

- All stores (company-owned and franchise/affiliated stores)
- Offices
- Company-owned distribution centers, including all transportation from distribution centers to stores, regardless of whether the transportation companies are owned by Ahold Delhaize.

When we did not achieve full alignment in reporting on an indicator for 2020, we have explained it in the footnotes.

Non-financial alternative performance measures

In presenting and discussing Ahold Delhaize's ESG performance, management also uses own metrics. These own metrics should not be viewed in isolation and should be read in conjunction with the definitions included in *Definitions: performance measures*, as other companies might define these measures differently than Ahold Delhaize.

Wherever possible, indicators are based on elements of a total group, for example, own-brand products, food sales, associates, stock-keeping units and sales areas. Definitions of these topics are included in the *Definitions: performance measures* section, together with the definitions of other non-financial alternative performance measures used in the ESG statements and elsewhere in this report.

ESG statements
Environmental

Carbon emissions
The weather extremes and less predictable seasons brought on by climate change are increasingly disrupting global food production. As a food retailer, this could impact our future ability to bring customers the wide range of products they want and need. Because Ahold Delhaize is committed to supporting the well-being of the communities we serve, we want to play our role to enable a healthy, low-carbon food system that secures nutritious and sustainable diets for future generations.

In line with the latest climate science on limiting global warming, we are committed to reducing carbon emissions in our own operations and across our value chain.

Because we recognize the urgency of climate change, we signed up as supporter of the Task Force on Climate-related Financial Disclosures (TCFD). And in support of Sustainable Development Goal 13, Ahold Delhaize published a new *climate strategy* in 2020, including the following targets approved by the Science Based Targets initiative (SBTi) that are in line with the 1.5 degree scenario.

For more information on how we will reduce absolute CO_2-equivalent emissions in our own operations as well as in our supply chain, see the section *Climate change*.

- We will reduce absolute emissions from our own operations (scope 1 and 2) by 50% from 2018-2030.
- We will reduce absolute emissions from our value chain (scope 3) by 15% from 2018-2030.

Performance indicator description	2020	2019	2030 target
Absolute CO_2-equivalent emissions from own operations (scope 1 and 2) (thousand tonnes)	**3,035**	3,593	1,814
% reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2)[1]	**17%**	2%	50%

1 Reduction is from a 2018 baseline of 3,658 thousand tonnes CO_2-equivalent emissions.

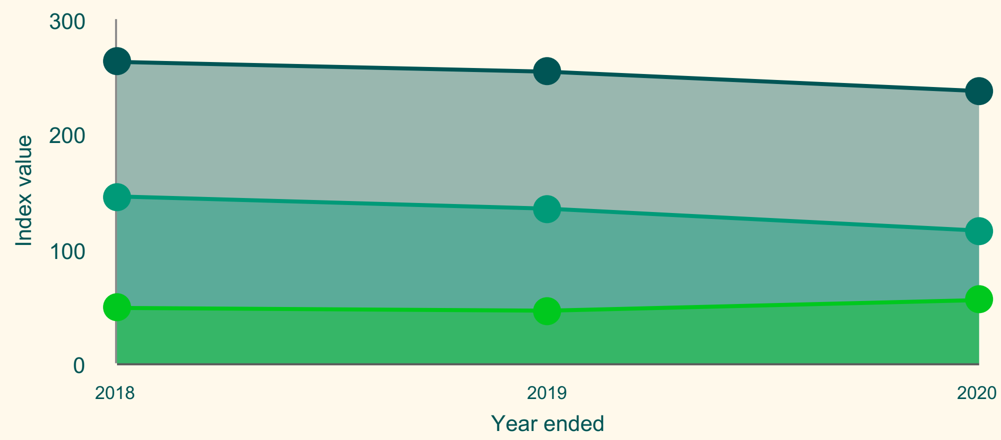
Prior to setting our science-based targets, we had targeted reducing CO_2-equivalent emissions per square meter by 30% by the end of 2020 compared to our 2008 baseline. We're proud to report that we exceeded that target and reached a 36% reduction.

For this year, we are focused on reporting scope 1 and 2 emissions and we are not extending our reporting to include all scope 3 emissions. We are working with our peer companies and suppliers to prepare for future reporting of the climate change impact we have throughout our value chain. Scope 3, as defined by the GHG Protocol, accounts for all the remaining emissions that result from our activities, such as emissions from growing and packaging the food we sell, transportation from suppliers to our facilities, and waste generated from our activities.

Following a 2019 exercise to map the impact of scope 3 categories from the GHG Protocol that apply for Ahold Delhaize, we estimated scope 3 greenhouse gas emissions to be 70,800 ktCO_2e. The following table is an overview of the scope 3 categories and their contribution to the estimated total we identified for Ahold Delhaize. We will refine this data in the coming years as we improve the accuracy of our value chain reporting. We aim to report progress on our scope 3 target in the coming years.

	share (%)
Scope 3 – Category 1 (Purchased goods and services)	90%
Scope 3 – Category 3 (Fuel and energy-related activities)	0.30%
Scope 3 – Category 4 (Upstream transportation and distribution)	0.40%
Scope 3 – Category 5 (Waste generated in operations)	0.20%
Scope 3 – Category 6 (Business travel)	—%
Scope 3 – Category 7 (Employee commuting)	0.6%
Scope 3 – Category 11 (Use of sold products)	5.5%
Scope 3 – Category 12 (End-of-life treatment of sold products)	2%
Scope 3 – Category 14 (Franchises)	0.20%
Scope 3 – Category 15 (Investments)	0.30%
Total scope 3 footprint	100%

Carbon emissions per m² of sales area

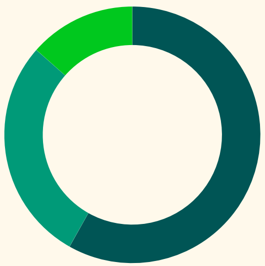


Facilities energy consumption equivalent emissions per m² sales area (2020: 237)
Refrigerants equivalent emissions per m² sales area (2020: 116)
Transport equivalent emissions per m² sales area (2020: 55)

ESG statements

Environmental continued

CO_2-equivalent emissions per type (in thousand tonnes)



Performance indicator description[1]	2020	2019	2020 target
% change in CO_2-equivalent emissions per m^2 of sales area (from 2008 baseline)	**(36)%**	(32)%	(30)%
Total CO_2-equivalent emissions per m^2 sales area – location-based approach (kg CO_2-eq/m^2)	**408**	435	445
Total CO_2-equivalent emissions (thousand tonnes) – location-based approach	**3,886**	4,056	—
Scope 1 (thousand tonnes)	**1,579**	1,699	—
Scope 2 location based (thousand tonnes)	**1,820**	1,926	—
Limited scope 3 (thousand tonnes)	**488**	431	—
Total CO_2-equivalent emissions per m^2 sales area – market-based approach (kg CO_2-eq/m^2)	**370**	418	—
Total CO_2-equivalent emissions (thousand tonnes) – market-based approach	**3,523**	3,902	—
Scope 2 market based (thousand tonnes)	**1,457**	1,772	—

1 2019 and 2020 figures include Etos and Gall & Gall. 2020 figures include bol.com for Scope 1 and Scope 2 emissions, Limited scope 3 emissions are excluding bol.com.

Energy consumption

Performance indicator description[1]	2020	2019	2020 target
Facilities energy consumption (million kWh)[4]	**6,561**	6,649	—
Facilities energy consumption per m^2 sales area (kWh/m^2)	**770**	797	—
Total renewable electricity produced on site (million kWh)[3]	**15**	23	—
% renewable electricity on total electricity consumed	**12%**	9%	—
Avoided grid electricity CO_2 emissions (thousand tonnes)[4]	**540**	173	—
% ozone-friendly refrigerants	**81%**	78%	85%
Average refrigerant Global Warming Potential (GWP)	**2,200**	2,242	2,230
Refrigerant leakage rate	**12.5%**	13.0%	—
Fuel consumption by trucks (million liters)	**158**	149	—
Total water consumption (thousand m^3)[2]	**7,237**	6,824	—
Total water consumption (m^3) per m^2 of sales area[2]	**0.76**	0.87	—

1 2019 and 2020 figures include Etos and Gall & Gall.
2 2019 and 2020 figures exclude Albert Heijn.
3 2019 figure has been restated as part of the data was incorrectly reported as renewable.
4 2020 figures include bol.com.

How we performed

CO_2-equivalent emissions per sales area were 408 kg/m^2, a 6.2% decrease from 2019 and a 36% reduction from Ahold Delhaize's 2008 baseline.

CO_2-equivalent emissions are mainly driven by energy consumption, refrigerant leakage and transport.

