Financial Statements

Consolidated income statement

€ million, except per share data	Note	53 weeks ended January 3, 2021	52 weeks ended December 29, 2019
Net sales	7	**74,736**	66,260
Cost of sales	8	**(54,053)**	(48,200)
Gross profit		**20,683**	18,060
Selling expenses		**(14,374)**	(13,021)
General and administrative expenses		**(4,118)**	(2,377)
Total operating expenses	8	**(18,492)**	(15,397)
Operating income		**2,191**	2,662
Interest income		**35**	65
Interest expense		**(138)**	(175)
Net interest expense on defined benefit pension plans	24	**(16)**	(18)
Interest accretion to lease liability	33	**(357)**	(366)
Other financial income (expense)		**(9)**	(35)
Net financial expenses	9	**(485)**	(528)
Income before income taxes		**1,706**	2,134
Income taxes	10	**(331)**	(417)
Share in income of joint ventures	15	**22**	50
Income from continuing operations		**1,397**	1,767
Income (loss) from discontinued operations	5	**—**	(1)
Net income attributable to common shareholders		**1,397**	1,766
Earnings per share	29		
Net income per share attributable to common shareholders			
Basic		**1.31**	1.60
Diluted		**1.30**	1.59
Income from continuing operations per share attributable to common shareholders			
Basic		**1.31**	1.60
Diluted		**1.30**	1.59

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

Consolidated statement of comprehensive income

€ million	Note	53 weeks ended January 3, 2021	52 weeks ended December 29, 2019
Net income		**1,397**	1,766
Remeasurements of defined benefit pension plans:			
Remeasurements before taxes – income (loss)	24	**(108)**	(76)
Income taxes	10	**25**	18
Other comprehensive income (loss) that will not be reclassified to profit or loss		**(83)**	(58)
Currency translation differences in foreign interests:			
Continuing operations		**(999)**	241
Income taxes	10	**1**	(2)
Cash flow hedges:			
Fair value result for the year		**—**	(5)
Transfers to net income		**1**	3
Income taxes	10	**—**	1
Non-realized gains (losses) on debt and equity instruments:			
Fair value result for the period		**(1)**	—
Income taxes		**—**	—
Other comprehensive income of joint ventures – net of income taxes:			
Share of other comprehensive income from continuing operations	15	**—**	—
Other comprehensive income (loss) reclassifiable to profit or loss		**(997)**	238
Total other comprehensive income (loss)		**(1,080)**	180
Total comprehensive income attributable to common shareholders		**316**	1,945
Attributable to:			
Continuing operations		**316**	1,946
Discontinued operations		**—**	(1)
Total comprehensive income attributable to common shareholders		**316**	1,945

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

Consolidated balance sheet

€ million	Note	January 3, 2021	December 29, 2019
Assets			
Property, plant and equipment	11	**10,696**	10,519
Right-of-use asset	12	**7,455**	7,308
Investment property	13	**739**	883
Intangible assets	14	**11,565**	12,060
Investments in joint ventures and associates	15	**227**	229
Other non-current financial assets	16	**705**	661
Deferred tax assets	10	**323**	213
Other non-current assets		**53**	49
Total non-current assets		**31,764**	31,920
Assets held for sale	5	**19**	67
Inventories	17	**3,245**	3,347
Receivables	18	**1,975**	1,905
Other current financial assets	19	**360**	317
Income taxes receivable		**58**	39
Prepaid expenses		**337**	178
Cash and cash equivalents	20	**2,933**	3,717
Total current assets		**8,928**	9,570
Total assets		**40,692**	41,490
Equity and liabilities			
Equity attributable to common shareholders	21	**12,432**	14,083
Loans	22	**3,863**	3,841
Other non-current financial liabilities	23	**8,905**	8,716
Pensions and other post-employment benefits	24	**1,235**	677
Deferred tax liabilities	10	**664**	786
Provisions	25	**718**	724
Other non-current liabilities		**63**	74
Total non-current liabilities		**15,448**	14,818
Accounts payable		**6,795**	6,311
Other current financial liabilities	26	**2,386**	3,257
Income taxes payable		**128**	82
Provisions	25	**378**	349
Other current liabilities	27	**3,125**	2,591
Total current liabilities		**12,812**	12,590
Total equity and liabilities		**40,692**	41,490

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

Consolidated statement of changes in equity

€ million	Note	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Other reserves including retained earnings[1]	Equity attributable to common shareholders
Balance as of December 30, 2018		**12**	**13,999**	**(80)**	**(2)**	**276**	**14,205**
Net income attributable to common shareholders		—	—	—	—	1,766	1,766
Other comprehensive income (loss)		—	—	239	(1)	(58)	180
Total comprehensive income (loss) attributable to common shareholders		—	—	239	(1)	1,708	1,945
Dividends		—	—	—	—	(1,114)	(1,114)
Share buyback		—	—	—	—	(1,002)	(1,002)
Cancellation of treasury shares		(1)	(1,753)	—	—	1,753	—
Share-based payments		—	—	—	—	47	47
Other items		—	—	—	—	1	1
Balance as of December 29, 2019	21	**11**	**12,246**	**159**	**(3)**	**1,670**	**14,083**
Net income attributable to common shareholders		—	—	—	—	1,397	1,397
Other comprehensive income (loss)		—	—	(997)	1	(84)	(1,080)
Total comprehensive income (loss) attributable to common shareholders		—	—	(997)	1	1,313	316
Dividends		—	—	—	—	(1,026)	(1,026)
Share buyback		—	—	—	—	(1,001)	(1,001)
Share-based payments		—	—	—	—	61	61
Other items		—	—	—	—	(1)	(1)
Balance as of January 3, 2021	21	**11**	**12,246**	**(839)**	**(3)**	**1,016**	**12,432**

1 Other reserves include the remeasurements of defined benefit plans.

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

Consolidated statement of cash flows

€ million	Note	53 weeks ended January 3, 2021	52 weeks ended December 29, 2019
Income from continuing operations		**1,397**	1,767
Adjustments for:			
Net financial expenses	9	**485**	528
Income taxes	10	**331**	417
Share in income of joint ventures	15	**(22)**	(50)
Depreciation, amortization and impairments	8	**2,892**	2,848
(Gains) losses on leases and the sale of assets / disposal groups held for sale		**(64)**	(53)
Share-based compensation expenses	32	**59**	51
Operating cash flows before changes in operating assets and liabilities		**5,078**	5,508
Changes in working capital:			
Changes in inventories		**(89)**	(104)
Changes in receivables and other current assets		**(301)**	(107)
Changes in payables and other current liabilities		**1,319**	535
Changes in other non-current assets, other non-current liabilities and provisions		**821**	(25)
Cash generated from operations		**6,828**	5,807
Income taxes paid – net		**(486)**	(358)
Operating cash flows from continuing operations		**6,343**	5,449
Operating cash flows from discontinued operations		**—**	—
Net cash from operating activities		**6,343**	5,449
Purchase of non-current assets		**(2,659)**	(2,218)
Divestments of assets / disposal groups held for sale		**108**	144
Acquisition of businesses, net of cash acquired	28	**(4)**	(43)
Divestment of businesses, net of cash divested	28	**(3)**	(11)
Changes in short-term deposits and similar instruments		**(60)**	253
Dividends received from joint ventures	15	**16**	36
Interest received		**24**	56
Lease payments received on lease receivables		**99**	94
Other		**3**	1
Investing cash flows from continuing operations		**(2,475)**	(1,687)
Investing cash flows from discontinued operations		**—**	—
Net cash from investing activities		**(2,475)**	(1,687)
Proceeds from long-term debt	28	**507**	596
Interest paid		**(149)**	(189)
Repayments of loans	28	**(438)**	(656)
Changes in short-term loans	28	**(556)**	689
Repayment of lease liabilities	28	**(1,584)**	(1,530)
Dividends paid on common shares	21	**(1,026)**	(1,114)
Share buyback	21	**(1,001)**	(1,002)
Other cash flows from derivatives	28	**2**	(5)
Other		**(6)**	(17)
Financing cash flows from continuing operations		**(4,251)**	(3,227)
Financing cash flows from discontinued operations		**—**	—
Net cash from financing activities		**(4,251)**	(3,227)
Net cash from operating, investing and financing activities		**(383)**	535
Cash and cash equivalents at the beginning of the year (excluding restricted cash)		**3,701**	3,110
Effect of exchange rates on cash and cash equivalents		**(408)**	56
Cash and cash equivalents at the end of the year (excluding restricted cash)	28	**2,910**	3,701

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

Notes to the consolidated financial statements

1 The Company and its operations

The principal activity of Koninklijke Ahold Delhaize N.V. ("Ahold Delhaize" or the "Company" or "Group" or "Ahold Delhaize Group"), a public limited liability company with its registered seat and head office in Zaandam, the Netherlands, is the operation of retail food stores and e-commerce primarily in the United States and Europe. The Company is registered with the Dutch Trade Register under number 35000363.

On March 2, 2021, the Management Board authorized the financial statements. The Company has the ability to amend and reissue the financial statements up to the moment the financial statements have been adopted by the General Meeting of Shareholders. The financial statements, as presented in this Annual Report, are subject to adoption by the Ahold Delhaize General Meeting of Shareholders.

Ahold Delhaize's significant subsidiaries, joint ventures and associates are listed in *Note 35*.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Historical cost is used as the measurement basis unless otherwise indicated.

Ahold Delhaize's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. The financial year 2020 consisted of 53 weeks and ended on January 3, 2021. The comparative financial year 2019 consisted of 52 weeks and ended on December 29, 2019.

These consolidated financial statements are presented in millions of euros (€), unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided.

2 Basis of preparation continued

The following exchange rates of the euro (€) against the U.S. dollar ($), the Czech crown (CZK), the Romanian leu (RON) and the Serbian dinar (RSD) have been used in the preparation of these financial statements:

	2020	2019
U.S. dollar		
Average exchange rate	**0.8770**	0.8934
Year-end closing exchange rate	**0.8187**	0.8947
Czech crown		
Average exchange rate	**0.0378**	0.0390
Year-end closing exchange rate	**0.0381**	0.0393
Romanian leu		
Average exchange rate	**0.2067**	0.2108
Year-end closing exchange rate	**0.2058**	0.2090
Serbian dinar		
Average exchange rate	**0.0085**	0.0085
Year-end closing exchange rate	**0.0085**	0.0085

Significant estimates, assumptions and judgments

The preparation of financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities which, by definition, will seldom equal the actual results. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of Ahold Delhaize's current and future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Company's actual future results, performance and achievements to differ materially from those forecasted.

