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Create the leading local food shopping experience
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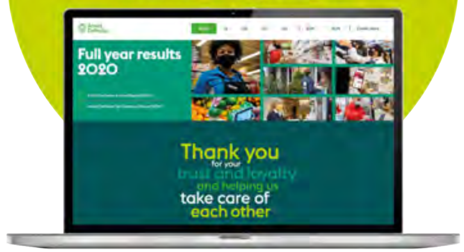
See our strategy in action on our reporting hub
More information is available on our website and reporting hub



Group highlights

Net sales[1]

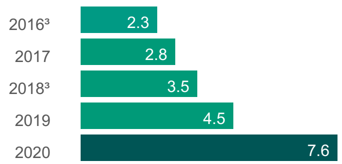
€74.7bn

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.

"I am humbled...and tremendously proud of how associates across our brands kept going to serve not only customers but also their communities."

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.

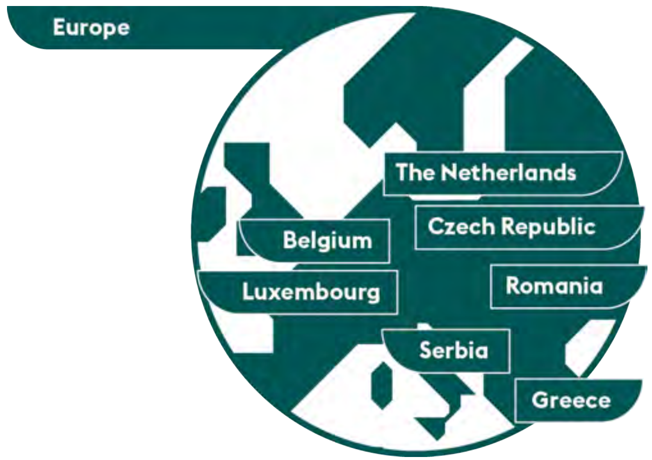
In all we did, our brands took the guidelines of local governments into account to keep associates and communities safe. While the situation kept changing, our brands adapted, but associates were the real heroes in adjusting to constantly shifting and challenging circumstances.

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.

FOOD LION, STOP&SHOP, The GIANT Company, Hannaford, Giant, Peapod Digital Labs, Retail Business Services



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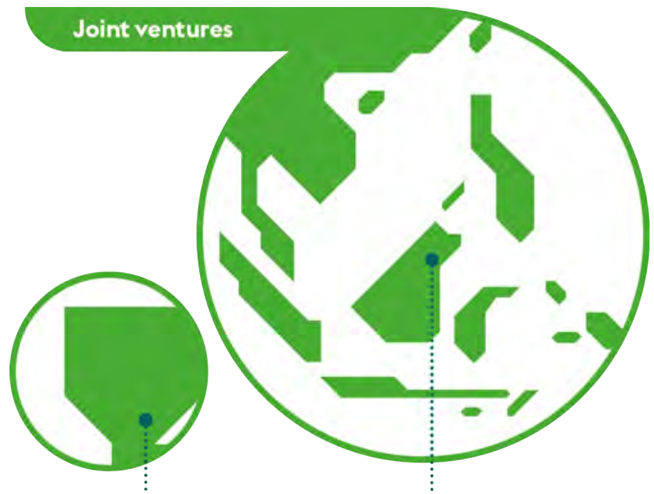


Pingo Doce, Super Indo

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:

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.

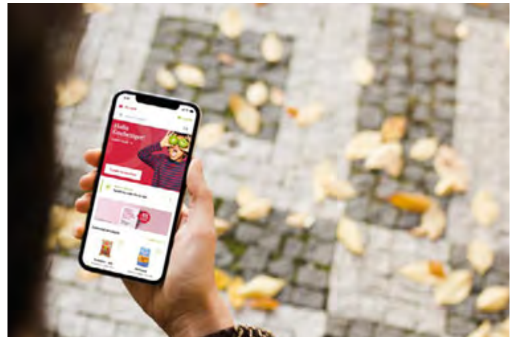
Strategic choices and challenges

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.

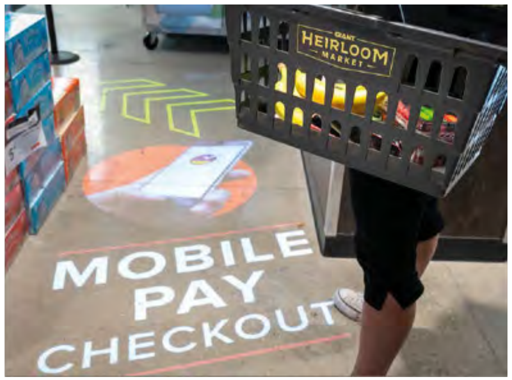
During the year, our brands continued to grow and create new job opportunities in their markets. As people lost their jobs in connection with the pandemic, our brands partnered with other industries to hire more than 45,000 people to fill extra capacity in the stores. Despite the pandemic, they remained 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 business wheel


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.