Of our total carbon equivalent emissions, 58% comes from energy consumption. During 2020, we further reduced energy consumption in kWh to a total of 6,561 million kWh. Our brands continued to install energy-efficiency measures in stores and distribution centers and generate their own energy. During 2020, several brands expanded their use of energy from low-carbon emission sources by procuring it directly from the energy companies supplying energy to their stores and distribution centers.

Refrigerant leakages account for 28% of our total carbon-equivalent emissions. As part of store remodeling, our brands implement more environmentally friendly refrigeration systems. We further increased the percentage of ozone-friendly refrigerants we use to 81%. Despite this positive development, we failed to achieve our 2020 target of 85%. This was largely driven by the fact that some brands were unable to conduct planned store remodelings due to restrictions from COVID-19. We decreased the Global Warming Potential (GWP) of the refrigerants used in stores further, to a total of 2,200, achieving our 2020 target of 2,230. The leak rate decreased to 12.5%, having a positive overall effect on total carbon-equivalent emissions in 2020.

Transport makes up 14% of our carbon-equivalent emissions. Fuel consumption increased to 158 million liters (+3%) in 2020. As sales increased significantly compared to 2019, more transport was needed to bring products from distribution centers to stores.

ESG statements
Environmental continued

Data considerations and estimates
Carbon emissions data and energy consumption data is collected on a quarterly basis on site level at each brand. The sources of input data are different, and include invoices, remote meter records, third-party service provider reports and internal reports. Owners of the input data sit in different departments: technical, maintenance, intellectual property, logistics, or outsourced service companies. Consolidation of each of these inputs is done manually. Data is not always available in real time or immediately after quarter close, and estimates may be calculated based on previously known consumption from comparable periods or sites that are comparable in size and format.

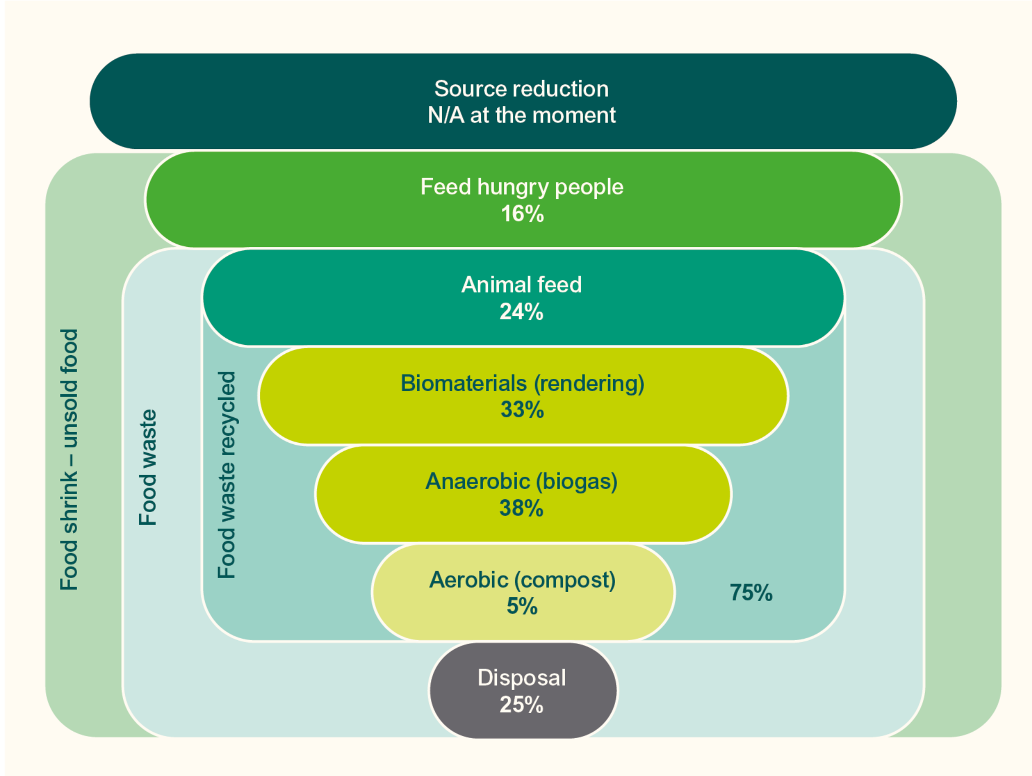
Carbon footprint methodology and emission factors
The carbon footprint methodology follows the guidelines of the World Business Council for Sustainable Development (WBCSD)/World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol regarding corporate greenhouse gas accounting and reporting. Our Ahold Delhaize carbon footprint reporting historically has covered scope 1, scope 2 and limited scope 3 emissions. In this Report, we separate scopes 1 and 2 and include estimates for full scope 3 for the first time.

We use the latest available emission factors in our reporting. We source location-based electricity emission factors from the International Energy Agency (IEA, 2020 edition; 2018 data) for European countries and from GHG Protocol 2014 (based on eGrid 2018 values, issued in February 2020 by the U.S. Environmental Protection Agency (EPA)) for the United States. The source we use for the market-based (residual mix) emission factors for our U.S. brands is *Green-e*, and for our European brands is the *European residual mix*.

We source fuel emission factors from GHG Protocol 2014 wherever available, and otherwise from other appropriate sources. For refrigerant leakages, we apply the GWP for refrigerant blends used in Ahold Delhaize facilities based on Intergovernmental Panel for Climate Change Assessment Report data IPCC, AR5 (2014).

GRI Indicator
305-1 Direct (scope 1) GHG emissions, 305-2 Energy indirect (scope 2) GHG emissions, 305-3 Other indirect (scope 3) GHG emissions, 305-4 GHG emissions intensity, 305-5 Reduction of GHG emissions.

Food waste
Every year, around one-third of all food produced for human consumption globally is lost or wasted. Our ambitious target to reduce food waste by 50% by 2030 compared to our 2016 baseline contributes to lowering carbon emissions and has other benefits, including improving food security and conservation of natural resources. To achieve our target, we take a three-pronged approach: reduce food waste across all of our brands' operations, including stores, distribution centers and transport; divert surplus food to food banks and other charities or partner with innovative operations such as restaurants that cook with unsold food. Food no longer suitable for human consumption is counted as food waste and we focus on recycling this by sending it to be used to feed animals or make biogas. Food waste that we cannot recycle goes to landfill or incineration.



Performance indicator description	2020	2019	2020 target
Tonnes of food waste per food sales (t/€ million)	**4.5**	5.0	4.4
% reduction in food waste per food sales (t/€ million)[1]	**17%**	9%	20%
Tonnes of food waste sent to disposal per food sales (t/€ million)	**1.1**	1.1	—
% of total food waste recycled	**75%**	77%	90%
% food waste recycled for animal feed	**24%**	26%	—
% food waste recycled for biogas generation	**38%**	34%	—
% food waste recycled for compost	**5%**	7%	—
% food waste recycled by rendering	**33%**	33%	—
% of unsold food donated to feed people	**16%**	18%	—

1 Reduction is shown against a 2016 baseline of 5.48 t/€ million.

ESG statements
Environmental continued

How we performed
Ahold Delhaize brands were able to further reduce tonnes of food waste per one million euros of food sales to a total of 4.5, or -17% compared to 2016. This result was mainly driven by an increase in food sales. For more information on the sales increase, see *Performance review*.

Absolute food waste increased by 1.9% compared to 2019. When compared to the 2016 baseline, absolute tonnes of food waste decreased by 3.9%. Due to COVID-19, the brands faced numerous restrictions in the ways they could support food banks. For example, some food banks were closed for a period of time or fewer volunteers were available to run them. This increased absolute food waste and reduced the percentage of unsold food donated to feed people.

With the international Food Loss & Waste (FLW) Standard as our framework for reporting, we quantify both food and associated inedible parts removed from the supply chain. For example, this means that orange peels leftover from making freshly squeezed orange juice sold in our Albert Heijn stores in the Netherlands are included in the data for food waste recycled (as rendering). Albert Heijn sends part of these orange peels to Seepje, a third-party manufacturer that processes them further, extracting the essential oil from the peels to give a citrus scent and extra cleaning power to their liquid dishwashing detergent.

We did not meet our 2020 target to reduce food waste (t/€ million) by 20% based on our 2016 baseline. In 2019, we revised this target with our longer-term target of reducing food waste per food sales by 50% by 2030 compared to our 2016 baseline, in line with SDG 12.3. We are on track to meet the 2030 targets and will keep implementing measures to further decrease food waste.

Food waste generated by salad bars and take-away counters in our brands' stores typically goes to animal feed or composting. As a result of COVID-19, several brands were required to close these areas of their stores for a period of time. As a result, they generated less food waste, meaning the overall percentage of food waste recycled for animal feed and composting decreased slightly compared to 2019.