The following notes contain the most significant estimates and judgments:

Area	Note	Description	Judgments[1]	Estimates[2]
Revenue (gift cards and loyalty programs)	Note 7	Net sales		✓
Vendor allowances	Note 17	Inventories	✓	✓
	Note 18	Receivables		
Income taxes	Note 10	Income taxes	✓	✓
	Note 34	Commitments and contingencies		
Intangible assets	Note 4	Acquisitions	✓	✓
	Note 14	Intangible assets		
Leases and sale and leaseback transactions	Note 12	Right-of-use asset	✓	✓
	Note 33	Leases		
Impairments	Note 6	Segment reporting	✓	✓
	Note 8	Expenses by nature		
	Note 11	Property, plant and equipment		
	Note 12	Right-of-use asset		
	Note 13	Investment property		
	Note 14	Intangible assets		
Company and multi-employer pension obligations	Note 24	Pensions and other post-employment benefits		✓
Provisions and contingencies	Note 25	Provisions	✓	✓
	Note 34	Commitments and contingencies		
Reportable segments	Note 6	Segment reporting	✓	

1 In applying Ahold Delhaize's accounting policies, management makes judgments that may have a significant effect on the amounts recognized in the financial statements (i.e., current recognition).
2 Management makes assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year (i.e., future).

Information on the estimates, assumptions and judgments that management considers most critical are included in the notes as listed above.

Fair value measurements

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs are unobservable inputs for the asset or liability.

2 Basis of preparation continued

COVID-19 impact

The COVID-19 pandemic affected the Company's results, balance sheet and cash flows presented in these consolidated financial statements. The impact of the pandemic on significant accounting policies is disclosed below.

Use of estimates

The preparation of these consolidated financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities which, by definition, will seldom equal the actual results. The Company regularly updates its significant assumptions and estimates. In relation to this, COVID-19 primarily impacted the following areas.

Impairments

Cash-generating units (CGUs) to which goodwill and brand names have been allocated, as well as intangible assets under development and other intangible assets with indefinite lives, are tested for impairment annually, or more frequently when there is an indication that the CGU or an asset may be impaired. During 2020, COVID-19 and the resulting changes in the economic environment did not result in such an indication. The Company performed its annual goodwill impairment test in the fourth quarter. For all of the CGUs tested, the recoverable amounts are in excess of their carrying amounts and no impairment was recognized for goodwill or any of the other intangible asset classes mentioned above.

Pension obligations and self-insurance provision

The Company's pension and self-insurance provisions are impacted by the increased economic uncertainty and related risks. In 2020, most discount rates used to discount the pension obligations and self-insurance program decreased compared to 2019. The impact of the lower discount rates has been reflected in 2020. The self-insured provision-related claims data has been revised and includes COVID-19-related claims. The projected losses for 2020 are based on the adjusted exposure estimates. However, there is still limited experience data available and our actuarial analysis does not make any adjustments for the impact of COVID-19, either from a claims standpoint or its effect on economic and legal activity, except for the reported COVID-19 claims. The levels of uncertainty and underlying volatility in the potential future outcome increase as a result of COVID-19.

Income taxes

COVID-19 and the resulting changes in the economic environment did not affect whether deferred tax assets are realizable and, therefore, recognized in the balance sheet.

Impairment testing financial assets

The Company measures the loss allowance at an amount equal to the lifetime expected credit losses for trade receivables, contract assets and lease receivables. An updated assessment of the lifetime expected credit losses was made based on reasonable and supportable information. The overall COVID-19 impact, mainly on the lease receivables, was not material.

Fair value measurements

Of the Company's categories of financial instruments, only derivatives, investment in debt instruments and reinsurance assets (liabilities) are measured and recognized on the balance sheet at fair value.

These fair value measurements are categorized within Level 2 of the fair value hierarchy. The increased volatility and uncertainty in the financial markets did not materially impact the fair values of these financial assets.

3 General accounting policies

Where necessary, accounting policies relating to financial statement captions are included in the relevant notes to the consolidated financial statements. These are presented in a paragraph titled *accounting policies* at the bottom of each note. The accounting policies outlined in this note are applied throughout the financial statements.

Consolidation

The consolidated financial statements incorporate the financial figures of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intra-group transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Non-controlling interests are recorded, as appropriate, on the consolidated balance sheet, in the consolidated income statement, and in the consolidated statement of comprehensive income for the non-controlling shareholders' share in the net assets and the income or loss of subsidiaries. Non-controlling shareholders' interest in an acquired subsidiary is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Ahold Delhaize does not have subsidiaries with non-controlling interests that are material to the Group.

Foreign currency translation

The financial statements of subsidiaries, joint ventures and associates are prepared in their functional currencies, which are determined based on the primary economic environment in which they operate. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each balance sheet date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates. Exchange differences arising on the settlement and translation of monetary items are included in net income for the period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are considered as assets and liabilities denominated in the functional currency of the foreign entity.

Upon consolidation, the assets and liabilities of subsidiaries with a functional currency other than the euro are translated into euros using the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the respective periods. Exchange rate differences arising during consolidation and on the translation of investments in subsidiaries are included in other comprehensive income and in equity, in the currency translation reserve. Intercompany loans to and from foreign entities for which settlement is neither planned nor likely to occur in the foreseeable future are considered to increase or decrease the net investment in that foreign entity; therefore the exchange rate differences relating to these loans are also included in other comprehensive income and in equity, in the currency translation reserve.

On the disposal of a foreign operation resulting in loss of control, loss of joint control or loss of significant influence, the related cumulative exchange rate difference that was included in equity is transferred to the consolidated income statement.

3 General accounting policies continued

Financial alternative performance measures
In presenting and discussing Ahold Delhaize's operating results, management uses certain financial alternative performance measures not defined by IFRS (*Note 6*). These financial alternative performance measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Financial alternative performance measures do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Where a non-financial measure is used to calculate an operational or statistical ratio, this is also considered an alternative performance measure. For the definitions of the financial alternative performance measures, see *Definitions: performance measures.*

New accounting policies effective for 2020
On May 28, 2020, the International Accounting Standards Board (IASB) issued an amendment to IFRS 16, "Leases" to make it easier for lessees to account for COVID-19-related rent concessions, such as rent holidays and temporary rent reductions. The amendment is effective June 1, 2020, but to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements – interim or annual – not yet authorized for issue. Ahold Delhaize did not apply the optional exemption and accounted for rent concessions in accordance with IFRS 16.

In addition, the following amendments and revisions to existing standards became effective for Ahold Delhaize's consolidated financial statements as of December 30, 2019:

- Definition of a Business (amendments to IFRS 3, "Business Combinations")
- Definition of Material (amendments to IAS 1, "Presentation of Financial Statements" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors")
- Interest Rate Benchmark Reform (amendments to IFRS 9, "Financial Instruments," IAS 39, "Financial instruments: Recognition and Measurement" and IFRS 7, "Financial Instruments: Disclosures")

These amendments have no impact on the Company's consolidated financial statements, except for the amendments to IFRS 3, which could result in more future acquisitions being accounted for as asset acquisitions.

New accounting policies not yet effective for 2020
The IASB issued several standards, or revisions to standards, that are not yet effective for 2020, but will become effective in coming years.

IFRS 17, "Insurance Contracts"
IFRS 17 replaces IFRS 4, "Insurance Contracts." It requires a current measurement model where estimates are remeasured each reporting period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. IFRS 17 is effective for annual periods beginning on or after January 1, 2023. The Company has yet to assess the standard's full impact.

Amendments to IAS 1, "Liabilities as Current or Non-current"
In January 2020, the IASB issued amendments to IAS 1, to clarify its requirements for the presentation of liabilities in the statement of financial position. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"
In May 2020, the IASB issued amendments to IAS 16. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

Amendments to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract"
In May 2020, the IASB issued amendments to IAS 37. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

Amendments to IFRS 3, "Reference to Conceptual Framework"
In May 2020, the IASB issued amendments to IFRS 3 Business Combinations. The amendments updated a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company does not anticipate that the application of these amendments will have an effect on the future consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform – Phase 2"
In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative requirement. The amendments are effective for annual periods beginning on or after January 1, 2021. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

Annual improvements cycle 2018-2020
A number of amendments were made to various IFRSs (IFRS 1, 9, 16 and IAS 41) that do not have a significant effect on the consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2022.

There are no other IFRSs that have been issued but are not yet effective that are expected to have a material effect on the future consolidated financial statements.

4 Acquisitions

Ahold Delhaize completed various store acquisitions in Europe for a total purchase consideration of €5 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisitions during 2020 is as follows:

€ million	2020
Property, plant and equipment	1
Right-of-use asset	2
Cash and cash equivalents	1
Other current assets	1
Loans	(1)
Lease liabilities	(1)
Current liabilities	(3)
Net identifiable assets acquired	—
Goodwill	5
Total purchase consideration	5
Cash acquired	(1)
Acquisition of businesses, net of cash	**4**

Goodwill is attributable to the profitability of the acquired businesses and the synergies that are expected to result. The goodwill resulting from the acquisitions is not deductible for tax purposes.

On June 10, 2020, Stop & Shop and King Kullen announced that they have terminated their agreement, through which Stop & Shop was to acquire King Kullen. A joint and amicable decision was made not to proceed with the acquisition because of significant, unforeseen changes in the marketplace that have emerged since the agreement was signed in December 2018.

Acquisitions subsequent to balance sheet date

On November 18, 2020, Ahold Delhaize and Centerbridge Partners announced they entered into a definitive agreement to acquire FreshDirect, an online grocer based in New York City. The transaction was closed on January 5, 2021.

On June 3, 2020, Ahold Delhaize announced that Food Lion had agreed to purchase 62 BI-LO and Harveys Supermarkets and a distribution center from Southeastern Grocers. The closing of the acquisition of stores will take place over a staggered period from January to April 2021. The closing date for the distribution center will be no later than four weeks following the last store closing or May 1, 2021.

For more information on these acquisitions, see *Note 36*.

Accounting estimates and judgments

Intangible assets acquired in a business acquisition are stated at fair value, as determined at the date of the acquisition. To determine the fair value at the acquisition date, estimates and assumptions are required. The valuation of the identifiable intangible assets involve estimates of expected sales, earnings and/or future cash flows and require use of key assumptions such as discount rate, royalty rate and growth rates.

Accounting policies

The Company accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. Transaction costs are expensed as incurred. Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

5 Assets and liabilities held for sale and discontinued operations

Assets and liabilities held for sale

€ million	January 3, 2021	December 29, 2019
Non-current assets and disposal groups held for sale	19	67
Total assets held for sale	**19**	**67**

Assets held for sale at January 3, 2021, is comprised primarily of non-current assets of retail locations in The United States of nil (December 29, 2019: €5 million) and in Europe of €19 million (December 29, 2019: €62 million).