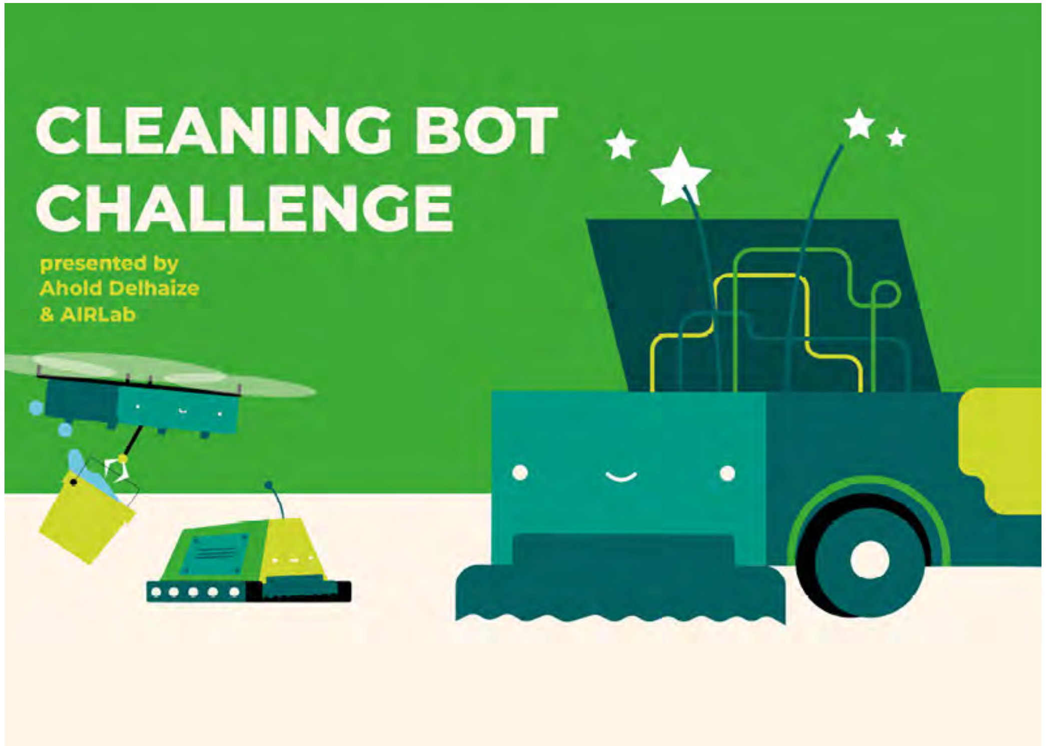
In 2020, we also selected the winners of our first-ever Cleaning Bot Challenge, a global competition to scout and select smart technology solutions for cleaning tasks in stores.

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.

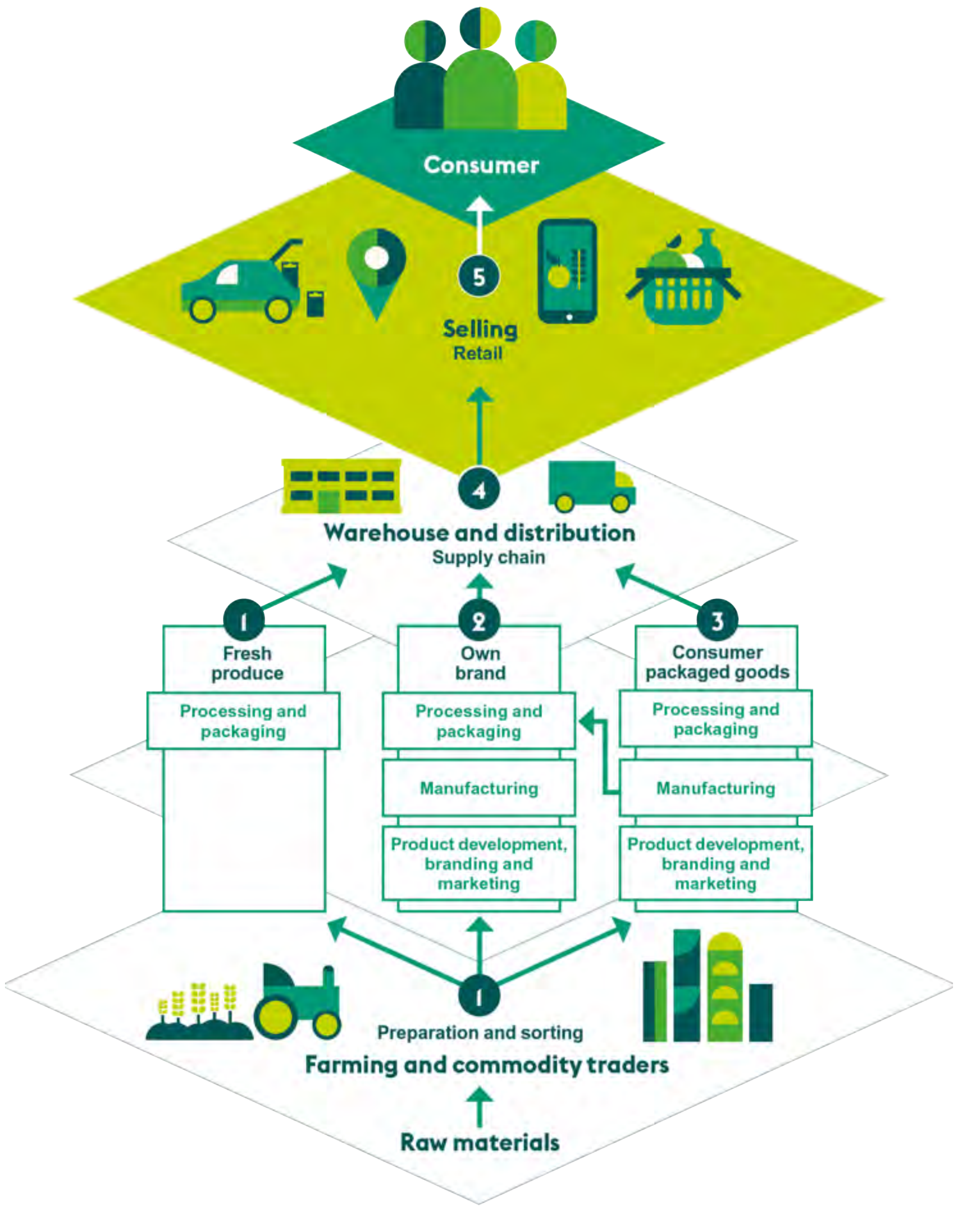
Electronic shelf labelling at Albert Heijn.