We missed our 2020 target to recycle 90% of food waste, instead recycling 75% of food waste. While many of the Ahold Delhaize brands achieved a 90% or higher recycling rate, several brands missed this target. In the U.S., the biggest improvement opportunity is at the Food Lion brand, which had a relatively high negative impact on food waste recycling numbers during 2020 because of the reduction in food bank donations due to COVID-19. In Europe, our brands in Greece, the Czech Republic, Romania and Serbia face challenges in recycling food waste.

Data considerations and estimates
Food waste figures are reported on a quarterly basis through a combination of internal measurements and reports from external partners. Waste in stores and distribution centers is separated into food waste, cardboard, plastic, glass and trash. We provide training for associates to ensure waste separation is done as accurately as possible and we perform audits to check the quality of waste separation. However, given the variety of circumstances under which the data is collected, it may have small inaccuracies, as our audits show that some food waste ends up in trash bins.

To recycle and dispose of food waste, Ahold Delhaize brands work with a number of external partners who have varying degrees of maturity in how they collect data. In some cases, weights are estimated based on average bin weight and frequency of service.

GRI Indicator
306-2 Waste generated, 306-2 Management of significant waste-related impacts.

Total waste
Ahold Delhaize uses a broad definition of waste to increase transparency on all waste streams, including both recycling and disposal.

Performance indicator description	2020	2019	2020 target
Total waste generated (thousand tonnes)	**1,090**	1,039	—
% of waste sent to landfill	**13%**	14%	—
% of waste incinerated and transformed into energy	**8%**	9%	—
% of waste recycled	**79%**	77%	80%
Number of non-reusable plastic carrier bags distributed (million bags)[1]	**3,416**	3,257	—

1 2019 figures include Peapod.

How we performed
In 2020, we generated 1,090 thousand tonnes of waste, of which 79% was recycled, 8% was incinerated and transformed into energy and 13% was sent to landfill facilities. We just missed our 2020 target of 80% of total waste recycled. This is mainly the result of the challenges our brands in the Czech Republic, Romania, Serbia and Greece faced in recycling waste.

The total number of reusable bags distributed by our brands increased to 3,416 million. The majority of the non-reusable plastic carrier bags our brands distributed were used at the Ahold Delhaize USA brands, due to COVID-19-related bans on reusable bags. The Ahold Delhaize USA brands were able to use paper carrier bags for their click-and-collect operations, which enabled them to limit the increase in non-reusable plastic carrier bags.

Data considerations and estimates
Total waste generated includes food waste, cardboard, plastic, glass, metal and wood, and figures are reported on a quarterly basis through a combination of internal measurements and reports from external partners. This data captures food waste and non-food waste from all stores (excluding affiliated stores) including franchise stores, distribution centers, and offices where Ahold Delhaize manages the waste stream. Ahold Delhaize brands work with a number of external partners to recycle cardboard, paper, plastic, metal, glass, wood, electronics, cooking oil and food waste, resulting in varying degrees of data maturity. In some cases, estimates are made by weight and number of bins picked up by third parties.

GRI Indicator
306-2 Management of significant waste-related impacts, 306-3 Waste generated, 306-4 Waste diverted from disposal, 306-5 Waste directed to disposal.

ESG statements
Environmental continued

Plastic waste
Across the globe, millions of tonnes of plastic ends up in landfills, is burned or leaks into the environment – and that amount is rising every year. At the current pace, there will be more plastic than fish in the ocean by *2050*. That is why, at Ahold Delhaize, we're working hard to eliminate plastic waste.

We are a signatory of the New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in collaboration with the UN Environment Programme, to address plastic waste and pollution at its source. The commitment calls on companies and governments to eliminate the plastic we do not need; innovate so that all plastic we do use is 100% reusable, recyclable, or compostable; and circulate all the plastic we use to keep it in the economy and out of the environment. By joining the commitment, we aim to deliver on these objectives related to our own-brand packaging by 2025.

We have found it challenging to collect accurate packaging data, including the total tonnes of own-brand plastic packaging, the plastic types used and the recyclability of plastics. So far, we have calculated the tonnes of own-brand product plastic packaging and the percentage that is recyclable, reusable and/or compostable for approximately 60% of our total business. For the remaining 40%, we will continue to collect information with the goal to share quantitative progress on plastics in our 2021 annual report. This data collection effort is complex, as many products have packaging made from multiple materials and the type of product packaging needs to be reviewed on an individual-layer basis.

In the meantime, our brands continue to improve their own-brand product packaging by switching to more environmentally friendly materials. For example, Albert Heijn and Delhaize improved recyclability of their mushroom packaging by changing the packaging from the commonly used blue plastic into a transparent tray that can be more easily recycled. In Greece, Alfa Beta switched the packaging of own-brand eggs from plastic to cardboard.

Our brands also continue to work on reducing the total amount of packaging used. For example, Delhaize removed the plastic bag from oatmeal packaging and The GIANT Company introduced a new peel-and-seal technology for two sizes of Nature's Promise clamshell salad packaging, reducing the amount of plastic used.

Critical commodities
We take responsibility for improving the environmental and social footprints of our products. For seven critical commodities – seafood, palm oil, coffee, tea, cocoa, soy and wood fibers – Ahold Delhaize brands have made significant steps toward the challenging targets of 100% sustainable sourcing by 2020. We did not reach the full 100% for all commodities, but are proud of the work accomplished and will continue on the path to 100% sustainable sourcing for the remaining commodities.

Seafood is the daily source of protein for three billion people worldwide, making it an important part of our business. Destructive fishing methods and climate change are heavily damaging ocean environments, while the industry experiences pressure from illegal, unreported and unregulated fishing.

Palm oil is a highly versatile and key ingredient in our food and non-food products, but production of this commodity is associated with deforestation and serious human rights violations, including forced labor, child labor, and overall bad working and living conditions.

Coffee and tea production are both vulnerable to the changing climate, which is causing erratic droughts and rainfall that can lead to lower yields. At times, this results in worker exploitation and poor living conditions in the sector.

Soy is one of the most widely used ingredients in our food products and is deeply embedded in our animal protein supply chains. Widespread cultivation of soy comes with a number of serious challenges. Soy is considered to be one of the major drivers of deforestation globally. Certification standards ensure that our supply chains do not result in deforestation and include requirements on fertilizer and pesticide use to protect soils and water. Certification also ensures that good labor practices are met, and communities and workers have a voice.

Over 70% of the world's cocoa production occurs in West Africa, where the majority is produced by hundreds of thousands of small farmers. These farmers face a number of problems, including depleted soils, aging farms and farmers, pests and diseases, and low global cocoa prices. These circumstances are driving deforestation and forest degradation.

A large number of products in grocery retail contain wood fibers, whether they are used in non-food products or as cardboard packaging. Wood fiber production faces sustainability challenges; illegal logging of natural forests can result in forest and habitat loss but also in major economic losses for production countries and communities.

Before the merger in 2016, both Ahold and Delhaize committed to the Consumer Goods Forum's deforestation resolution to help achieve zero net deforestation by 2020. We continue to strive to achieve zero net deforestation by ensuring that we have 100% certification for those commodities that can be linked to deforestation or land conversion in high-risk areas.

ESG statements

Environmental continued

Performance indicator description	2020	2019	2020 target
% of own-brand products containing tea certified against an acceptable standard	**99%**	97%	100%
% of own-brand coffee products certified against an acceptable standard	**98%**	96%	100%
% of own-brand products containing cocoa certified against an acceptable standard	**97%**	84%	100%
% of own-brand products containing over 25% cocoa certified against an acceptable standard	**95%**	82%	100%
% of own-brand products containing under 25% cocoa certified against an acceptable standard	**93%**	69%	75%
% of palm oil volume in own-brand products certified to an acceptable standard or to RSPO Book & Claim	**100%**	100%	100%
% of palm oil volume in own-brand products certified against an acceptable standard (Mass Balance or Segregated supply chain option)	**78%**	87%	75%
% of palm oil volume in own-brand products offset by purchase of Roundtable on Sustainable Palm Oil (RSPO) Book & Claim	**22%**	13%	25%
% of own-brand wood fiber products certified sustainable against an acceptable standard, low risk, or recycled	**95%**	84%	100%
% of own-brand paper and wood packaging (as defined, and per SKU) certified sustainable against an acceptable standard, low risk, or recycled	**54%**	46%	—
% of high priority (South American) direct and embedded soy volumes in the supply chain of own-brand products certified against an acceptable standard[1]	**100%**	95%	100%
% of own-brand seafood product sales certified against an acceptable standard, from sustainable sources assessed by a credible third party, or from credible FIPs/AIPs	**98%**	98%	100%
% of own-brand seafood product sales with an identified farm/fishery of origin	**100%**	100%	100%

1 Soy credits are purchased through the Roundtable on Responsible Soy.

How we performed

In 2020, we continued our progress towards 100% certification on tea, coffee, cocoa, wood fiber and seafood products. The greatest improvements were delivered in cocoa, as the buying departments at many of our brands continued their focus on having certification as a requirement for purchase.