Discontinued operations

€ million	2020	2019
Operating results from discontinued operations	—	—
Results on divestments[1]	—	(1)
Income (loss) from discontinued operations, net of income taxes	—	(1)

1 Includes adjustments to the results on various discontinued operations and past divestments.

Accounting policies

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount or the fair value less costs of disposal. Depreciation or amortization of an asset ceases when it is classified as held for sale. Equity accounting ceases for an investment in a joint venture or associate when it is classified as held for sale; instead, dividends received are recognized in the consolidated income statement.

5 Assets and liabilities held for sale and discontinued operations continued

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Results from discontinued operations that are clearly identifiable as part of the component disposed of and that will not be recognized subsequent to the disposal are presented separately as a single amount in the consolidated income statement. Results and cash flows from discontinued operations are reclassified for prior periods presented in the financial statements so that the results and cash flows from discontinued operations relate to all operations that have been discontinued as of the balance sheet date for the latest period presented.

6 Segment reporting

Reportable segments

Ahold Delhaize's retail operations are presented in two reportable segments. In addition, Other retail, consisting of Ahold Delhaize's unconsolidated joint ventures JMR – Gestão de Empresas de Retalho, SGPS, S.A. ("JMR") and P.T. Lion Super Indo ("Super Indo"), as well as Ahold Delhaize's Global Support Office, is presented separately.

In 2020, we combined the previous reportable segments, The Netherlands, Belgium and Central and Southeastern Europe, into one reportable segment, Europe, and the 2019 comparable figures have been combined accordingly. The European operating segments essentially have similar trend developments, products, distribution and economic characteristics. The decision to aggregate these operating segments into one reportable operating segment is based on these common characteristics as well as geography, macro-economic environment and management oversight. The key economic characteristics, including gross margin, operating margin, EBIT(DA) and (comparable) sales growth, were assessed together to determine economic similarity in the European operating segments.

All reportable segments sell a wide range of perishable and non-perishable food and non-food consumer products.

Reportable segment	Operating segments included in the Reportable segment
The United States	Stop & Shop, Food Lion, The GIANT Company, Hannaford, Giant Food and Peapod[1]
Europe	Albert Heijn (including the Netherlands and Belgium) Delhaize ("Delhaize Le Lion" including Belgium and Luxembourg) bol.com (including the Netherlands and Belgium) Albert (Czech Republic) Alfa Beta (Greece) Mega Image (Romania) Delhaize Serbia (Republic of Serbia) Etos (the Netherlands) Gall & Gall (the Netherlands)

Other	Included in Other
Other retail	Unconsolidated joint ventures JMR (49%) and Super Indo (51%)
Global Support Office	Global Support Office staff (the Netherlands, Belgium, Switzerland and the United States)

1 On February 18, 2020, Ahold Delhaize USA closed the Midwest division of its Peapod online grocery sales business.

Segment reporting 2020

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	45,470	29,266	—	74,736
Of which: online sales	1,968	3,579	—	5,547
Operating income (loss)	1,006	1,380	(195)	2,191
Adjusted for:				
Impairment losses and reversals – net[1]	27	21	—	48
(Gains) losses on leases and the sale of assets – net	(20)	(37)	—	(57)
Restructuring and related charges and other items[2]	1,454	(39)	(2)	1,413
Underlying operating income (loss)	2,466	1,325	(197)	3,594
Other segment information				
Additions to non-current assets[3]	2,621	1,810	25	4,456
Depreciation and amortization[4]	1,694	1,141	9	2,844
Share-based compensation expenses	31	16	12	59

1 Net impairments of property, plant and equipment, investment property, right-of-use assets, intangible assets, and assets held for sale (€2 million).
2 Restructuring and related charges mainly relate to one-off items in the United States for the pension settlement for FELRA and MAP and the pension withdrawals from the National Plan and the 1500 Plan. See *Note 24*.
3 Additions to property, plant and equipment, right-of-use assets, investment property, and intangible assets (including assets acquired through business combinations as well as net reassessments and modifications of right-of-use assets).
4 Depreciation and amortization of property, plant and equipment, right-of-use assets, investment property, and intangible assets.

6 Segment reporting continued

Segment reporting 2019

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	40,066	26,194	—	66,260
Of which: online sales	985	2,508	—	3,493
Operating income (loss)	1,668	1,140	(146)	2,662
Adjusted for:				
Impairment losses and reversals – net[1]	67	22	—	89
(Gains) losses on leases and the sale of assets – net	(39)	(9)	(4)	(53)
Restructuring and related charges and other items	16	52	10	78
Underlying operating income (loss)	1,712	1,205	(140)	2,777
Other segment information				
Additions to non-current assets[2]	2,080	1,488	36	3,604
Depreciation and amortization[3]	1,671	1,066	21	2,758
Share-based compensation expenses	29	10	12	51

1 Net impairments of property, plant and equipment, investment property, right-of-use assets, and intangible assets.
2 Additions to property, plant and equipment, right-of-use assets, investment property, and intangible assets (including assets acquired through business combinations as well as net reassessments and modifications of right-of-use assets).
3 Depreciation and amortization of property, plant and equipment, right-of-use assets, investment property, and intangible assets.

Information about geographical areas

€ million	The Netherlands (country of domicile)	The United States	Rest of world	Ahold Delhaize Group
2020				
Net sales[1]	**15,718**	**45,470**	**13,547**	**74,736**
Non-current assets[2]	**5,476**	**18,154**	**6,826**	**30,456**
2019				
Net sales[1]	13,872	40,066	12,322	66,260
Non-current assets[2]	5,137	18,958	6,674	30,770

1 Net sales are presented based on country of destination.
2 Non-current assets include property, plant and equipment, right-of-use assets, investment property and intangible assets.

Additional segment information

Segment results do not include significant non-cash items other than depreciation, amortization, reassessments, modifications and additions of right-of-use assets, impairment losses and reversals and share-based compensation expenses.

Segment information joint ventures – Other retail (JMR and Super Indo)

The information with respect to JMR and Super Indo is presented in *Note 15*.

Accounting estimates and judgments

Reportable segments

In the decision to combine the European reporting segments into one reporting segment, management has applied judgment in determining the key economic characteristics to be assessed for similarities.

Impairments

For more information on the accounting estimates and judgment policies for impairments, see *Note 11* and *Note 14*.

Accounting policies

The accounting policies used for the segments are the same as the accounting policies used for the consolidated financial statements. Ahold Delhaize's operating segments are its retail operating companies that engage in business activities from which they earn revenues and incur expenses, and whose operating results are regularly reviewed by the Executive Committee to make decisions about resources to be allocated to the segments and to assess their performance. In establishing the reportable segments, certain operating segments with similar economic characteristics have been aggregated. As Ahold Delhaize's operating segments offer similar products using complementary business models, and there is no discernible difference in customer bases, Ahold Delhaize's policy on aggregating its operating segments into reportable segments is based on geography, macro-economic environment and management oversight.

The segments' performance is evaluated against several measures, of which operating income and underlying operating income are the most important. Underlying operating income is regularly reviewed by the Executive Committee and is defined as total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance. Ahold Delhaize's management believes this measure provides better insight into the underlying operating performance of the Company's operations. This alternative performance measure should be considered in addition to, but not as substitute for, operating income. Intersegment sales are executed under normal commercial terms and conditions that would also be available to unrelated third parties.

7 Net sales

€ million	2020	2019
Sales from owned stores[1]	**62,392**	56,733
Sales to and fees from franchisees and affiliates	**6,566**	5,837
Online sales	**5,547**	3,493
Wholesale sales	**230**	197
Net sales	**74,736**	66,260

1 Miscellaneous store income was reported separately in previous years as Other sales, but is now presented under Sales from owned stores. Miscellaneous store income represents less than 0.5% of total net sales and is similar in nature to Sales from owned stores.

Sales by segment for 2020 are as follows:

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	**43,324**	**19,069**	**62,392**
Sales to and fees from franchisees and affiliates	**—**	**6,566**	**6,566**
Online sales	**1,968**	**3,579**	**5,547**
Wholesale sales	**179**	**52**	**230**
Net sales	**45,470**	**29,266**	**74,736**

Sales by segment for 2019 are as follows:

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	38,931	17,801	56,733
Sales to and fees from franchisees and affiliates	—	5,837	5,837
Online sales	985	2,508	3,493
Wholesale sales	149	48	197
Net sales	40,066	26,194	66,260

Net sales by product category are as follows:

Percentage of net sales	2020	2019
Food: perishable	**45.3%**	45.3%
Food: non-perishable	**38.6%**	37.8%
Non-food	**12.4%**	12.4%
Pharmacy	**2.8%**	3.2%
Gasoline	**0.9%**	1.4%
Net sales	**100.0%**	100.0%

Accounting estimates and judgments

The recognition of revenue requires estimates regarding the timing of redemption of gift cards and future discounts under bonus and loyalty programs. Consideration received from the customer upon activation of a gift card is deferred until redemption, or until the card expires, at which time the liability is recognized as revenue. The Company estimates any gift card non-redemptions and recognizes such breakage on a proportionate basis as redemptions occur.

Accounting policies

Ahold Delhaize generates and recognizes net sales to retail customers as it satisfies its performance obligation at the point of sale in its stores and upon delivery of goods through its online channel. The Company also generates revenues from the sale of products to retail franchisees and affiliates that are recognized upon delivery. Ahold Delhaize recognizes fees to franchisees and affiliates as revenue as services are performed or the granted rights are used. Revenue from the sale of gift cards and gift certificates is recognized when the gift card or gift certificate is redeemed by the retail customer. Future discounts earned by customers in connection with bonus or loyalty cards and other Company-sponsored programs are deferred on the balance sheet at the time of the sale and subsequently recognized in the income statement when redeemed. When the Company expects that gift cards and future discounts under bonus and loyalty programs will not be redeemed, the breakage that is able to be estimated is recognized proportionately as revenue at the time that the Company's performance obligations are satisfied (e.g., as customers redeem their award credits or purchase goods using gift cards or vouchers).

7 Net sales continued

Accounting policies continued

Ahold Delhaize's sales activities do not result in the Company having a material amount of unperformed obligations and, therefore, no contract assets are recognized separately from receivables. The Company does enter into transactions with customers where contract liabilities result from consideration being received from the customer prior to the Company satisfying its performance obligations. These contract liabilities are presented on the balance sheet and in the notes as deferred income and gift card liabilities; see Note 27.

Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased, excluding sales taxes and value-added taxes. However, for certain products or services, such as sales through bol.com's seller platform and the sale of lottery tickets, third-party prepaid phone cards, stamps and public transportation tickets, Ahold Delhaize acts as an agent and, consequently, records the amount of commission income in its net sales. Net sales also reflects the value of products sold to customers for which the Company anticipates returns from customers, when such returns are considered to be material. Currently, customer returns are only considered material with regards to Ahold Delhaize's online general merchandise sales. Past customer return practices provide the basis for determining the anticipated returns that the Company is exposed to at the balance sheet date.

8 Expenses by nature

The aggregate of cost of sales and operating expenses is specified by nature as follows:

€ million	2020	2019
Cost of product	**51,453**	46,014
Labor costs[1]	**12,341**	9,665
Other operational expenses	**6,019**	5,244
Depreciation and amortization	**2,844**	2,758
Rent expenses	**59**	66
Rent income	**(162)**	(187)
Impairment losses and reversals – net	**48**	89
(Gains) losses on leases and the sale of assets – net	**(57)**	(53)
Total expenses by nature	**72,545**	63,598

1 Labor costs include €1,418 million charges related to the FELRA and MAP settlement agreement and the National Plan and 1500 Plan withdrawals, partly offset by a €107 million gain related to a change in the Dutch pension plan rules. For more information on the pension and other-post employment benefit expenses, see Note 24.

For more information on rent expenses and rent income, see Note 33.

Accounting estimates and judgments

Vendor allowances

When vendor allowances cannot be specifically identified in the purchase price of products, this requires management to apply judgments and estimates, mainly surrounding the timing of when performance obligations have been fulfilled, the volume of purchases that will be made during a period of time, the product remaining in ending inventory, and the probability that funds can be collected from vendors. Using these judgments and estimates, management's practice is to allocate earned vendor allowances between cost of sales and inventory based upon the amount of related product that was sold and the amount that remains in ending inventories. This practice is based upon the turnover of the inventories.

Impairments

For more information on the accounting estimates and judgments policies for impairments, see Note 11 and Note 14.

Accounting policies

Cost of sales

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to the location and condition ready for sale. These costs include costs of purchasing; storing; rent; depreciation of property, plant and equipment and right-of-use assets; salaries; and transporting products to the extent that it relates to bringing the inventories to the location and condition ready for sale.

Vendor allowances

Ahold Delhaize receives various types of vendor allowances. The most common allowances vendors offer are (i) volume allowances, which are off-invoice or amounts billed back to vendors based on the quantity of products sold to customers or purchased from the vendor and (ii) promotional allowances, which relate to cooperative advertising and market development efforts. Volume allowances are recognized as a reduction of the cost of the related products as they are sold. Promotional allowances are recognized as a reduction of the cost of the related products when the Company has performed the activities specified in the contract with the vendor. If the contract does not specify any performance criteria, the allowance is recognized over the term of the contract.

Vendor allowances are generally deducted from cost of sales, unless there is clear evidence that they should be classified as revenue resulting from the Company providing a distinct good or service to the vendor. Ahold Delhaize recognizes vendor allowances only where there is evidence of a binding arrangement with the vendor, the amount can be estimated reliably and receipt is probable.

8 Expenses by nature continued

Accounting policies continued

Selling expenses
Selling expenses relate to our store and online operations and consist of employees' salaries and wages, store expenses, depreciation related to owned and leased stores, advertising costs and other selling expenses. Other revenue derived from operational activities that does not qualify as net sales to retail customers is included as an offset to selling expenses.

General and administrative expenses
General and administrative expenses consist of support office employees' salaries and wages, rent and depreciation of support offices, impairment losses and reversals, gains and losses on the sale of non-current assets and disposal groups held for sale, restructuring costs, and other general and administrative expenses. Revenue from contracts that do not qualify as net sales to retail customers from operational activities is included as an offset to general and administrative expenses.

9 Net financial expenses

€ million	2020	2019
Interest income	35	65
Interest expense	(138)	(175)
Net interest expense on defined benefit pension plans	(16)	(18)
Interest accretion to lease liability	(357)	(366)
Gains (losses) on foreign exchange	(5)	4
Fair value gains (losses) on financial instruments	12	4
Other gains (losses)	(16)	(43)
Other financial income (expense)	(9)	(35)
Net financial expenses	**(485)**	(528)

Interest income primarily relates to interest earned on cash and cash equivalents, short-term cash deposits and similar instruments.

Interest expense primarily relates to financial liabilities (which include notes and financing obligations), interest accretions to provisions, and amortization of the purchase price allocation on the debt brought in through acquisitions.

Net interest expense on defined benefit pension plans is related to the Company's pension plans being in a net liability position over 2020 and 2019.

For more information on leases and the interest accretion thereon, see *Note 33*.

Other gains (losses) mainly include a loss on the remeasurement of financing obligations in the amount of €16 million. In 2019, Other gains (losses) included the transaction results from the redemption of the cumulative preferred shares, which resulted in a one-off cost of €22 million and a cancellation of mortgages payable in the Czech Republic, which resulted in a one-off cost of €13 million.

Foreign exchange results arising from the purchase of goods for sale or goods and services consumed in Ahold Delhaize's operations are included in cost of sales or in the appropriate element of operating expenses, respectively. In 2020, the Company recorded a net exchange gain of €2 million in operating income (2019: loss nil).

10 Income taxes

Income taxes on continuing operations

The following table specifies the current and deferred tax components of income taxes on continuing operations in the income statement:

€ million	2020	2019
Current income taxes		
Domestic taxes (the Netherlands)	**(131)**	(132)
Foreign taxes		
United States	**(276)**	(146)
Europe – Other	**(119)**	(68)
Total current tax expense	**(525)**	(345)
Deferred income taxes		
Domestic taxes (the Netherlands)	**(73)**	(20)
Foreign taxes		
United States	**204**	(47)
Europe – Other	**63**	(5)
Total deferred tax expense	**194**	(72)
Total income taxes on continuing operations	**(331)**	(417)

Effective income tax rate on continuing operations

Ahold Delhaize's effective tax rate in its consolidated income statement differed from the Netherlands' statutory income tax rate of 25.0%. The following table reconciles the statutory income tax rate with the effective income tax rate in the consolidated income statement:

	2020	
	€ million	Tax rate
Income before income taxes	**1,706**	
Income tax expense at statutory tax rate	**(427)**	**25.0%**
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	**55**	**(3.2)%**
Deferred tax income (expense) related to recognition of deferred tax assets – net	**42**	**(2.5)%**
Non-taxable income (expense)	**15**	**(0.9)%**
Other	**(16)**	**0.9%**
Total income taxes	**(331)**	**19.4%**

	2019	
	€ million	Tax rate
Income before income taxes	2,134	
Income tax expense at statutory tax rate	(534)	25.0%
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	63	(3.0)%
Deferred tax income (expense) related to recognition of deferred tax assets – net	15	(0.7)%
Non-taxable income (expense)	(6)	0.3%
Other	50	(2.3)%
Subtotal income taxes[1]	(412)	19.3%
Tax rate changes as a result of local tax reforms	(5)	0.2%
Total income taxes	(417)	19.6%

1 Excluding the impact of tax rate changes due to local tax reforms.

The rate differential indicates the effect of Ahold Delhaize's taxable income being generated and taxed in jurisdictions where tax rates differ from the statutory tax rate in the Netherlands. In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) tax deductible expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans as explained in *Note 24*. These incremental pension liabilities reduced our U.S. earnings before tax significantly, impacting the rate differential. If we were to exclude these incremental pension liabilities, our reported effective tax rate would increase from 19.4% to 23.0% on a pro forma basis.

Other includes discrete items and one-time transactions. For 2020, it includes a net tax expense of €34 million related to the movement of uncertain tax positions in several jurisdictions. For 2019, it includes €26 million tax income related to releases of uncertain tax positions in several jurisdictions for which tax audits were finalized or the statute of limitations expired.

Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to nil in 2020 (2019: nil).

10 Income taxes continued

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 3, 2021, and December 29, 2019, are as follows:

€ million	December 30, 2018	Recognized in income statement	Other	December 29, 2019	**Recognized in income statement**	**Other**	**January 3, 2021**
Leases and financings	453	(23)	8	439	**(12)**	**(35)**	**393**
Pensions and other (post-)employment benefits	237	29	22	288	**193**	**2**	**482**
Provisions	93	(9)	5	89	**17**	**(20)**	**86**
Derivatives	—	—	(1)	—	**—**	**—**	**—**
Interest	88	—	2	90	**(35)**	**(3)**	**51**
Other	71	(2)	(50)	19	**57**	**8**	**84**
Total gross deductible temporary differences	942	(5)	(14)	925	**219**	**(49)**	**1,095**
Unrecognized deductible temporary differences	(54)	(2)	(1)	(57)	**52**	**3**	**(2)**
Total recognized deductible temporary differences	888	(7)	(15)	868	**271**	**(46)**	**1,093**
Tax losses and tax credits	490	(80)	4	414	**(44)**	**(12)**	**358**
Unrecognized tax losses and tax credits	(294)	42	—	(253)	**6**	**5**	**(241)**
Total recognized tax losses and tax credits	196	(39)	4	161	**(38)**	**(7)**	**116**
Total net deferred tax asset position	1,084	(46)	(11)	1,029	**232**	**(53)**	**1,209**
Property, plant and equipment and intangible assets	(1,418)	42	(23)	(1,398)	**(36)**	**69**	**(1,365)**
Inventories	(170)	(10)	(4)	(184)	**(3)**	**16**	**(170)**
Other	(12)	(58)	51	(19)	**—**	**4**	**(15)**
Total deferred tax liabilities	(1,600)	(26)	24	(1,601)	**(38)**	**89**	**(1,550)**
Net deferred tax assets (liabilities)	(516)	(72)	13	(573)	**194**	**36**	**(341)**

The column Other in the table above includes amounts recorded in equity, divestments and exchange rate differences, as well as reclassifications between deferred tax components and the application of tax losses and tax credits against current year income tax payables.

Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. The deferred tax assets and liabilities are presented as non-current assets and liabilities on the balance sheet as follows:

€ million	**January 3, 2021**	December 29, 2019
Deferred tax assets	**323**	213
Deferred tax liabilities	**(664)**	(786)
Net deferred tax liabilities	**(341)**	(573)

10 Income taxes continued

As of January 3, 2021, Ahold Delhaize had operating and capital loss carryforwards of a total nominal amount of €2,314 million, mainly expiring between 2021 and 2035 (December 29, 2019: €2,805 million). The following table specifies the years in which Ahold Delhaize's operating and capital loss carryforwards and tax credits are scheduled to expire:

€ million	2021	2022	2023	2024	2025	2026–2030	2031–2035	After 2035	Does not expire	Total
Operating and capital losses (nominal value)	11	2	39	152	89	516	443	55	1,007	**2,314**
Operating and capital losses (tax value)	1	—	2	9	6	33	27	3	264	**345**
Tax credits	2	1	2	1	1	—	—	—	5	**12**
Tax losses and tax credits	2	1	4	11	7	33	27	3	269	**358**
Unrecognized tax losses and tax credits	(2)	(1)	(1)	(2)	(1)	(5)	(4)	—	(225)	**(241)**
Total recognized tax losses and tax credits	—	—	3	9	7	28	22	3	44	**116**

The majority of the above-mentioned deferred tax assets relate to tax jurisdictions in which Ahold Delhaize has suffered a tax loss in the current or a preceding period. Operating and capital loss carryforwards related to one jurisdiction may not be used to offset income taxes in other jurisdictions. Of the loss carryforwards, €1,301 million relates to U.S. state taxes, for which a weighted average tax rate of 6.1% applies.

No deferred income taxes are recognized on undistributed earnings of Ahold Delhaize's subsidiaries and joint ventures, as the undistributed earnings will not be distributed in the foreseeable future. The cumulative amount of undistributed earnings on which the Group has not recognized deferred income taxes was approximately €124 million at January 3, 2021 (December 29, 2019: €114 million).

Income taxes in equity and comprehensive income

Current and deferred income taxes recognized in and transferred from equity and comprehensive income are as follows:

€ million	2020	2019
Remeasurement of defined benefit pension plans	**25**	18
Currency translation differences on loans	**1**	(2)
Cash flow hedges	**—**	1
Share-based compensation	**2**	3
Total	**29**	20

Income taxes paid

The following table specifies the income taxes paid per country:

€ million	2020	2019
The United States	**(260)**	(138)
The Netherlands	**(140)**	(124)
Belgium	**(17)**	(4)
Greece	**(6)**	(14)
Czech Republic	**(1)**	(3)
Serbia	**(5)**	(10)
Romania	**(14)**	(6)
Other Europe	**(43)**	(59)
Total income taxes paid	**(486)**	(358)

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

10 Income taxes continued

Accounting estimates and judgments

The ultimate tax effects of transactions may be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax positions. The Company recognizes liabilities for uncertain tax positions when it is probable that additional tax will be due or recognizes assets for uncertain tax positions when it is probable that the benefit will flow to the Company and the benefit can be reliably measured. Probability is estimated using the Company's interpretation of legislation and relevant case law and the Company assumes that the taxation authorities have full knowledge of all facts and circumstances.

Management is required to make significant judgment in determining whether deferred tax assets are realizable. The Company determines this on the basis of expected taxable profits arising from the reversal of recognized deferred tax liabilities and on the basis of budgets, cash flow forecasts and impairment models. The Company assesses and weighs all positive and negative evidence to support this determination. Where utilization is not considered probable, deferred tax assets are not recognized in the balance sheet.

Accounting policies

Income tax expense represents the sum of current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current tax expense is based on the best estimate of taxable income for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date and adjustments for current taxes payable (receivable) for prior years. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax basis used in the computation of taxable income. Deferred tax assets and liabilities are generally recognized for all temporary differences. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets, including deferred tax assets for tax loss carryforward positions and tax credit carryforward positions, are recognized to the extent that it is probable that future taxable income will be available against which temporary differences, unused tax losses or unused tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are not discounted. Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to income taxes levied by the same fiscal authority. Current income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset and when the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The ultimate tax effects of some transactions can be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax positions. The Company recognizes liabilities for uncertain tax positions when it is probable that additional taxes will be due or recognizes assets for uncertain tax positions when it is probable that the benefit will flow to the Company and the benefit can be reliably measured. To measure the liability for the uncertain tax position, management determines whether uncertainties need to be considered separately or together based on which approach better predicts the resolution of the uncertainty. The Company also recognizes the liability for either the most likely amount or the expected value (probability weighted average), depending on which method it expects to better predict the resolution.

These liabilities are presented as current income taxes payable, except in jurisdictions where prior tax losses are being carried forward to be used to offset future taxes that will be due; in these instances, the liabilities are presented as a reduction of deferred tax assets. Interest accrued on uncertain tax positions is considered to be a financial expense of the Company. Any other adjustments to uncertain tax position liabilities are recognized within income tax expense.

11 Property, plant and equipment

€ million	Buildings and land	Other	Under construction	Total
As of December 30, 2018				
At cost	11,663	8,024	494	20,181
Accumulated depreciation and impairment losses	(5,071)	(5,064)	—	(10,135)
Carrying amount	**6,592**	**2,960**	**494**	**10,046**
Year ended December 29, 2019				
Additions	267	533	1,073	1,873
Transfers from under construction	569	566	(1,135)	—
Acquisitions through business combinations	5	2	1	8
Depreciation	(613)	(782)	—	(1,396)
Impairment losses	(38)	(30)	—	(68)
Impairment reversals	3	1	—	5
Assets classified (to) from held for sale or sold	(75)	(8)	(3)	(86)
Other movements	(5)	—	(4)	(9)
Exchange rate differences	94	47	3	144
Closing carrying amount	**6,801**	**3,289**	**429**	**10,519**
As of December 29, 2019				
At cost	12,476	8,941	429	21,846
Accumulated depreciation and impairment losses	(5,675)	(5,653)	—	(11,327)
Carrying amount	**6,801**	**3,289**	**429**	**10,519**
Year ended January 3, 2021				
Additions	488	708	1,060	2,256
Transfers from under construction	523	460	(983)	—
Acquisitions through business combinations	—	1	—	1
Depreciation	(607)	(827)	(1)	(1,435)
Impairment losses	(25)	(12)	—	(37)
Impairment reversals	2	—	—	2
Assets classified (to) from held for sale or sold	(20)	(5)	(1)	(26)
Other movements	—	5	1	6
Exchange rate differences	(379)	(187)	(22)	(588)
Closing carrying amount	**6,783**	**3,431**	**483**	**10,696**
As of January 3, 2021				
At cost	12,289	8,913	483	21,685
Accumulated depreciation and impairment losses	(5,506)	(5,482)	—	(10,989)
Carrying amount	**6,783**	**3,431**	**483**	**10,696**

Buildings and land includes stores, distribution centers, warehouses and improvements to these assets. Other property, plant and equipment mainly consists of furnishings, machinery and equipment, trucks, trailers and other vehicles. Assets under construction mainly consists of stores and improvements to stores and furnishings, machinery and equipment.

The higher of the value in use or fair value less cost of disposal represents an asset's recoverable amount. The value-in-use method involves estimating future cash flows. The present value of estimated future cash flows has been calculated using pre-tax discount rates ranging between 6.0% and 12.2% (2019: 5.8%-12.8%). Fair value represents the price that would be received to sell an asset in an orderly transaction between market participants and is generally measured by using an income approach or a market approach. The income approach is generally applied by using discounted cash flow projections based on the assets' highest and best use from a market participants' perspective. The market approach requires the comparison of the subject assets to transactions involving comparable assets by using inputs such as bid or ask prices or market multiples.

In 2020, Ahold Delhaize recognized net impairment losses of €35 million for property, plant and equipment (2019: €63 million). These were related to The United States (2020: €19 million, 2019: €46 million) and Europe (2020: €16 million, 2019: €17 million) and were recognized mainly for underperforming and closed stores.

The additions to property, plant and equipment include capitalized borrowing costs of €6 million (2019: €3 million). Generally, the capitalization rate used to determine the amount of capitalized borrowing costs is a weighted average of the interest rate applicable to the respective operating companies. This rate ranged between 2.5% and 7.1% (2019: 2.2%-7.6%).

Other movements mainly includes transfers between asset classes and transfers to investment property.

The carrying amount of buildings and land includes amounts related to assets held under financings of €113 million (December 29, 2019: €138 million). Ahold Delhaize does not have legal title to these assets.

Company-owned property, plant and equipment with a carrying amount of €96 million (December 29, 2019: €103 million) has been pledged as security for liabilities, mainly for loans.

Accounting estimates and judgments

Judgments are required, not only to determine whether there is an indication that an asset may be impaired, but also whether indications exist that impairment losses previously recognized may no longer exist or may have decreased (impairment reversal). After indications of impairment have been identified, estimates and assumptions are used in the determination of the recoverable amount of a non-current asset. These involve estimates of expected future cash flows (based on future growth rates and remaining useful life) and residual value assumptions, as well as discount rates to calculate the present value of the future cash flows.

11 Property, plant and equipment continued

Accounting policies

Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and borrowing costs incurred during construction. Where applicable, estimated asset retirement costs are added to the cost of an asset. Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately.

The ranges of estimated useful lives of property, plant and equipment are:

Land	indefinite
Buildings	30–40 years
Certain structural components of buildings	10–20 years
Finish components of buildings	5–10 years
Machinery and equipment	3–15 years
Other	5–10 years

The useful lives, depreciation method and residual value are reviewed at each balance sheet date and adjusted, if appropriate.

Depreciation of leasehold improvements is calculated on a straight-line basis over either the lease term (including renewal periods when renewal is reasonably assured) or the estimated useful life of the asset, whichever is shorter.

Impairment of non-current assets other than goodwill
Ahold Delhaize assesses on a quarterly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which it belongs. Individual stores are considered separate CGUs for impairment testing purposes. The carrying value of the store includes mainly its property, plant and equipment and right-of-use assets (if held under a lease arrangement).

The recoverable amount is the higher of an asset's fair value less costs of disposal or the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimated future cash flows exclude lease payments if the cash-generating unit is held under a lease arrangement, but include a replacement capex if needed to maintain the ongoing operation during the forecast period.

An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

In subsequent years, Ahold Delhaize assesses whether indications exist that impairment losses previously recognized for non-current assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognized in operating income as an impairment reversal. An impairment reversal is recognized only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred.