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

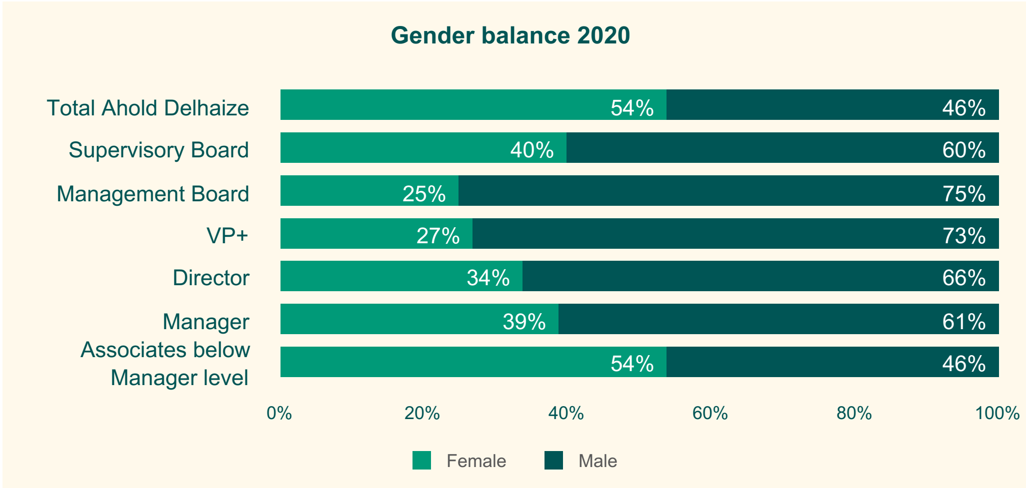
Work-life balance became a challenge for many associates during 2020. Because our brands have very different types of working locations – including stores, distribution centers and offices – and associates with varying needs, this was not always easy to respond to and manage. But our brands worked hard 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:



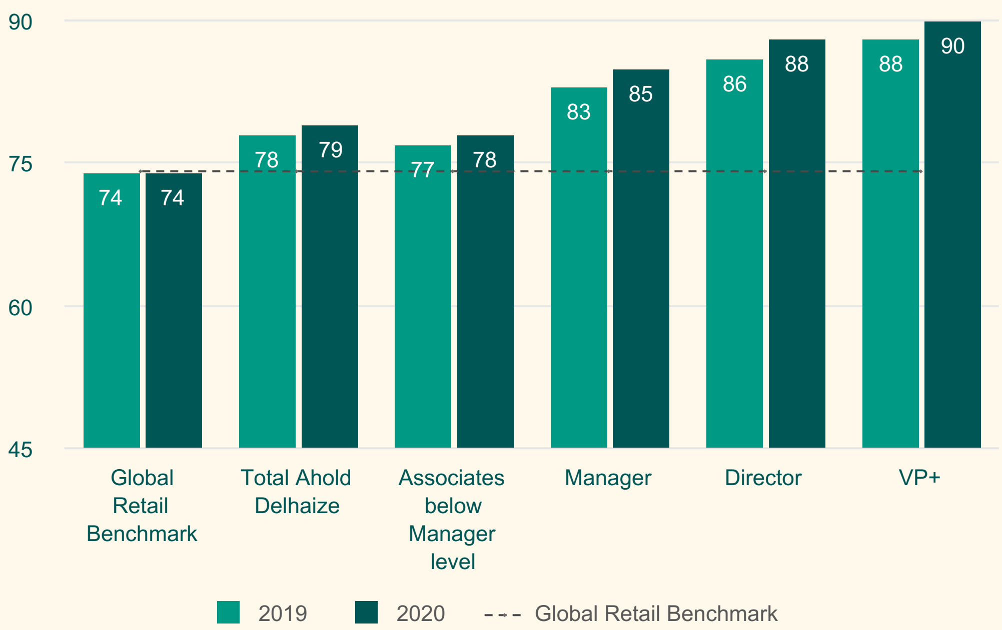
Creating value for our stakeholders

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*.

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

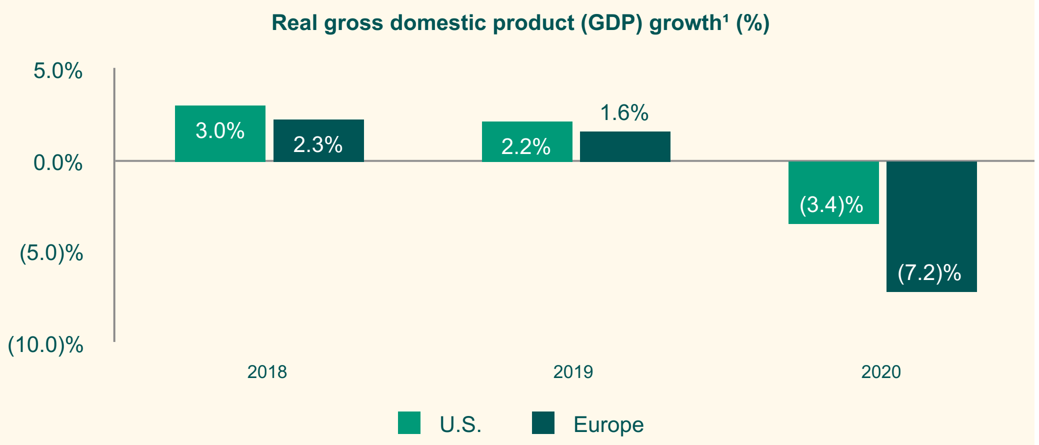
Drive omnichannel growth	Target 2020	Results in 2020	Target 2021
Net consumer online sales[1]	Progress to achieving €7 billion by 2021	€7.6 billion	≥ 30%
U.S. online sales growth[1]	> 30%	+105%	≥ 60%
Stop & Shop store remodels[2]	48	33	~ 60
Bol.com net consumer online sales	Progress to achieving €3.5 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.