Despite progress, we fell just short of six out of 12 of our 2020 critical commodity targets due to a small number of SKUs at certain brands in Europe. For example, Delhaize Serbia faces local barriers to certification for tea, coffee and cocoa and plans to import certified products in 2021.

In 2020, the Ahold Delhaize USA brands, Albert Heijn, and Albert in the Czech Republic reached 100% certification for tea, coffee and cocoa. Delhaize Belgium and Mega Image achieved 100% certification for tea and coffee and Alfa Beta achieved 100% certification for tea.

The brands that did not achieve 100% certification for one of these categories are all close to achieving the targets, with only a few products remaining to be certified.

Cocoa certifications are more difficult to track because they may only make up a small percentage of the ingredients for many products. For all commodities, the brands continue to work towards 100% certification.

Wood fiber products and packaging were also more difficult to achieve certification on because the category contains many seasonal products. This year, each brand has continued to improve data collection and review methods for wood fiber metrics, improving overall data quality and moving towards a higher percentage of certified products.

During 2020, palm oil certifications expired for several suppliers. Due to COVID-19, these suppliers had difficulties extending their certifications, since audits could not always be performed in time. As a result, the suppliers' palm oil consumption could not be reported as certified, so we covered this with Book & Claim credits instead. Our brands continue working with these suppliers during 2021 to make sure their certifications are extended again.

Data considerations and estimates

Information on critical commodities are collected from suppliers and reviewed by internal teams to ensure all certifications are valid and up to date. We continuously make investments to improve data systems and accuracy of reporting. In 2020, Ahold Delhaize USA transitioned to a new product information system to improve the controls and monitoring of product sustainability data.

For soy offset by Roundtable on Responsible Soy (RTRS) credits and palm oil offset by RSPO Book & Claim, credits were purchased in the fourth quarter to cover usage over the entire year. Our footprint is calculated based on conversion tables and is, therefore, an estimate.

GRI Indicator

Own indicator – 100% of our seven critical commodities certified with acceptable standards by 2020.

ESG statements

Environmental continued

Organics

Performance indicator description	2020	2019
% total food sales from certified organic products	**3%**	3%
Total sales from free-from or organic own-brand lines (€ millions)	**1,927**	1,727

How we performed

Organic products are an important part of the local brands' assortments. In 2020, the brands worked to optimize their organic product offerings to meet customer demand. For example, in October 2020, Mega Image launched the certified organic food own brand, Nature's Promise, in the Romanian market. As a result, Mega Image increased total organic sales by €5 million compared to 2019.

Our total sales from free-from or organic own-brand lines increased by 11.6% to a total of €1,927 million. Even with increases in organic product sales at each brand, the percentage of total food sales from certified organic products in 2020 did not increase from 2019.

Data considerations and estimates

Data on sales from free-from or organic own-brand lines and national brand organic sales are collected on a quarterly basis through product information systems. At some brands, manual processes are required to filter for organic labels.

GRI Indicator

Own indicator – % total food sales from certified organic products.

ESG statements

Social

Promote healthier eating

Healthy food leads to healthy communities by reducing the risk of chronic diseases and contributing to a community's overall resilience and vitality. Our customers look to us for fresh, healthy inspiration for delicious, nutritious family meals, every day. To support them, Ahold Delhaize brands continuously reformulate own-brand products to improve the nutritional value, launch campaigns to incentivize healthy product purchases, and provide customer-focused nutritional navigation systems, which we aim to have in place at all brands by 2025.

Performance indicator description	2020	2019	2020 target
% of healthy own-brand food sales as a proportion of total own-brand food sales[1]	**49.8%**	47.9%	50%
% of own-brand products with front-of-pack nutritional labeling	**96%**	95%	100%

1 2019 and 2020 data includes Peapod.

How we performed

In 2020, we continued to increase the sale of healthy own-brand products as a portion of total own-brand food sales to almost achieve our target of 50%.

This increase in healthy own-brand sales was driven by customers' heightened focus on healthy foods during the COVID-19 pandemic, marketing campaigns, and increased sales. In the U.S. brands, part of the increase in own-brand healthy sales comes from bottled water, which was previously unrated by Guiding Stars, and is now included in the nutritional navigation system's ratings since 2020, helping to increase overall healthy sales.

We continued to make our products healthier through reformulation. For example, Delhaize reformulated products to reach a B score on the Nutri-Score rating scale during the year by reducing salt, fat and sugar levels. Albert Heijn reformulated its full range of fruit drinks and jams, reducing sugar levels in these products.

Additionally, our brands have increased the transparency of healthy products in store and online. In Serbia, Maxi, Tempo and Shop & Go stores officially launched Nutri-Score in stores and online in June 2020. Along with the launch, nutritionists and influencers provided education about the nutritional navigation system and the importance of a balanced diet to customers.

The percentage of our own-brand products with front-of-pack nutritional labeling increased by one percentage point to 96%. We were unable to meet the 100% target due to some local challenges. At Alfa Beta, for example, only 19 SKUs remain without a front-of-pack nutritional label: seasonal cheeses imported from small farmers once a year during the holidays.

Data considerations and estimates

Healthier eating data is collected on a quarterly basis through product information system platforms at each brand. Since there are some manual steps to the process, to monitor accuracy, our U.S. brands have additional controls in place and our European brands perform a verification on processed products each quarter. The healthy sales standards we used in 2016-2020 follow the Choices criteria for European brands and Guiding Stars ratings for U.S. brands.

For the measurement of products with front-of-pack nutritional labeling, we exclude products where nutritional labeling is not required, and where packaging size is too small to include front-of-pack labels.

GRI Indicator

Own indicator – % of healthy own-brand food sales as a proportion of total own-brand food sales.

Product safety

We take responsibility for maintaining the highest levels of safety for our products, with a primary focus on own-brand products. We work to ensure they are safe, produced in clean, efficient facilities, and clearly and accurately labeled.

Performance indicator description	2020	2019	2020 target
% of production sites of own-brand food products that are Global Food Safety Initiative (GFSI)-certified or comply with an acceptable level of assurance standard	**96%**	94%	100%
% of production sites for own-brand food products that are certified according to a GFSI-recognized standard	**92%**	90%	93%
% of production sites for own-brand food products that comply with an acceptable level of assurance standard (other than GFSI)	**4%**	4%	7%
% of production sites of high-risk non-food own-brand products audited by an independent third party against acceptable standards for the relevant product category	**69%**	71%	—

How we performed

The percentage of own-brand production locations that are GFSI-certified or comply with an acceptable level of assurance increased slightly to 96%, but we were unable to reach our 100% target. In 2020, we experienced a number of delayed audits related to COVID-19. Some auditors were unable to travel and perform procedures to recertify suppliers whose certifications had expired, while in other cases, smaller local suppliers remained uncertified. With increased consumption of locally produced products and a supply chain that constantly shifted to adjust to COVID-19, the certification process remained complex in 2020.

The percentage of production sites of high-risk, non-food, own-brand products that were certified for safety decreased by two percentage points to 69%. The issues experienced for non-food safety certification were the same as for food safety.

Data considerations and estimates

Audits are performed by third-party verification bodies and information on this is collected from suppliers and reviewed by internal teams to ensure all certifications are valid and up to date. We are continuously making investments to improve data systems and accuracy of reporting. During 2020, it was more difficult to get auditors on supplier locations due to COVID-19-related travel restrictions. As a result, some GFSI certifications audits were delayed.

ESG statements
Social continued

GRI Indicator
Own indicator – % of production sites of own-brand food products that are Global Food Safety Initiative (GFSI)-certified or comply with an acceptable level of assurance standard and % of production sites of high-risk non-food own-brand products audited by an independent third party against acceptable standards for the relevant product category.

Social compliance
We take responsibility for minimizing the risk of poor working conditions in the production of our own-brand products. Our Standards of Engagement set minimum standards for suppliers that are designed to ensure that Ahold Delhaize has visibility into all aspects of its supply chain and meets these objectives.

Performance indicator description	2020	2019	2020 target
% of production sites of own-brand products in high-risk countries audited against an acceptable standard with a valid audit report or certificate and no non-compliances on deal-breakers	**74%**	71%	80%

How we performed
The percentage of own-brand production sites in high-risk countries that were audited by a third party against social compliance increased by three percentage points to 74%. However, we missed our target of 80%. This was partially caused by our brands experiencing a number of delays in audits due to the pandemic. When audits expired, it was difficult for some suppliers to get re-certified due to COVID-19 restrictions.