12 Right-of-use asset

€ million	Buildings and land	Other	Total
Carrying amount as of December 30, 2018	**6,927**	**100**	**7,027**
Year ended December 29, 2019			
Additions	428	71	499
Reassessments and modifications to leases	765	4	769
Acquisitions through business combinations	47	—	47
Depreciation	(987)	(39)	(1,026)
Termination of leases	(25)	(12)	(36)
Impairment losses	(7)	(1)	(8)
Assets classified (to) from held for sale or sold	(1)	—	(1)
Transfer (to) from right-of-use assets – investment property	5	—	5
Reclassifications (to) from net investment in leases	(67)	—	(67)
Exchange rate differences	100	1	100
Carrying amount as of December 29, 2019	**7,184**	**124**	**7,308**
Year ended January 3, 2021			
Additions	584	47	630
Reassessments and modifications to leases	1,105	(3)	1,102
Acquisitions through business combinations	2	—	2
Depreciation	(1,015)	(41)	(1,056)
Termination of leases	(48)	(1)	(49)
Impairment losses	(2)	—	(2)
Transfer (to) from right-of-use assets – investment property	41	(5)	36
Reclassifications (to) from net investment in leases	(79)	—	(79)
Exchange rate differences	(432)	(5)	(437)
Carrying amount as of January 3, 2021	**7,340**	**116**	**7,455**

Buildings and land includes stores, distribution centers and warehouses. Other mainly consists of furnishings, machinery and equipment and vehicles. Right-of-use assets that meet the criteria of an investment property are included in *Note 13*. For more information on leases, see *Note 33*.

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for leases, see *Note 33*, and for impairments, see *Note 11*.

Accounting policies

For more information on the accounting policies for leases, see *Note 33*.

13 Investment property

€ million	Right-of-use asset investment property	Company-owned investment property	Total Investment property
As of December 30, 2018			
At cost	869	989	1,858
Accumulated depreciation and impairment losses	(510)	(385)	(895)
Carrying amount	**359**	**604**	**963**
Year ended December 29, 2019			
Additions	15	10	25
Reassessments and modifications to leases	12	—	12
Depreciation	(26)	(25)	(51)
Impairment losses and reversals – net	(9)	(6)	(15)
Termination of leases	(8)	—	(8)
Assets classified (to) from held for sale or sold	—	(56)	(56)
Reclassifications (to) from net investment in leases	(8)	—	(8)
Transfers (to) from right-of-use assets, property, plant and equipment and intangible assets	(5)	8	3
Exchange rate differences	8	11	19
Closing carrying amount	**337**	**546**	**883**
As of December 29, 2019			
At cost	881	977	1,858
Accumulated depreciation and impairment losses	(544)	(431)	(975)
Carrying amount	**337**	**546**	**883**

13 Investment property continued

€ million	Right-of-use asset investment property	Company-owned investment property	Total Investment property
Year ended January 3, 2021			
Additions	18	8	27
Reassessments and modifications to leases	5	—	5
Depreciation	(27)	(23)	(50)
Impairment losses and reversals – net	(1)	(6)	(8)
Termination of leases	(6)	—	(6)
Assets classified (to) from held for sale or sold	—	(9)	(9)
Reclassifications (to) from net investment in leases	(8)	—	(8)
Transfers (to) from right-of-use assets, property, plant and equipment and intangible assets	(36)	(4)	(39)
Exchange rate differences	(23)	(33)	(56)
Closing carrying amount	**259**	**480**	**739**
As of January 3, 2021			
At cost	689	866	1,554
Accumulated depreciation and impairment losses	(430)	(386)	(816)
Carrying amount	**259**	**480**	**739**

A significant portion of the Company's investment property comprises shopping centers containing both an Ahold Delhaize store and third-party retail units. The third-party retail units generate rental income, but are primarily of strategic importance to Ahold Delhaize in its retail operations. Ahold Delhaize recognizes the part of a shopping center leased to a third-party retailer as investment property, unless it represents an insignificant portion of the property.

The net impairment losses recognized were mainly related to The United States (2020: €8 million, 2019: €15 million).

The company-owned investment property includes an amount related to assets held under financings of €17 million (December 29, 2019: €26 million). Ahold Delhaize does not have legal title to these assets. Company-owned investment property with a carrying amount of €63 million (December 29, 2019: €72 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of January 3, 2021, amounted to approximately €1,010 million (December 29, 2019: €1,159 million). Fair value of investment property has generally been measured using an income or market approach. Fair value for right-of-use asset investment property is the fair value of the right-of-use itself, not the fair value of the property under lease. Approximately 75% of Ahold Delhaize's fair value measurements are categorized within Level 2. The most significant inputs into this valuation approach are observable market retail yields and tenant rents to calculate the fair value. The remaining fair value measurements that are categorized within Level 3 primarily include the fair value measurements based on the Company's own valuation methods and the fair value for certain mixed-use properties and properties held for strategic purposes. For certain mixed-use properties and properties held for strategic purposes, Ahold Delhaize cannot determine the fair value of the investment property reliably. In such cases, the fair value is assumed to be equal to the carrying amount.

Rental income from investment property (both company-owned and right-of-use asset) included in the income statement in 2020 amounted to €64 million (2019: €86 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2020 amounted to €24 million (2019: €28 million).

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for impairments, see *Note 11*.

Accounting policies

Investment property consists of land and buildings held by Ahold Delhaize to earn rental income or for capital appreciation, or both. These properties are not used by the Company in the ordinary course of business. The Company often owns (or leases) shopping centers containing an Ahold Delhaize as well as third-party retail units. In these cases, the third-party retail units generate rental income, but are primarily of strategic importance for operating purposes to Ahold Delhaize in its retail operations. The Company recognizes the part of an owned (or leased) shopping center that is leased to third-party retailers as investment property, unless it represents an insignificant portion of the property. Land and buildings leased to franchisees are not considered to be investment property as they contribute directly to Ahold Delhaize's retail operations. Investment property is measured on the same basis as property, plant and equipment.

Right-of-use assets are separately disclosed as a line in the balance sheet, but right-of-use assets that meet the definition of investment property are included in "Investment property" and separately disclosed in the notes.

14 Intangible assets

€ million	Goodwill	Brand names	Software	Customer relationships	Other	Under development	Total
As of December 30, 2018							
At cost	7,102	3,202	1,400	208	932	111	12,955
Accumulated amortization and impairment losses	(8)	(6)	(852)	(98)	(178)	—	(1,142)
Carrying amount	**7,094**	**3,196**	**548**	**110**	**754**	**111**	**11,813**
Year ended December 29, 2019							
Additions	—	—	103	—	13	217	334
Transfers from under development	—	—	140	—	5	(144)	—
Acquisitions through business combinations	32	—	1	—	4	—	37
Amortization	—	(2)	(235)	(13)	(34)	—	(285)
Impairments	—	—	(1)	—	(1)	—	(3)
Other movements	—	—	—	—	—	—	1
Exchange rate differences	108	46	4	1	2	1	163
Closing carrying amount	**7,233**	**3,241**	**559**	**98**	**743**	**185**	**12,060**
As of December 29, 2019							
At cost	7,242	3,249	1,578	211	941	185	13,406
Accumulated amortization and impairment losses	(8)	(8)	(1,019)	(113)	(198)	—	(1,347)
Carrying amount	**7,233**	**3,241**	**559**	**98**	**743**	**185**	**12,060**
Year ended January 3, 2021							
Additions	—	—	110	—	16	302	428
Transfers from under development	—	—	251	—	10	(261)	—
Acquisitions through business combinations	5	—	—	—	—	—	6
Amortization	—	(2)	(255)	(13)	(34)	(1)	(304)
Impairments	—	—	—	—	—	—	—
Other movements	—	—	2	—	—	(5)	(2)
Exchange rate differences	(407)	(178)	(18)	(3)	(8)	(8)	(621)
Closing carrying amount	**6,831**	**3,061**	**651**	**82**	**728**	**212**	**11,565**
As of January 3, 2021							
At cost	6,839	3,070	1,796	196	948	212	13,062
Accumulated amortization and impairment losses	(8)	(10)	(1,145)	(114)	(220)	—	(1,497)
Carrying amount	**6,831**	**3,061**	**651**	**82**	**728**	**212**	**11,565**

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) or groups of CGUs expected to benefit from the business combination.

Brand names include retail brands as well as certain own brands referring to ranges of products. Retail brands are strong and well-established brands of supermarkets, convenience stores and online stores protected by trademarks that are renewable indefinitely in their relevant markets. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives. Ahold Delhaize brands play an important role in the Company's business strategy. Ahold Delhaize believes that there is currently no foreseeable limit to the period over which the retail brands are expected to generate net cash inflows, and therefore they are assessed to have an indefinite useful life.

Customer relationships consist primarily of pharmacy scripts and customer lists recognized through the acquisition of bol.com in 2012. Other mainly includes intangible assets related to relationships with franchisees and affiliates recognized in connection with the Ahold Delhaize merger, location development rights, deed restrictions and similar assets. Intangible assets under development relate mainly to software development.

14 Intangible assets continued

The carrying amounts of goodwill allocated to CGUs within Ahold Delhaize's reportable segments and brands recognized from business acquisitions are as follows:

€ million		Goodwill January 3, 2021	Goodwill December 29, 2019	Brand names January 3, 2021[1]	Brand names December 29, 2019[1]
Reportable segment	**Cash-generating unit**				
The United States	Stop & Shop	**862**	942	**—**	—
	Food Lion	**944**	1,032	**1,186**	1,297
	The GIANT Company	**526**	575	**—**	—
	Hannaford	**1,659**	1,813	**706**	772
	Giant Food	**309**	338	**—**	—
Europe	Albert Heijn (including the Netherlands and Belgium)	**1,425**	1,425	**—**	—
	Delhaize (including Belgium and Luxembourg)	**432**	432	**786**	786
	bol.com (including the Netherlands and Belgium)	**201**	201	**86**	86
	Albert (Czech Republic)	**176**	181	**—**	—
	Alfa Beta (Greece)	**142**	137	**137**	137
	Mega Image (Romania)	**133**	135	**85**	86
	Delhaize Serbia (Republic of Serbia)	**12**	12	**75**	76
	Etos	**8**	8	**—**	—
	Gall & Gall	**1**	1	**—**	—
Ahold Delhaize Group		**6,831**	7,233	**3,061**	3,241

1 Included own brands at Food Lion (€7 million; December 29, 2019: €8 million), Hannaford (€7 million; December 29, 2019: €8 million), Greece (€3 million; December 29, 2019: €3 million) and Romania (€2 million; December 29, 2019: €2 million).

Goodwill impairment testing

In the 2020 annual goodwill impairment test, the recoverable amounts of the CGUs were based on fair value less costs of disposal. Except for Food Lion, Hannaford and Delhaize, in the 2019 annual goodwill impairment test, the recoverable amount of the CGUs were based on value in use.

The disposal of a CGU would require the buyer to assume associated lease liabilities for the stores and distribution centers, and, therefore, the need to make the contractual lease payments. The fair value less costs of disposal of the CGU would be the sale price for the CGU including the lease liabilities, less the costs of disposal. Therefore the cash flow projections used in determining recoverable amounts included the lease payments. The carrying values of the CGUs tested included their right-of-use assets. To perform a meaningful comparison, the carrying amounts of the lease liabilities were then deducted when determining the carrying values of the CGUs tested.