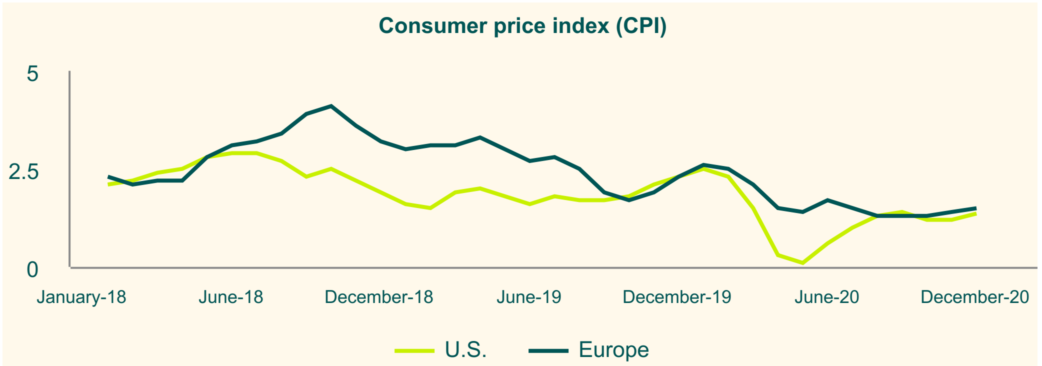
COVID-19 has delivered an enormous global financial shock, leading to economic downturns in many countries. In 2020, we saw a contraction of 3.5% in global real GDP – the deepest decline in decades. U.S. real GDP contracted by 3.4%, contrasted with a growth of 2.2% in 2019. Meanwhile, European real GDP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

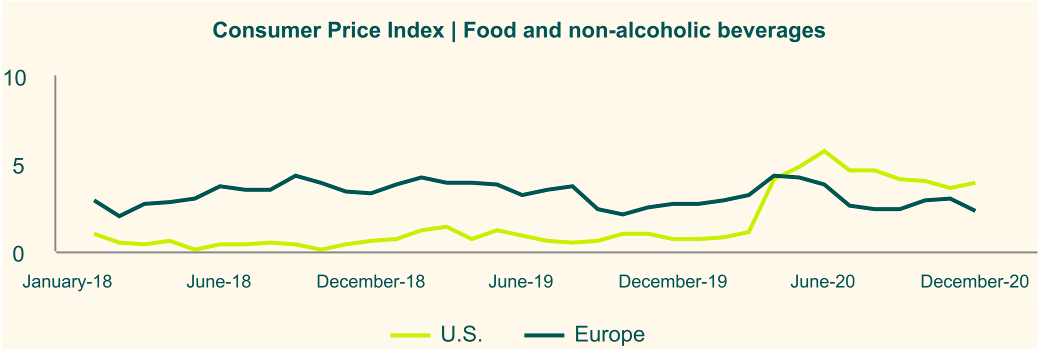
The majority of Ahold Delhaize's operations are located in the United States and, thus, denominated in U.S. dollars. The U.S. dollar developed in an unfavorable direction, devaluing in strength relative to the euro, during the second half of 2020. This resulted in modest full year foreign currency translation 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)

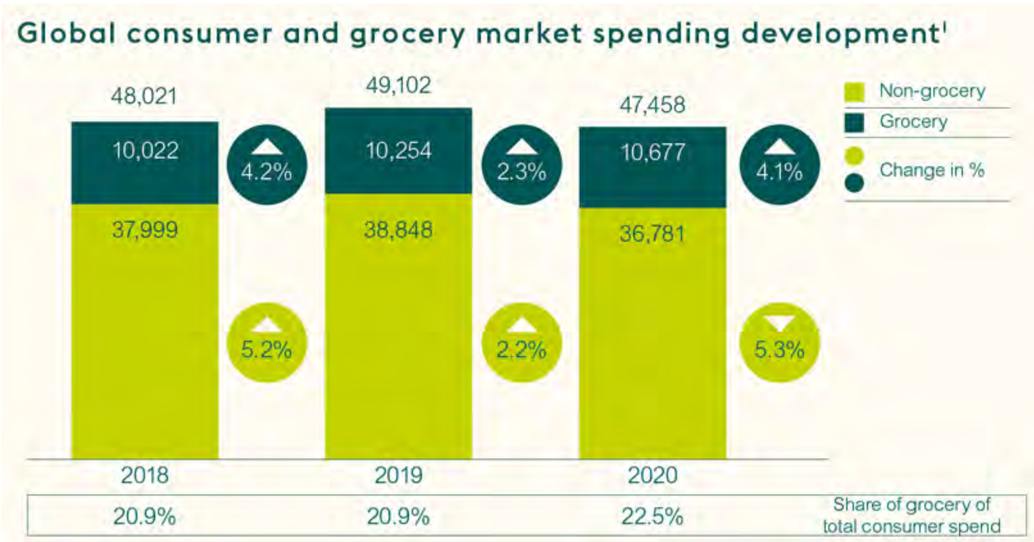
After consistent low-single-digit CPI growth rates over the preceding two years, U.S. CPI growth decelerated at the onset of the COVID-19 pandemic during the spring of 2020; however, it showed signs of recovery over the remainder of the year and ended 2020 with a growth rate of +1.36% in December. Meanwhile, 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

14.9%[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

31.9%[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)%

€ million	2020	2019	Change	% change
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%

€ million	2020	2019	Change	% change
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.