Alfa Beta, Mega Image and Delhaize Serbia are the only three Ahold Delhaize brands that remain below 80% social compliance. In those countries, it is common for smaller local suppliers and suppliers of imported products to be audited against stepping-stone audits. Those audits cover the major issues, but do not always meet the level of an officially accepted standard. In Serbia, a number of local suppliers have not been audited and have been unable to pursue these audits during the pandemic.

Data considerations and estimates
In scope for reporting are all production units active at the end of the reporting period. Information on product social compliance is collected from suppliers and reviewed by internal teams to ensure all audits and certifications are valid and up to date. We continuously make investments to improve data systems and accuracy of reporting.

GRI Indicator
Own indicator – % of production sites of own-brand products in high-risk countries audited against an acceptable standard with a valid audit report or certificate and no non-compliances on deal-breakers.

Associate engagement
Our associate engagement survey is important to our strategy because it helps us gain insights into how associates view the work they do and their work environments. The purpose of the survey is to gather feedback from associates so we can address their most important concerns. The results help us to measure our progress and determine concrete actions as we seek to achieve our Leading Together Strategy and become a better place to shop and work, and a better neighbor in the communities we serve.

Performance indicator description[1]	2020	2019	Change	2020 target
Associate engagement score (%)	**81%**	80%	1pp	
Healthy workplace score	**76%**	76%	—	75%
Inclusive workplace score	**79%**	78%	1pp	79%
Associate development score	**73%**	72%	1pp	73%

1 2019 and 2020 figures include Peapod, Gall & Gall and Etos.

How we performed
Associates from across all our businesses participated in Ahold Delhaize's annual associate engagement survey (AES) this year, with good results. We grew overall engagement to 81% – a one-percentage-point increase over last year.

In 2020, we focused on improving our teamwork and collaboration after feedback from last year's survey. This immediately became even more important due to the pandemic. Work dynamics altered for everyone. Our brands' front line associates had to collaborate with each other in different ways, in line with social distancing policies. Many office associates had to work full time from home, and missed face-to-face contact with colleagues. Associates told us that establishing clear and continuous communications was important to them. Despite the fact that it was a unique year, associates were more satisfied than last year, as indicated by a score of +1 on the AES compared to last year. For more information, see *Associates*.

We also scored a 76% rating for being a healthy workplace, equal to 2019. The other two key index scores on the survey were 79% for being an inclusive workplace and 73% for development. These each showed a one-point improvement on last year's results. Associates also said they have clear objectives and feel they work in a safe environment (89%). For more information see *Our growth drivers: Cultivate best talent*.

Data considerations and estimates
While we offer our associate engagement survey online and do our best to reach all associates and encourage them to complete the survey, it remains challenging to achieve 100% participation. Nevertheless, in 2020, we had a participation rate of 79% of our total headcount.

ESG statements
Social continued

GRI Indicator
N/A

Safety at work
A serious workplace injury or death changes life forever – for families, friends, communities and coworkers. Ensuring that associates return home safe and sound to their loved ones is the most important reason to create a secure and healthy work environment. A safe workplace also boosts morale, resulting in more productivity and lower associate turnover.

Our commitment to workplace safety is non-negotiable; all our associates should feel safe and comfortable, both physically and mentally. By providing a workplace that meets that need, our brands enhance goodwill and our brand value. More importantly, we remain true to our values of integrity and care.

Performance indicator description[1]	2020	2019
Number of injuries that result in lost days per 100 full-time equivalents[2]	**2.0**	2.1
Occupational illness frequency rate[3]	**0.04**	0.17

1 Safety at work data excludes offices.
2 2019 and 2020 data includes bol.com, Etos, Gall & Gall and Peapod.
3 2019 data excludes Alfa Beta, Delhaize Belgium. 2020 data excludes Alfa Beta, Delhaize Belgium and Delhaize Serbia. 2019 and 2020 data includes Etos and Gall & Gall.

How we performed
In 2020, the number of injuries that resulted in lost days decreased by 6% to 2.0 injuries per 100 full-time equivalents. While COVID-19 put additional pressure on our brands, associate health and safety remained a top priority and we were able to decrease both the rate of lost days due to accidents and the occupational illness frequency rate.

The safety metric was positively impacted by increased working hours as well as additional measures put in place to help front-line associates stay healthy. The retail locations reduced the rate of lost work days due to a strong safety focus and operational changes through the year, including reduced operating hours (based on local mandates) and temporary closure of some store production departments. Increased activity and product volume in distribution centers resulted in increased injuries in some facilities. COVID-19 cases are not included in the reported data and, therefore, did not impact performance on these metrics.

Our brands continue to prioritize integrating everyday health and safety measures into the workplace. For example, at Delhaize Belgium, a performance management dashboard has enabled the brand to take a proactive rather than reactive approach to associate safety.

Occupational illness frequency rate decreased significantly by 0.13 points to 0.04 illnesses per one million hours worked. The basis for the decline in occupational illnesses is consistent with more personal protective equipment usage. Many occupational illness exposures can be reduced with the use of personal protective equipment such as masks and gloves.

Data considerations and estimates
Associate injury data is collected on a quarterly basis through information systems at each brand. There are manual steps to the injury reporting process in each country, such as relying on facility managers to produce detailed and timely reports. All U.S. brands use a consistent process to report injury events and all data resides in the same system. Each European brand has protocols to report injury events and maintains its data in a secure and consistent method.

GRI Indicator
403-9 Work-related injuries.

ESG statements
Governance

Diversity
As we continue to prioritize diversity and inclusion, we leverage data to track improvement and drive accountability for achieving our ambition. Assessing the overall workforce diversity enables us to identify strengths and opportunities by location, function and level and develop strategies to increase diverse representation and inclusion across our local brands. Analyzing year-over-year trends provides data-driven insights about our diversity and inclusion KPIs: balanced candidate and succession slates for Director+ positions; diverse hiring and promotion rates by level; turnover and retention by demographic group; and an inclusive workplace index as measured by various demographics. We report the results on a quarterly basis through our internal HR scorecard.

Performance indicator description[1]	2020	2019
Number of associates (thousands)	**414**	380
% of female associates	**54%**	54%
% of female Executive Committee members	**25%**	13%
% of female Supervisory Board members	**40%**	33%
% of male associates	**46%**	46%
% of full-time associates	**35%**	33%
% of female full-time associates	**48%**	47%
% of male full-time associates	**52%**	53%
% of part-time associates	**65%**	67%
% of female part-time associates	**57%**	57%
% of male part-time associates	**43%**	43%
% Greatest Generation (1900-1945)	**1%**	1%
% Baby Boomers (1946-1964)	**14%**	15%
% Generation X (1965-1979)	**21%**	22%
% Generation Y (millennials) (1980-1995)	**25%**	26%
% Generation Z (1996+)	**40%**	36%
% associates covered by collective bargaining	**53%**	55%

1 2020 and 2019 data includes all brands including Gall & Gall, Etos and bol.com. Joint Ventures are not included.

How we performed
Although the number of associates increased during 2020 as more associates were hired due to COVID-19, gender and age diversity remained stable.

In our top leadership, the percentage of female Executive Committee members increased to 25% when Natalie Knight started as Chief Financial Officer (CFO) in early 2020.

The percentage of female Supervisory Board members increased to 40% when Helen Weir joined. Frank van Zanten also joined the Supervisory Board in 2020 and Jacques de Vaucleroy stepped down. After Jan Hommen stepped down at the end of 2020, the percentage of female Supervisory Board members further increased to 44%. For more information on our commitments and targets on diversity and inclusion please see *Our growth drivers: Cultivate best talent.*

Data considerations and estimates.
In 2020, our brands hired more associates compared to 2019. The associates hired reflected the markets we serve, and our overall gender representation remained balanced, in line with our diversity and inclusion ambition. We also saw a positive trend increase in gender diversity in the top management levels. In terms of generations, we saw a minor shift towards Generation Z, which aligns with overall demographic shifts in our brands' markets.

GRI Indicator
405-1 Diversity of governance bodies and employees.

Local community connection
Individuals and society benefit from strong and healthy communities. When communities struggle with economic hardship and food insecurity, food retailers can bring relief.

Ahold Delhaize's brands have a great legacy of supporting local customer and supplier communities. Our brands strengthen their connections with communities through programs that help parents and children build a healthier relationship with wholesome food; through food and financial donations; and through partnerships with local organizations to support community well-being.

Performance indicator description	2020	2019
Total monetary value of our Company's corporate citizenship/philanthropic contributions (€ millions)	**181.3**	196.4
Cash contributions (€ millions)	**34.4**	17.5
In kind and volunteer hours cash-equivalent contributions (€ millions)	**146.9**	178.9
% total Ahold Delhaize contributions as charitable donations	**17%**	91%
% total Ahold Delhaize contributions as community investments	**77%**	3%
% total Ahold Delhaize contributions as commercial initiatives	**6%**	6%
% of cash and cash-equivalent donations to charities by the Company on pre-tax profit	**11%**	9%
Tonnes of food donated	**51,042**	56,681

ESG statements

Governance continued

How we performed

During 2020, our brands continued to support their communities through in-kind and cash donations. Social distancing measures reduced the number of community and volunteer events that could be held, sell-through of products coupled with transportation barriers caused a reduction in in-kind donations. Our local brands offset much of this decrease by donating money to food banks and increasing the amount of corporate contributions they made. For more information on how we supported our communities during 2020, see *COVID-19: impact and our response*.