Fair value represents the price that would be received for selling an asset in an orderly transaction between market participants and is generally measured using an income approach or a market approach. We used discounted cash flow projections based on the assets' highest and best use from a market participant's perspective; taking financial plans as approved by management as a base (Level 3 valuation). The discounted cash flow projections generally cover a period of five years. Due to the expected continuation of high growth in the relevant online retail market, we projected cash flows for bol.com over a 10-year period to better reflect the growth expectations in sales, profitability and cash generation as this business has not yet reached a steady state.

The key assumptions for the discounted cash flow projections relate to the weighted average cost of capital (hereafter: discount rate), sales growth, operating margin and growth rate (terminal value). The post-tax discount rates reflect specific risks relating to relevant CGUs and the key assumptions used in the cash flow projections and the composition of the assets and liabilities included in the CGUs carrying value. The post-tax discount rates are as follows:

	Post-tax discount rate
The U.S. brands	**5.5%**
The brands in the Netherlands (excluding bol.com)	**5.2%**
Delhaize	**5.5%**
bol.com	**9.5%**
Albert (Czech Republic)	**6.2%**
Alfa Beta (Greece)	**7.7%**
Mega Image (Romania)	**9.6%**
Delhaize Serbia (Republic of Serbia)	**8.8%**

The sales growth rates and operating margins used to estimate future performance are based on past performance and our experience of growth rates and operating margins achievable in Ahold Delhaize's main markets. The average annual compound sales growth rates applied in the projected periods ranged between 0.3% and 10.8% for the CGUs excluding bol.com. The average operating margins applied in the projected periods ranged between 2.9% and 6.4% for the CGUs excluding bol.com. For bol.com, the fair value less costs of disposal has been estimated based on modest sales growth and modest positive operating margins in the second part of the projection period. The terminal value to extrapolate cash flows beyond the explicit forecast period included one year of additional growth based on the long-term inflation expectations that ranged between 1.5% and 2.9% for the CGUs; no additional growth was assumed thereafter.

14 Intangible assets continued

Key assumptions relating to CGUs to which a significant amount of goodwill or intangible assets with indefinite useful lives is allocated are as follows:

	Post-tax discount rate	Growth rate (terminal value)
Stop & Shop	5.5%	2.1%
Food Lion	5.5%	2.1%
Hannaford	5.5%	2.1%
Albert Heijn	5.2%	1.8%
Delhaize	5.5%	1.6%

Accounting estimates and judgments

Intangible assets

For accounting estimates and judgments relating to intangible assets, see *Note 4*.

Impairments

Judgments are required to determine whether there is an indication that a CGU to which goodwill has been allocated may be impaired. Estimates and assumptions are involved in the determination of the recoverable amount of the CGUs. These include assumptions related to discount rates and cash flow projections (such as sales growth rates, operating margins and growth rates to determine terminal value).

Accounting policies

Goodwill and impairment of goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition. It is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment.

For the purposes of impairment testing, goodwill is allocated to each of the CGUs (or groups of CGUs) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a CGU (or group of CGUs) representing the lowest level within the Company at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. Goodwill on acquisitions of joint ventures and associates is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a CGU's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On the partial or complete disposal of an operation, the goodwill attributable to that operation is included in the determination of the gain or loss on disposal.

Other intangible assets

Separately acquired intangible assets and internally developed software are carried at cost less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are recognized at fair value at the date of acquisition (which is regarded as their cost).

Brand names and customer, franchise and affiliate relationships acquired in business acquisitions are stated at fair value determined using an income approach. Direct costs related to the development of software for internal use are capitalized only if the costs can be measured reliably, technological feasibility has been established, future economic benefits are probable, and the Company intends to complete development and use the software. All other costs, including all overhead, general and administrative, and training costs, are expensed as incurred.

Amortization is computed using the straight-line method based on estimated useful lives, which are as follows:

Software	3-10 years
Customer relationships	7-25 years
Retail brands	indefinite
Own brands	10-15 years
Franchise and affiliate relationships	14-40 years
Other	5 years-indefinite

The useful lives, amortization method and residual value are reviewed at each balance sheet date and adjusted, if appropriate. Brand names, intangible assets under development and other intangible assets with indefinite lives are assessed for impairment annually, or whenever there is an indication that the asset may be impaired.

15 Investments in joint ventures and associates

In 1992, Ahold Delhaize partnered with Jerónimo Martins, SGPS, S.A. in the joint venture JMR – Gestão de Empresas de Retalho, SGPS, S.A. ("JMR"). Ahold Delhaize holds 49% of the shares in JMR and shares equal voting power on JMR's board of directors with Jerónimo Martins, SGPS, S.A. JMR operates food retail stores in Portugal under the brand name Pingo Doce.

Ahold Delhaize holds 51% of the shares in P.T. Lion Super Indo ("Super Indo"). Super Indo operates supermarkets in Indonesia. Although Ahold Delhaize has a 51% investment in Super Indo, the Company cannot exercise its majority voting rights mainly due to (i) a quorum requirement for the board of directors to decide on critical operating and financing activities and (ii) a requirement of unanimous affirmative decisions in the board of directors on significant and strategic investing and financing matters, such as budgets and business plans and any resolution on the allocation of profits and distribution of dividends.

Therefore, JMR and Super Indo are joint ventures and are accounted for using the equity method. There are no quoted market prices available.

Ahold Delhaize is also a partner in various smaller joint arrangements and associates that are individually not material to the Group.

Changes in the carrying amount of Ahold Delhaize's interest in joint ventures and associates are as follows:

€ million	JMR 2020	Super Indo 2020	Other 2020	Total 2020
Beginning of the year	160	54	14	229
Share in income (loss) of joint ventures	13	10	(2)	22
Dividend	(15)	—	(1)	(16)
Exchange rate differences	—	(5)	(1)	(6)
End of the year	158	59	10	227

€ million	JMR 2019	Super Indo 2019	Other 2019	Total 2019
Beginning of the year	142	43	28	213
Share in income (loss) of joint ventures	33	8	9	50
Dividend	(15)	—	(21)	(36)
Investments classified (to) from held for sale or sold	—	—	(2)	(2)
Exchange rate differences	—	3	1	4
End of the year	160	54	14	229

Share in income (loss) from continuing operations for Ahold Delhaize's interests in all individually immaterial joint ventures was a loss of €2 million (2019: an income of €9 million) and nil for individually immaterial associates (2019: nil).

Set out below is the summarized financial information for JMR and Super Indo (on a 100% basis).

€ million	JMR 2020	JMR 2019	Super Indo 2020	Super Indo 2019
Summarized statement of comprehensive income				
Net sales	4,253	4,389	559	486
Depreciation and amortization	(148)	(148)	(16)	(16)
Interest income	—	—	2	2
Interest expense	(2)	(1)	—	—
Interest accretion to lease liability	(22)	(20)	(2)	(3)
Income tax expense	(6)	(19)	(4)	(2)
Income from continuing operations	26	67	20	15
Net income	26	67	20	15
Other comprehensive income	—	—	—	—
Total comprehensive income	26	67	20	15

€ million	JMR January 3, 2021	JMR December 29, 2019	Super Indo January 3, 2021	Super Indo December 29, 2019
Summarized balance sheet				
Non-current assets	1,601	1,595	90	98
Current assets				
Cash and cash equivalents	39	40	84	68
Other current assets	398	394	60	58
Total current assets	438	434	143	126
Non-current liabilities				
Financial liabilities	367	370	30	33
Other liabilities	38	31	7	6
Total non-current liabilities	405	401	37	39
Current liabilities				
Financial liabilities (excluding trade payables)	191	177	7	5
Other current liabilities	1,120	1,124	92	94
Total current liabilities	1,311	1,300	99	98
Net assets	322	328	98	86

15 Investments in joint ventures and associates continued

The reconciliation of the summarized financial information presented above to the carrying amount of JMR and Super Indo is as follows:

€ million	JMR 2020	JMR 2019	Super Indo 2020	Super Indo 2019
Opening net assets	**328**	290	**86**	67
Net income	**26**	67	**20**	15
Dividend	**(31)**	(31)	**—**	—
Exchange rate differences	**—**	—	**(8)**	5
Closing net assets	**322**	328	**98**	86
Interest in joint venture	**49%**	49%	**51%**	51%
Closing net assets included in the carrying value	**158**	160	**50**	44
Goodwill	**—**	—	**9**	10
Carrying value	**158**	160	**59**	54

Commitments and contingent liabilities in respect of joint ventures and associates

JMR is involved in investigations by the competition authority in Portugal into alleged violations of the respective antitrust laws for some products sold by its 100%-owned subsidiary Pingo Doce in Portugal. Following search-and-seizure actions carried out in late 2016 and early 2017 in several companies operating in the food distribution sector, the Portuguese Competition Authority (AdC) decided to open several inquiries. Within the scope of these inquiries, it issued, since then, statements of objections for alleged anti-competitive practices against various suppliers and retailers, including Pingo Doce. Pingo Doce received eight statements of objections for alleged anti-competitive practices, consisting of price alignment for certain products. Throughout the course of these investigations, Pingo Doce has fully cooperated with the authorities.

At the end of 2020, Pingo Doce was notified of decisions issued by the AdC regarding two of the above-mentioned proceedings, imposing fines on six retailers, including Pingo Doce, and two of their suppliers. In the case of Pingo Doce, these decisions implied a single fine in the amount of €91 million.

Pingo Doce disagrees with these decisions, which it considers to be completely ungrounded. As such, Pingo Doce will file the respective appeals before the Portuguese Competition, Regulation and Supervision Court ("Tribunal da Concorrência, Regulação e Supervisão"). Under the terms of the applicable law, Pingo Doce also will request suspension of the fine pending the appeal against a guarantee, to prevent the immediate payment of the fine. Based on the opinion of its legal counsels and economic advisors, Pingo Doce is fully convinced of the strength and merits of its position. Therefore, no provision was recognized for this imposed fine in the JMR accounts.

As to the remaining six proceedings, Pingo Doce has already filed four statements of defense, and in due course, will submit its response to the remaining two, as it considers all statements of objections to be ungrounded – and will wait for the respective decisions from AdC.

In addition, our JMR joint venture is involved in several tax proceedings initiated by the Portuguese tax authorities. These tax claims are contested by our JMR joint venture. For these tax claims, JMR issued several bank guarantees for a total amount of €122 million. Ahold Delhaize's indirect share of these JMR-issued guarantees is €60 million, based on our ownership interest.

There are no other significant contingent liabilities or restrictions relating to the Company's interest in the joint ventures and associates. The commitments are presented in *Note 34*.