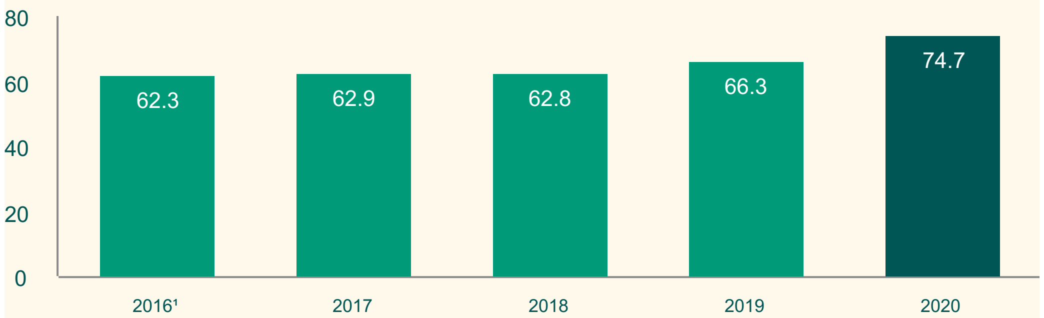
Net sales excluding gasoline increased in 2020 by €8,761 million, or 13.4%, compared to 2019. At constant exchanges rates, net sales excluding gasoline increased in 2020 by €9,560 million, or 14.8%, compared to 2019. Sales growth was mainly driven by demand related to COVID-19, although underlying sales 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%

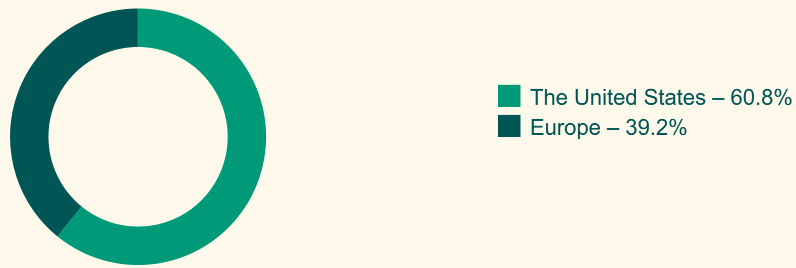
Compared to the pro forma 2019 sales based on 53 weeks and at constant exchange rates, net sales increased in 2020 by €8,214 million, or 12.3% at constant exchange rates.