Overall, our contributions and charitable donations are mainly driven by the U.S. brands. In 2020, the total monetary value of Ahold Delhaize's contributions was €181.3 million, compared to €196.4 million in 2019. We contributed €34.4 million in direct cash contributions to community projects and the equivalent of €146.9 million through in-kind donations and volunteer hours.

For 2020, we shifted several donations, including food bank donations, to community investments instead of charitable donations, which caused the significant change in the percentage of donations per category. We made the shift because these investments help us contribute to improving the communities where our brands operate through long-term commitments instead of more short-term donations or contributions.

Data considerations and estimates

Local community connection data is collected once per year in the fourth quarter. Exact figures are reported for monetary contributions. Monetary value of volunteer hours is calculated based on average hourly rate of employee cost to the Company. Food donations also involve estimations from third parties based on weight. The monetary value of food donated is estimated based on an average value applied per weight of food donated.

GRI Indicator

N/A.

ESG ratings

	2020	2019	change
DJSI score	**83**	69	14
MSCI ESG rating	A	A	—

How we performed

The 2020 Dow Jones Sustainability Index (DJSI) ranked Ahold Delhaize second in the Food and Staples industry with a score of 83 points, well above the industry average of 31 points. This is an increase of 14 points compared to our 2019 score and is the highest score Ahold Delhaize has ever received. Based on these results, Ahold Delhaize is a member of the Dow Jones Sustainability World Index as well as the DJSI Europe. The company also received an S&P Global Silver Class distinction in The Sustainability Yearbook 2021. In all three dimensions (economic, environmental and social), Ahold Delhaize was ranked in the top three of best-performing companies globally.

In 2020, Ahold Delhaize continued to show a constant solid A performance from the MSCI ESG rating. With this performance, according to MSCI, we fall into one of the higher scoring ranges for all the companies assessed, relative to global peers, indicating that the Company's corporate governance practices are generally well-aligned with shareholder interests.

ESG statements

ESG targets overview

This section provides an overview of the most important ESG targets that will drive our Healthy and Sustainable strategy and represent the areas where we want to make a difference in years to come.

Performance indicator description	2021 target	2022 target	2025 target	2030 target
% of healthy own-brand food sales as a proportion of total own-brand food sales	50.5%	51%		
Reduction in tonnes of food waste per food sales (t/€ million) against 2016 baseline	16%		32%	50%
% plastic packaging that can be easily and safely reused, recycled, or composted			100%	
Absolute CO_2-equivalent emissions from own operations (scope 1 and 2) (thousand tonnes) against 2018 baseline	17%			50%
% reduction in absolute CO_2-equivalent emissions from our value chain (scope 3) against 2018 baseline				15%

We presented performance against 2020 targets for several other metrics in the ESG statements. While we did not achieve all of these targets, we experienced challenges on several KPIs due to COVID-19 and made significant progress on most metrics. In the coming years, we will continue to monitor progress on our performance in these areas – food safety, social compliance, critical commodities, food waste, general waste recycling and the Global Warming Potential (GWP) and ozone friendly refrigerants of our refrigeration systems – with the aim to improve performance wherever we have not yet reached our goals.

Other information

Assurance report on the financial statements

Independent auditor's report

To: the General Meeting and the Supervisory Board of Koninklijke Ahold Delhaize N.V.

Report on the financial statements for the period December 30, 2019 to January 3, 2021

Our opinion

In our opinion:

- The Consolidated financial statements of Koninklijke Ahold Delhaize N.V. ('the company') give a true and fair view of the financial position of the Group (the company together with its subsidiaries) as at January 3, 2021 and of its result and cash flows for the period from December 30, 2019 to January 3, 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 parent company financial statements of Koninklijke Ahold Delhaize N.V. give a true and fair view of the financial position of the company as at January 3, 2021 and of its result for the period from December 30, 2019 to January 3, 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements for the period December 30, 2019 to January 3, 2021 of Koninklijke Ahold Delhaize N.V., Zaandam, the Netherlands. The financial statements include the consolidated financial statements of the Group and the parent company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at January 3, 2021;
- the following statements for the period from December 30, 2019 to January 3, 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The parent company financial statements comprise:

- the parent company balance sheet as at January 3, 2021;
- the parent company income statement for the period from December 30, 2019 to January 3, 2021; and
- the notes, comprising a summary of accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the parent company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Koninklijke Ahold Delhaize N.V. in accordance with the European Union 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 assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

Koninklijke Ahold Delhaize N.V. is an international food retail group, operating supermarkets and e-commerce platforms in Belgium, the Czech Republic, Greece, Luxembourg, the Netherlands, Romania, Serbia and the United States and through participating in joint ventures in Indonesia and Portugal. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

COVID-19 is reflected in the 2020 financial statements by an increase in net sales, cost of sales as well as increases in selling expenses, profitability and cash flows. Additionally, the withdrawals from the United Food & Commercial Workers International Union (UFCW) Industry Pension Fund (the "National Plan"), the UFCW Local 1500 pension fund (the "1500 Plan") and the settlement agreement for Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund ("FELRA") and the Mid-Atlantic UFCW and Participating Employers Pension Fund ("MAP") significantly increased the 2020 pension expense. Both the impact of COVID-19 and the employee benefit plan transactions were considered in the determination of materiality as described in the section 'Materiality'.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we considered where the Management Board made important judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In Note 2 of the financial statements, the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty.

As in 2019, we considered the impairment testing of goodwill and brand names, and the recognition of vendor allowance income as key audit matters, in view of the significant estimation uncertainty and the related higher inherent risk of material misstatement. Furthermore, we continue to consider the employee benefit plan measurement and disclosures as a key audit matter because of the complexity and judgment required in auditing the defined benefit obligation estimates as well as the extensive disclosures required, specifically in the area of the group's participation in US multi-employer plans. Each of these key audit matters have been set out in the section 'Key audit matters' of this report.

Last year, we considered the recognition of a right of use asset and a lease liability as part of first-year adoption of the lease standard (IFRS 16) as a key audit matter. As this was completed in 2019, we no longer consider this a key audit matter.

Other information

Assurance report on the financial statements continued

Another area of focus, that was not considered a key audit matter, was the risk of fraud in revenue recognition. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Management Board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component level included the appropriate skills and competences which are needed for the audit of a retail company. The Group's operations utilize a wide range of different IT systems. The adequacy and effective operation of controls over these systems is an important element of the integrity of financial reporting within the Group. We utilized IT specialists in our audit to evaluate the adequacy and effective operation of these controls considered relevant to our audit. Furthermore, we included specialists with expertise in the areas of financial instruments and taxes, and experts in the areas of share based payments, actuarial calculations (including pension accounting) and valuations in our team.

The outline of our audit approach was as follows:

Materiality
- Overall materiality: €150 million.

Audit scope
- We conducted audit work at eight components. In 2020, our components subject to a full scope audit remained consistent, except for rotating Czech Republic in full scope and Greece out of full scope.
- As a result of COVID-19, no physical site visits were conducted. We held frequent virtual meetings with our component auditors, as well as virtual meetings with local management.
- Audit coverage: 87% of consolidated net sales, 83% of consolidated total assets and 80% of consolidated income before income taxes.

Key audit matters
- Impairment testing of goodwill and brand names
- Recognition of vendor allowance income
- Employee benefit plan measurement and disclosures

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgment we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€150 million (2019: €106 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 5% of income before income taxes, after excluding the expenses associated with the one-off pension transactions.
Rationale for benchmark applied	We used income before income taxes as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that income before income taxes is an important metric for the financial performance of the company.
Component materiality	To each component in our audit scope we, based on our judgment, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between €10 million and €140 million.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €7.25 million (2019: €5.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. Where misstatements have no income statement impact, we agreed with the Supervisory Board that we would report those above €25 million.

The scope of our group audit

Koninklijke Ahold Delhaize N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Koninklijke Ahold Delhaize N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focussed on the significant components; these components include the retail operations in the United States and the Netherlands as well as the Global Support Office activities in the Netherlands (which includes financing activities in Switzerland).