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

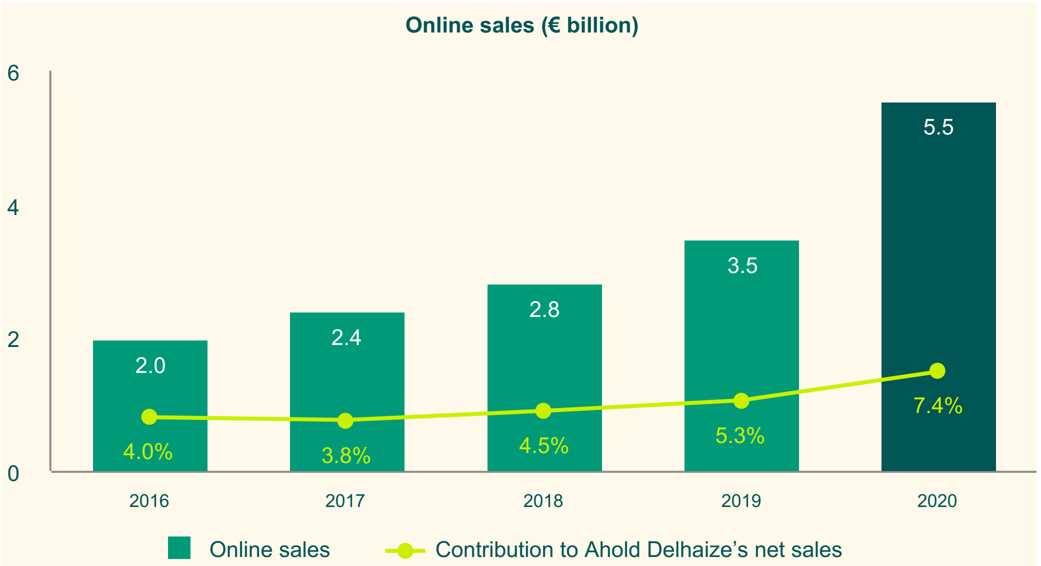


Group review

Group performance continued

Online sales

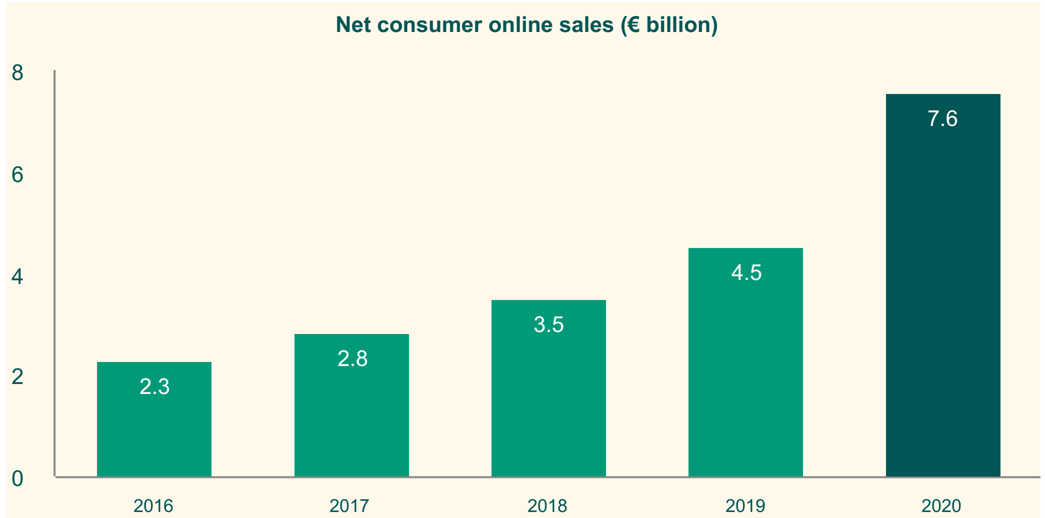
We continued to see strong sales growth in our online businesses, which contributed €5,547 million to net sales in 2020 (2019: €3,493 million). Net consumer online sales amounted to €7,576 million and increased in 2020 by 67.4% at constant exchange rates.



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%

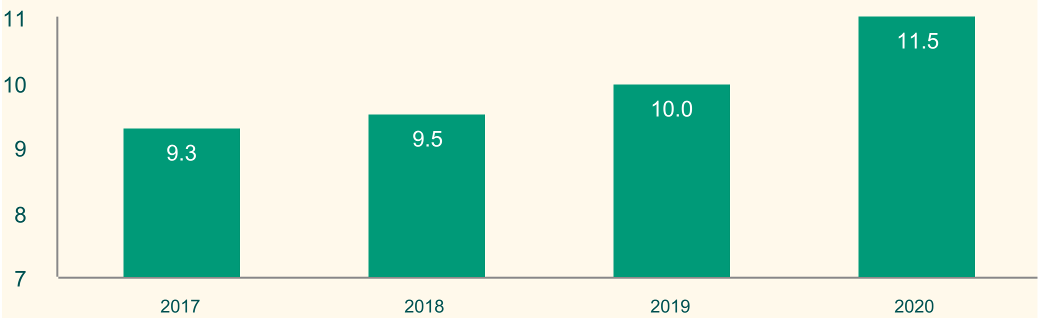
1 2019 figure includes Peapod.

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.

Healthy own-brand food sales (€ billion)



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.

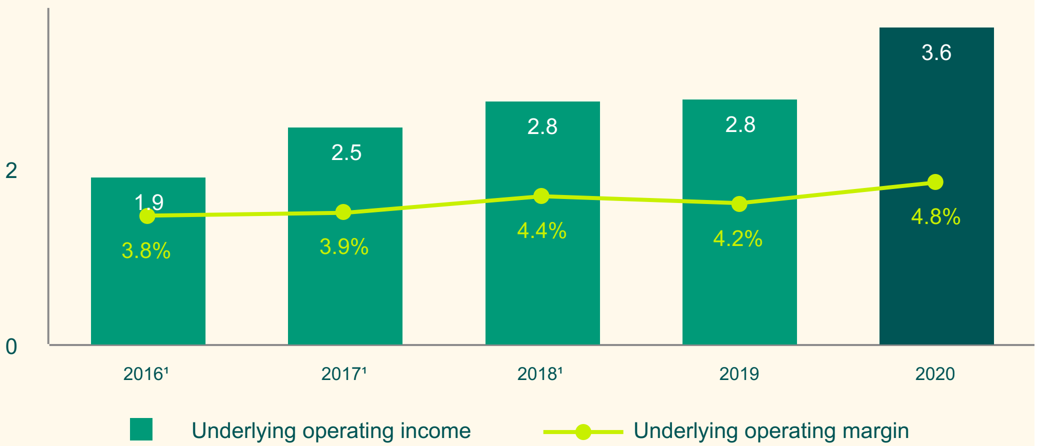
Group review
Group performance continued

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.

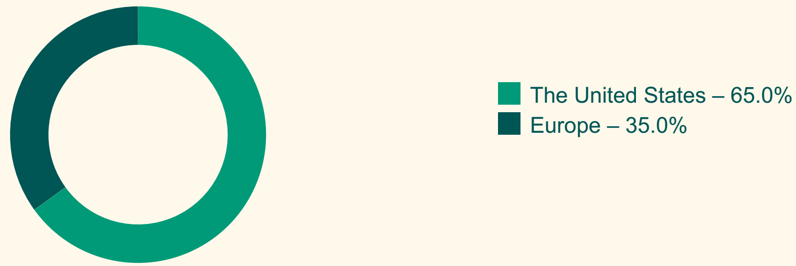
Tight cost management remains a core objective of our business model. Our Save for Our Customers program delivered €844 million this year, positively impacting our gross profit and operating expenses. This program drives our efforts to provide our businesses with optimized store processes and improved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

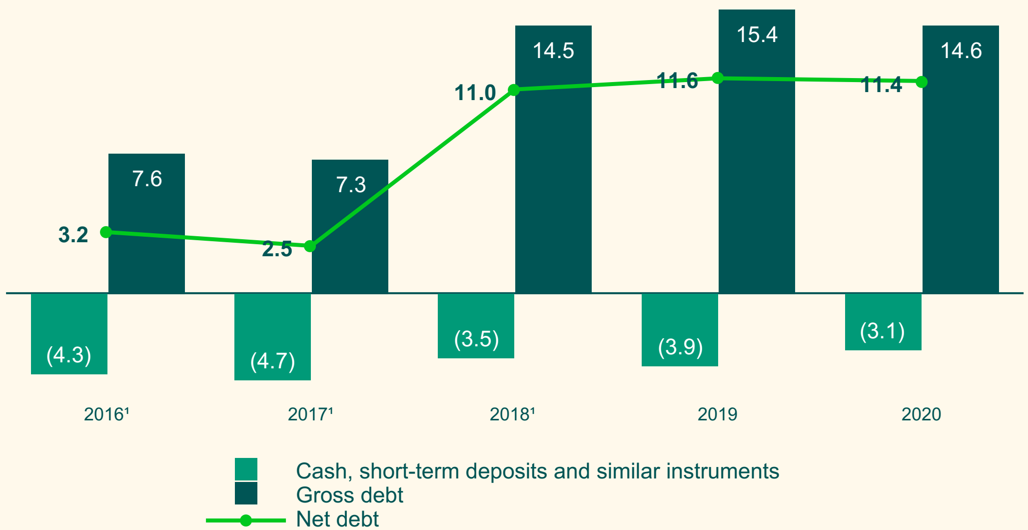
Group review
Financial position continued

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:

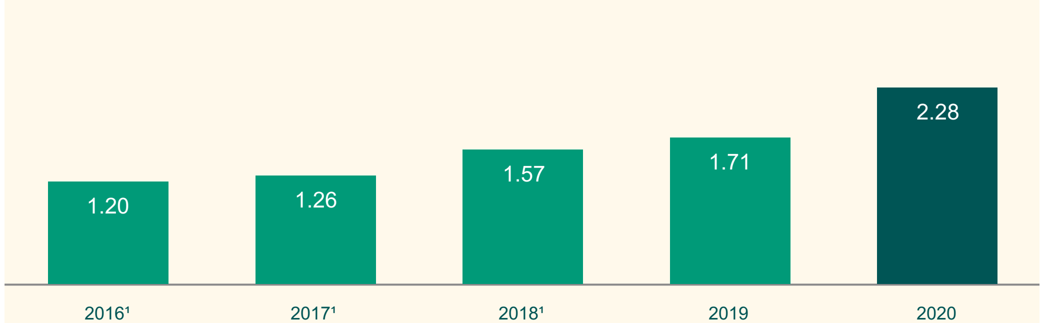
€ million	**2020 (based on 53-weeks)**	2019 (based on 52-weeks)
Income from continuing operations	**1,397**	1,767
Adjusted for:		
Impairment losses and reversals – net	**48**	89
(Gains) losses on leases and the sale of assets – net	**(57)**	(53)
Restructuring and related charges and other items	**1,413**	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.

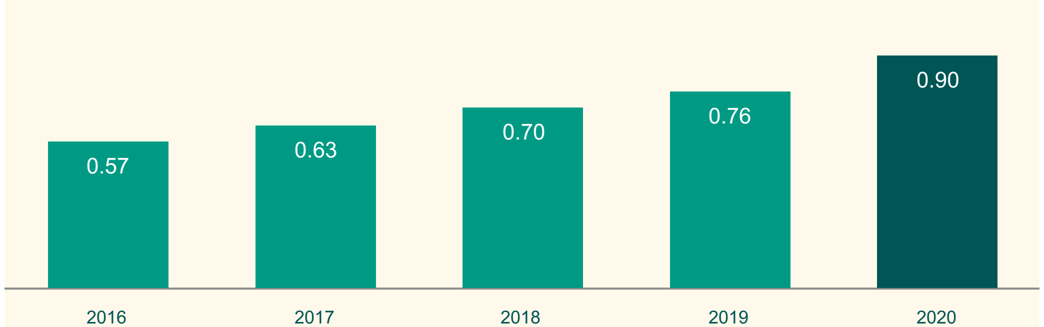
Please refer to *Information about Ahold Delhaize shares* for further details.

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.

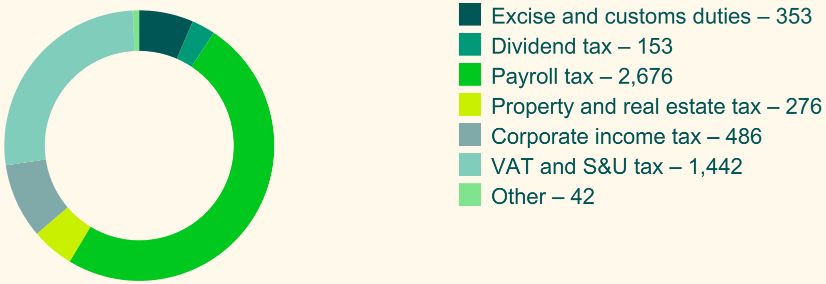
Our tax policy consists of five main tax principles: transparency, accounting and governance, compliance, relationships with authorities and business structure. Our tax principles are aligned with the B Team responsible tax principles.

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.