Other information
Assurance report on the financial statements continued

We subjected five components to audits of their complete financial information, of which three components are individually financially significant to the Group. The other two components, the Belgian and Czech Republic retail operations, are selected to achieve appropriate audit coverage over the consolidated financial statements. For rotational reasons, we changed the audit scope from the Greece component to the Czech Republic component for this year's audit. Additionally, we selected three components for specific audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements or to build an element of unpredictability in our audit.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Consolidated net sales	87%
Consolidated total assets	83%
Consolidated income before income taxes	80%

None of the remaining components represented more than 6% of consolidated net sales, consolidated income before income taxes nor consolidated total assets. For those remaining components, we attended internal quarterly closing meetings with local and Group management and performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work on the Global Support Office activities in the Netherlands, which includes financing activities in Switzerland, the Group consolidation, the financial statement disclosures and a number of complex items. This included procedures performed over financial instruments such as loans and derivatives, goodwill impairment testing, board remuneration including share based payments and compliance of accounting positions taken by the Group in accordance with EU-IFRS, including the pension withdrawals and settlement.

For all other components, we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

Normally, the group engagement team visits the component teams and local management on a rotational basis. In the current year, the group audit team was unable to physically visit component teams and local management due to COVID-19. We maintained frequent contact with our component teams through virtual meetings. Virtual meetings were also scheduled with local management. For the United States, the Netherlands, Belgium, Switzerland and Czech Republic, we reviewed relevant parts of the component auditor's audit files virtually.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Other information

Assurance report on the financial statements continued

Key audit matter	Our audit work and observations
Impairment testing of goodwill and brand names *Note 14 Intangible Assets* As at January 3, 2021, the Group's goodwill and brand names are valued at €9.9 billion. The majority of this balance (€6.5 billion) relates to the former Delhaize business acquired in 2016. As disclosed in *Note 14* to the consolidated financial statements, the Group tests its CGUs containing goodwill and brand names for impairment annually and if there is a triggering event, at an earlier or later reporting date. This is done by comparing the recoverable amounts of the individual CGUs, being the higher of fair value less costs of disposal, to the carrying amounts. The Management Board performed its annual goodwill and brand names impairment test in accordance with IAS 36 - Impairment of Assets and concluded that no impairment of goodwill or brand names was necessary. We considered this to be a key audit matter, because the assessment process is complex, involves significant management judgments and is based on key assumptions on expected future market and economic conditions, revenue growth, margin developments, the discount rates and (terminal) growth rates.	We evaluated management's process and design effectiveness of controls over the impairment assessment including the appropriateness of management's identification of the Group's CGUs, indicators of impairment, discount rates and forecasts. We have challenged management, primarily on their assumptions applied to which the outcome of the impairment test is the most sensitive, in particular, the projected revenue growth, operating margin developments, discount rates and (terminal) growth rates. We benchmarked key assumptions (as disclosed in *Note 14*) against external data and challenged management by comparing the assumptions to historic performance of the company and local economic developments, taking into account the sensitivity test of the goodwill balances for any changes in the respective assumptions. We involved our valuation experts to assist us in evaluating the appropriateness of the impairment model, the discount rates applied and to assess the overall reasonableness of the assumptions. We compared the sum of the future cash flow forecasts of all CGUs to the market capitalization. We verified that the models were prepared in line with the fair value less cost of disposal methodology. We also verified the mathematical accuracy of management's valuation models and agreed relevant data, including assumptions on timing of future capital and operating expenditures to the five-year plan as approved by the Management Board. Based on our procedures we did not identify material exceptions and we found management's assumptions to be supported by available evidence.
Recognition of vendor allowance income *Note 8 Expenses by nature* The Group receives various types of vendor allowances from its suppliers, as further disclosed in Note 8 to the consolidated financial statements. These allowances are a significant component of cost of sales. The vendor allowance receivable at January 3, 2021, amounts to €616 million (Note 18 Receivables). The vendor allowance agreements with suppliers contain volume-related allowances, promotional and marketing allowances and various other fees and discounts received in connection with the purchase of goods for resale from those suppliers. The Group recognizes vendor allowances as a reduction in cost of sales when the performance obligations associated with the allowances have been met, for example when the product has been sold, placed or when the marketing campaign has been held. We considered this to be a key audit matter because of the magnitude of amounts involved and the judgment required from management to determine the nature and level of fulfilment of the Company's obligations under the vendor agreements and to recognize the amounts in the correct period. This requires a detailed understanding of the contractual arrangements in addition to complete and accurate data to estimate purchase and sales volumes and fulfilment of promotional programs.	Our procedures included evaluating the design and testing the operating effectiveness of management's controls around the completeness and accuracy of the contractual agreements recognized in the accounting system. Furthermore, we challenged management's assumptions used in determining the recognized vendor allowances through discussions with management and performing specific substantive audit procedures. For example, on a sample basis we agreed the recorded amounts to the vendor contracts and confirmed the related positions and terms with the vendors. To determine the quality of the estimates made by management, we performed a retrospective review of management judgments by testing subsequent collections on prior period vendor allowance receivables. These procedures showed us that the vendor allowances collected versus management's estimates were reasonable. We also tested material write-offs (if any) and evaluated the nature to identify possible management bias. Finally, we tested whether the allowances were recorded in the correct period through assessing the obligation fulfilment of vendor allowances recorded during a period before and after year-end. Based on our procedures, we did not identify material exceptions and we found management's recognition of vendor allowances to be supported by available evidence.

Other information

Assurance report on the financial statements continued

Key audit matter	Our audit work and observations
Employee benefit plan measurement and disclosures *Note 24 Pensions and other post-employment benefits* The Group has defined benefit plans, primarily in the Netherlands and in the United States, giving rise to defined benefit obligations of €6.5 billion and €1.7 billion, respectively. The Group also has a number of union employees in the United States whose pension benefits are covered by multi-employer plans (we also refer to the risk factor on pension plan funding within Note 24 of the financial statements). A number of these plans are accounted for as defined contribution plans, as there is insufficient information to account for these plans as defined benefit plans. In Note 24, management has disclosed certain facts and a calculation, which is based on assumptions, and leads to an estimate of the Group's participation in these plans, including, for certain plans, the possible proportionate share of the total net deficit. As disclosed, this estimate does not necessarily reflect the Company's liability in case of withdrawal or insolvency of such plans. We considered this to be a key audit matter because of the magnitude of the amounts involved, management's significant judgment applied in estimating the actuarial and demographic assumptions (the most relevant being around salary increases, inflation, discount rates and mortality rates) and the technical expertise required to measure the defined benefit pension obligation for the Group. In addition, the US multi-employer plan rules are complex and certain plans are in endangered or critical status for which relevant material facts require adequate disclosure in the financial statements.	Our procedures included understanding and evaluating the design and testing the operating effectiveness of controls related to key inputs (such as payroll data) and key outputs of the Group's pension process. We tested the actuarial and demographic assumptions and valuation methodologies used by management to determine the Group's various defined benefit pension obligations. We evaluated whether the key actuarial assumptions are reasonable (for example by comparing to the published actuarial tables) and consistently applied. We tested payroll data, through a combination of controls testing and test of details and reconciled the membership census data used in the actuarial models to the payroll data. With the support from our valuation experts, we also tested the valuation of the pension assets. Depending on the type of asset, we either reconciled the value to publicly available information or challenged the assumptions used in determining the value by benchmarking assumptions to own expectations. Alongside our experts, we assessed the measurement, accounting and disclosures regarding the withdrawals from the United Food & Commercial Workers International Union (UFCW) Industry Pension Fund (the "National Plan"), UFCW Local 1500 pension fund (the "1500 Plan") and the settlement agreement for the Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund ("FELRA") and the Mid-Atlantic UFCW and Participating Employers Pension Fund ("MAP") and considered it to be appropriate. Finally, we assessed the adequacy of disclosures related to the employee defined benefit plans. We evaluated management's disclosures and calculations in relation to the US multi-employer plans. For this purpose, we reconciled the disclosed facts and the related inputs used by management for the calculation to supporting documentation such as the latest available plan information and actuarial calculations. Our procedures did not identify material exceptions, we considered management's key assumptions to be within a reasonable range of our own expectations and we did not identify material exceptions in management's disclosures or accounting conclusions.

Other information

Assurance report on the financial statements continued

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management report as defined within the governance section, subsection declarations of the annual report;
- the other information included in strategic report, governance section and performance: Environmental, Social and Governance (ESG) statements; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the management report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Koninklijke Ahold Delhaize N.V. on April 16, 2013 by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on April 16, 2013. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of eight years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in Note 4 of the notes to the parent company financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going-concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, March 2, 2021
PricewaterhouseCoopers Accountants N.V.

S. Laurie de Hernandez RA

Other information

Assurance report on the financial statements continued

Appendix to our auditor's report on the financial statements for the period December 30, 2019 to January 3, 2021 of Koninklijke Ahold Delhaize N.V.
In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- 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 intentional 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 the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the Audit and Finance 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 Supervisory 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 Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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.