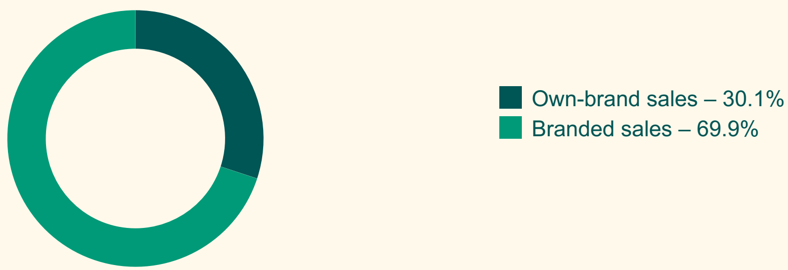
In 2020, net sales were €45,470 million, up by €5,404 million or 13.5% compared to 2019. At constant exchange rates, net sales were up by 15.6%. Sales growth was positively impacted by the pandemic, the additional week of sales and cycling last year's strike at Stop & Shop. The additional week of sales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

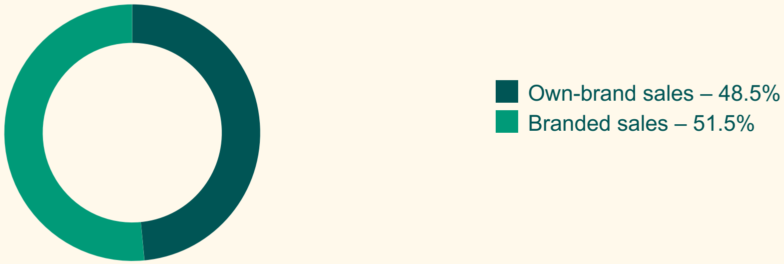
Net sales in 2020 were €29,266 million, up by €3,072 million or 11.7% compared to 2019. Sales growth was mainly driven by demand related to COVID-19. In Europe, the effect of COVID-19 has been more balanced, with additional sales matching the related costs. In addition to that, the pandemic has a more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

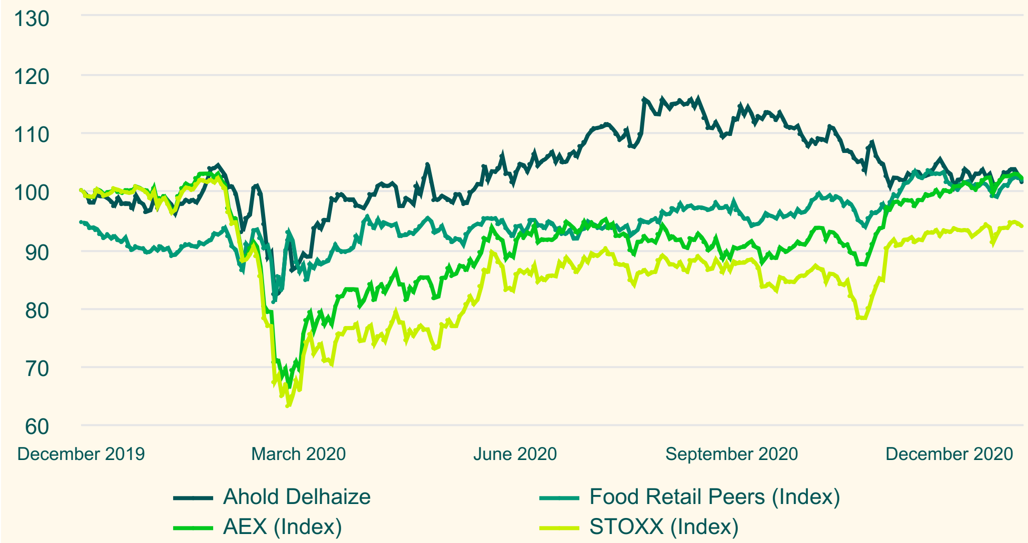
Share performance in 2020

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.

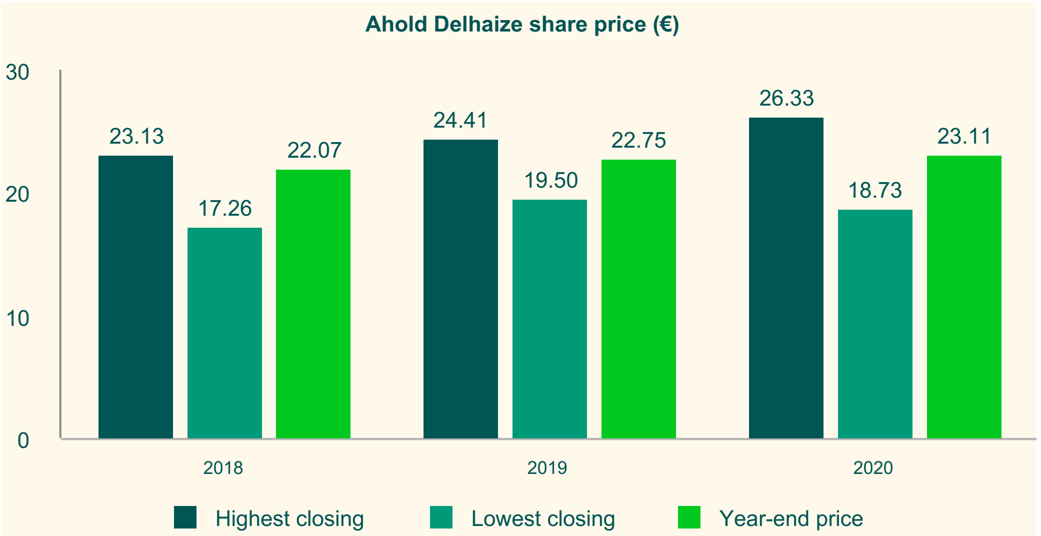
The complete list of the select peer group includes: Walmart Inc., Kroger Co., Tesco Plc., Costco Wholesale Corporation, Carrefour SA, J Sainsbury Plc., Target Corporation, Wm Morrison Supermarkets Plc and Casino SA. The chart represents the performance of Ahold Delhaize shares along with the AEX, Euro 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:
$2,349m^2$ ($25,282ft^2$)

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

Hannaford

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

Giant

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 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

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'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

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:
1,548m^2 (16,662ft^2)

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:
728m^2 (7,835ft^2)

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.

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.