Other information

Assurance report on the ESG information 2020

Assurance report of the independent auditor

To: the Management Board and the Supervisory Board of Koninklijke Ahold Delhaize N.V.
Assurance report on the environmental, social and governance information 2020

Our conclusion

Based on our procedures performed, nothing has come to our attention that causes us to believe that the environmental, social and governance information included in the Annual Report 2020 of Koninklijke Ahold Delhaize N.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the thereto related events and achievements for the period from December 30, 2019 to January 3, 2021

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as included in the section "reporting criteria".

What we have reviewed

We have reviewed the environmental, social and governance information as included in the Annual Report for the period from December 30, 2019 to January 3, 2021, as included in the following sections in the Annual Report (hereafter: "the ESG information"):

- Our business, excluding section "Risks and material ESG impacts";
- Paragraph "Material ESG impacts" of section Risks and material ESG impacts;
- Environmental, Social and Governance ("ESG") statements.

This review is aimed at obtaining a limited level of assurance.

The ESG information comprises a representation of the policy and business operations of Koninklijke Ahold Delhaize N.V., Zaandam, the Netherlands (hereafter: "Ahold Delhaize") with regard to sustainability and the thereto related business operations, events and achievements for the period from December 30, 2019 to January 3, 2021.

The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N "Assurance-opdrachten inzake maatschappelijke verslagen" ("Assurance engagements on corporate social responsibility reports"), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information". Our responsibilities under this standard are further described in the section "Our responsibilities for the review of the ESG information" of this assurance report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Ahold Delhaize in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten" (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA – "Dutch Code of Ethics").

We apply the "Nadere voorschriften kwaliteitssystemen" (NVKS – "Regulations for quality systems") and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The ESG information needs to be read and understood in conjunction with the reporting criteria. The Management Board of Ahold Delhaize is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the ESG information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria, as disclosed in sections "Definitions: performance measures" and "ESG statements" of the Annual Report. The absence of an established practice on which to draw, to evaluate and measure ESG information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The ESG information includes prospective information such as expectations on ambitions, strategy, plans, estimates and risk assessments. Inherently, the actual results are likely to differ from these expectations and these differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the ESG information.

The links to external sources or websites in the ESG information are not part of the ESG information reviewed by us. We do not provide assurance over information outside of the Annual Report.

Responsibilities for the ESG information and the review

Responsibilities of the Management Board and the Supervisory Board

The Management Board of Ahold Delhaize is responsible for the preparation of reliable and adequate ESG information in accordance with the reporting criteria as included in sections "Definitions: performance measures" and "ESG statements", including the identification of stakeholders and the definition of material matters. The choices made by the Management Board regarding the scope of the ESG information and the reporting policies are summarized in sections "Definitions: performance measures" and "ESG Statements" of the Annual Report. The Management Board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Management Board is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of the ESG information that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the company's reporting process on the ESG information.

Other information

Assurance report on the ESG information 2020 continued

Our responsibilities for the review of the ESG information
Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Procedures performed
We have exercised professional judgment and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the ESG information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Management Board.
- Obtaining an understanding of the reporting processes for the ESG information, including obtaining a general understanding of the internal control environment relevant to our review.
- Identifying areas of the ESG information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the ESG information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management (and/or relevant staff) at corporate and local level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the ESG information.
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and locations to visit. The (digital) visits to entities in the Netherlands, Belgium, the United States of America and Czech Republic are aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures;
  - Obtaining assurance evidence that the ESG information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.
- Reconciling the financial information, as included in the sections we reviewed, with the financial statements.
- Evaluating the consistency of the ESG information with the information in the Annual Report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the ESG information.
- To consider whether the ESG information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board on the planned scope and timing of the engagement and on the significant findings that result from our procedures.

Amsterdam, March 2, 2021
PricewaterhouseCoopers Accountants N.V.

S. Laurie de Hernandez RA

Other

Distribution of profit

Articles of Association provisions governing the distribution of profit

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to section 39 of the Articles of Association, a dividend will first be declared out of net income on cumulative preferred shares and cumulative preferred financing shares. Any net income remaining after reservations deemed necessary by the Supervisory Board, in consultation with the Management Board, will then be at the disposal of the General Meeting of Shareholders, who may resolve to distribute it among the common shareholders. The Management Board, with the approval of the Supervisory Board, may propose that the General Meeting of Shareholders make distributions wholly or partly in the form of common shares. Amounts of net income not paid in the form of dividends will be added to the accumulated deficit. In the financial statements, the dividend on cumulative preferred financing shares is included in the income statement. Consequently, net income according to the parent company income statement is fully attributable to common shareholders.

See *Note 21* to the consolidated financial statements and *Note 17* to the parent company financial statements for more information on the dividend on common shares.

Details of special shareholder rights

Ahold Delhaize shareholders have no special rights, see *Corporate governance* for more information about voting rights.

Details of shares without profit rights and non-voting shares

Ahold Delhaize has no common shares without profit rights and no non-voting shares.

Appendix

Contact information

Shareholder engagement
Ahold Delhaize proactively maintains an open, constructive and ongoing dialogue with its shareholders. We are committed to keeping shareholders updated by informing them transparently and accurately about Ahold Delhaize's strategy, performance and other Company matters and developments that could be relevant to investors' decisions. We disclose information through both financial and non-financial performance briefings, such as during our quarterly results releases, the annual General Meeting of Shareholders and Capital Markets days. We also participate in investor conferences and organize roadshows. All disclosed information is accessible via our website.

Corporate website
On the Company's website you can find recent and archived press releases, financial reports, annual reports, presentations, the financial calendar and other relevant shareholder information. To receive press releases and other Ahold Delhaize news, please subscribe to our email service through our website at *www.aholddelhaize.com*.

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Appendix

Key dates

Key dates 2021

Annual General Meeting of Shareholders	April 14
Final dividend 2020	
Ex-dividend date	April 16
Dividend record date	April 19
Payment date	April 29
Interim dividend 2021	
Ex-dividend date	August 13
Dividend record date	August 16
Payment date	September 2
Publication Q1 2021 results	May 12
Publication Q2 2021 results	August 11
Publication Q3 2021 results	November 10

AGM 2021

This year's annual General Meeting of Shareholders will be held in a virtual manner on April 14, 2021. The meeting will start at 2.00 pm (CET). The agenda and explanatory notes to the agenda can be found on our website at *www.aholddelhaize.com*.

Appendix

Cautionary notice

This Annual Report includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as throughout, (well-)position(ed), strengthen, acquire, opportunity, propose, ambition(s), grow(ing), long-term, targets, progress, address, aim(ing), set, challenges, continuous(ly), expectations, shifting, adapt, believe(d), gain, expectations, remain, uncertain, expect, have begun, years to come, continue(d)/(ing)/(ity), certain extent, will, confident, forecast, investments, further, would, still, going forward, so far, tentative, achieve, future, trends, patterns, reconfirm, promises, purpose, vision, want, navigate, result, support, 2021, promising start, commit(ted)/(ment), by, 2030, coming years, potential, to reduce, expand, enhance, end of, 2025, to be, risks, uncertainties, mitigating, may, aspiration, years to come, no more than, could, next steps, outlook, if, intention, anticipate, look forward, objectives, focus, estimated, contingent or other similar words or expressions are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause the actual results of Koninklijke Ahold Delhaize N.V. (the “Company”) to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to the Company’s inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; political developments, natural disasters and pandemics; climate change; raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company’s suppliers; the unsuccessful operation of the Company’s franchised and affiliated stores; changes in supplier terms and the inability to pass on cost increases to prices; risks related to corporate responsibility and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company’s defined benefit pension plans; the failure or breach of security of IT systems; the Company’s inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company’s legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company’s outstanding financial debt; the Company’s ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company’s credit ratings and the associated increase in the Company’s cost of borrowing; exchange rate fluctuations; inherent limitations in the Company’s control systems; changes in accounting standards; adverse results arising from the Company’s claims against its self-insurance program; the Company’s inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; and other factors discussed in the Company’s public filings and other disclosures.

Forward-looking statements reflect the current views of the Company’s management and assumptions based on information currently available to the Company’s management. Forward-looking statements speak only as of the date they are made, and the Company does not assume any obligation to update such statements, except as required by law.

Outside the Netherlands, Ahold Delhaize presents itself under the name “Royal Ahold Delhaize” or “Ahold Delhaize.” For the reader’s convenience, “Ahold Delhaize,” the “Company,” the “company,” “Ahold Delhaize Group,” “Ahold Delhaize group” or the “Group” are also used throughout this Annual Report. The Company’s registered name is “Koninklijke Ahold Delhaize N.V.”

Nielsen’s information as included in this Annual Report does not constitute a reliable independent basis for investment advice or Nielsen’s opinion as to the value of any security or the advisability of investing in, purchasing or selling any security.