Accounting policies

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where Ahold Delhaize has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Company accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where Ahold Delhaize has rights to the net assets of the arrangement and, therefore, the Company equity accounts for its interest.

Associates are entities over which Ahold Delhaize has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. Associates are accounted for using the equity method.

Under the equity method, investments in joint ventures and associates are measured initially at cost and subsequently adjusted for post-acquisition changes in Ahold Delhaize's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial figures of joint ventures and associates to ensure consistency with the accounting policies of the Company.

Unrealized gains on transactions between Ahold Delhaize and its joint ventures and associates are eliminated to the extent of the Company's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

16 Other non-current financial assets

€ million	January 3, 2021	December 29, 2019
Net investment in leases	**397**	396
Reinsurance assets	**174**	160
Loans receivable	**42**	44
Defined benefit asset	**78**	43
Other	**14**	18
Total other non-current financial assets	**705**	661

For more information on the Net investment in leases, see *Note 33*.

Part of the self-insured risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. At the same time, Ahold Delhaize assumes a share of the reinsurance treaty risks that is measured by Ahold Delhaize's participation percentage in the treaty. The participation percentage is the ratio of premium paid by Ahold Delhaize to the total premium paid by all treaty members. In connection with this pooling arrangement, the Company recognizes reinsurance assets and reinsurance liabilities (see also *Note 19*, *Note 23* and *Note 26*) on the balance sheet. There were no significant gains or losses related to this pooling arrangement during 2020 or 2019.

Of the non-current loans receivable, €21 million matures between one and five years and €21 million after five years (December 29, 2019: €23 million between one and five years and €21 million after five years). The current portion of loans receivable of €5 million (December 29, 2019: €16 million is included in Other current financial assets (see *Note 19*).

The defined benefit asset at January 3, 2021, represents defined benefit pension plans for which the fair value of plan assets exceeds the present value of the defined benefit obligations. For more information on defined benefit plans, see *Note 24*.

Accounting policies

For more information on the accounting policies for financial assets and reinsurance assets, see *Note 30*.

17 Inventories

€ million	January 3, 2021	December 29, 2019
Finished products and merchandise inventories	**3,181**	3,288
Raw materials, packaging materials, technical supplies and other	**64**	59
Total inventories	**3,245**	3,347

In 2020, €1,567 million has been recognized as a write-off of inventories in the income statement (2019: €1,531 million). Write-offs include, among others, spoilage, damaged product and product donated to food banks.

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for vendor allowances, see *Note 8*.

Accounting policies

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost consists of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their location and condition ready for sale, net of vendor allowances attributable to inventories. For certain inventories, cost is approximated using the retail method, in which the sales value of the inventories is reduced by the appropriate percentage of gross margin. The cost of inventories is determined using either the first-in, first-out (FIFO) method or the weighted average cost method, depending on their nature or use. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated marketing, distribution and selling expenses.

Included in the value of inventory is an amount representing the estimated value of inventories that have already been sold that the Company expects to be returned for a refund by customers.

Cost of sales

For more information on the accounting policies for cost of sales, see *Note 8*.

Vendor allowances

For more information on the accounting policies for vendor allowances, see *Note 8*.

18 Receivables

€ million	January 3, 2021	December 29, 2019
Trade receivables	**1,122**	1,072
Vendor allowance receivables	**616**	585
Other receivables	**334**	329
	2,072	1,986
Provision for impairment	**(97)**	(81)
Total receivables	**1,975**	1,905

The receivable balances are presented net of accounts payable and subject to an enforceable netting arrangement between the Company and the counterparty. The total effect of netting as of January 3, 2021, is €235 million (December 29, 2019: €208 million).

18 Receivables continued

At January 3, 2021, the aging analysis of receivables was as follows:

€ million	Total	Not past due	Past due 0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables	**1,122**	**776**	**260**	**9**	**15**	**62**
Vendor allowance receivables	**616**	**456**	**96**	**23**	**12**	**30**
Other receivables	**334**	**170**	**74**	**23**	**17**	**51**
	2,072	**1,402**	**429**	**55**	**44**	**143**
Provision for impairment	**(97)**	**(5)**	**(7)**	**(5)**	**(18)**	**(61)**
Total receivables	**1,975**	**1,397**	**422**	**49**	**26**	**82**
Expected credit loss	**4.7%**	**0.3%**	**1.6%**	**9.9%**	**41.5%**	**42.9%**

At December 29, 2019, the aging analysis of receivables was as follows:

€ million	Total	Not past due	Past due 0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables[1]	1,072	792	198	12	13	58
Vendor allowance receivables	585	458	90	19	11	7
Other receivables	329	174	70	38	9	38
	1,986	1,424	358	69	32	103
Provision for impairment	(81)	(6)	(7)	(2)	(9)	(56)
Total receivables	1,905	1,418	351	67	23	47
Expected credit loss	4.1%	0.4%	2.0%	3.4%	29.4%	54.6%

1 Trade receivables not past due and Trade receivables 0-3 months are restated for Belgium in order to provide a more accurate view of the outstanding receivables and to align the presentation of Belgium with other countries. Not past due increased by €118 million and 0-30 days decreased by €118 million.

The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. The Company does not hold any significant collateral on its receivables. Management believes there is no further credit risk provision required in excess of the normal individual and collective impairment assessment, based on the aging analysis performed as of January 3, 2021. For more information about credit risk, see *Note 30*.

The changes in the provision for impairment were as follows:

€ million	2020	2019
Beginning of the year	**(81)**	(87)
Charged to income	**(57)**	(29)
Used	**40**	35
Exchange rate differences	**2**	—
End of the year	**(97)**	(81)

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for vendor allowances, see *Note 8*.

19 Other current financial assets

€ million	January 3, 2021	December 29, 2019
Net investment in leases – current portion	**88**	78
Investments in debt instruments (FVPL[1]) – current portion	**129**	130
Short-term deposits and similar instruments	**58**	15
Reinsurance assets – current portion (see *Note 16*)	**80**	76
Short-term loans receivable	**5**	16
Other	**2**	2
Total other current financial assets	**360**	317

1 Fair Value through Profit or Loss (FVPL).

For more information on Net investment in leases – current portion, see *Note 33*.

The Investments in debt instruments relate primarily to investments in U.S. treasury bond funds, which are held by one of the Company's captive insurance companies.

As of January 3, 2021, short-term deposits and similar instruments included short-term investments with a maturity at acquisition of between three and 12 months. Of the short-term deposits and similar instruments as of January 3, 2021, €14 million was restricted (December 29, 2019: €12 million). The restricted investments are held for insurance purposes for U.S. workers' compensation and general liability programs.

At each reporting date, the Company assesses whether there is evidence that a financial asset or group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at amortized costs. In 2020, the Company recognized net impairment charges for these financial assets of nil (2019: €6 million). The net impairments were included in Other gains (losses); see *Note 9*.

Accounting policies

For more information on the accounting policies for financial assets and reinsurance assets, see *Note 30*.

20 Cash and cash equivalents

€ million	January 3, 2021	December 29, 2019
Cash in banks and cash equivalents	**2,707**	3,467
Cash on hand	**226**	250
Total cash and cash equivalents	**2,933**	3,717

Cash and cash equivalents include all cash-on-hand balances, checks, debit and credit card receivables, short-term highly liquid cash investments, and time deposits with original maturities of three months or less. Time deposits and similar instruments with original maturities of more than three months but less than 12 months are classified as other current financial assets. Bank overdrafts are included in short-term borrowings.

Of the cash and cash equivalents as of January 3, 2021, €23 million was restricted (December 29, 2019: €17 million).

Cash and cash equivalents include €681 million (December 29, 2019: €1,391 million) held under a notional cash pooling arrangement. This cash amount was fully offset by an identical amount included under Other current financial liabilities. From an operational perspective, the balances in the cash pool are netted. However, in accordance with the guidance of IAS 32 regarding the offsetting of debit and credit balances for financial reporting purposes, these balances have to be presented on a gross basis on the balance sheet (see *Note 26* and *Note 30*).

Ahold Delhaize's banking arrangements allow the Company to fund outstanding checks when presented to the bank for payment. This cash management practice may result in a net cash book overdraft position, which occurs when the total issued checks exceed available cash balances within the Company's cash concentration structure. Such book overdrafts are classified in accounts payable and amounted to €441 million (December 29, 2019: €277 million). No right to offset with other bank balances exists for these book overdraft positions.

21 Equity attributable to common shareholders

Shares and share capital

Authorized share capital comprises the following classes of shares:

€ million	January 3, 2021	December 29, 2019
Common shares		
(2020 and 2019: 1,923,515,827 of €0.01 par value each)	**19**	19
Cumulative preferred shares		
(2020 and 2019: 2,250,000,000 of €0.01 par value each)	**23**	23
Cumulative preferred financing shares		
(2020 and 2019: 326,484,173 of €0.01 par value each)	**3**	3
Total authorized share capital	**45**	45

Issued share capital

As of January 3, 2021 and December 29, 2019, the common shares comprise 100% of the issued share capital. Ahold Delhaize had no cumulative preferred shares and no cumulative preferred financing shares outstanding as of January 3, 2021 and December 29, 2019. The Company acquired and canceled all cumulative preferred financing shares in 2019.

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Such rights do not apply in respect of treasury shares that are held by the Company.

Common shares and additional paid-in capital

Changes in the number of common shares and the number of treasury shares were as follows:

	Number of common shares issued and fully paid (x 1,000)	Number of treasury shares (x 1,000)	Number of common shares outstanding (x 1,000)
Balance as of December 30, 2018	**1,183,725**	**53,525**	**1,130,200**
Share buyback	—	45,621	(45,621)
Cancellation of treasury shares	(83,000)	(83,000)	—
Share-based payments	—	(3,377)	3,377
Balance as of December 29, 2019	**1,100,725**	**12,769**	**1,087,956**
Share buyback	—	43,417	(43,417)
Share-based payments	—	(2,497)	2,497
Balance as of January 3, 2021	**1,100,725**	**53,689**	**1,047,036**

Dividends on common shares

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

On August 5, 2020, the Company announced the interim dividend for 2020 of €0.50 per common share, which was paid on August 27, 2020. In the aggregate, in 2020, the Company paid dividends on common shares in the amount of €1,026 million.

The Management Board, with the approval of the Supervisory Board, proposes that a dividend of €0.90 per common share be paid with respect to 2020. This dividend is subject to approval by the General Meeting of Shareholders. If approved, a final dividend of €0.40 per common share will be paid on April 29, 2021. This is in addition to the interim dividend of €0.50 per common share, which was paid on August 27, 2020. The total dividend payment for the full year 2020 would, therefore, total €0.90 per common share (2019: €0.76).

The final dividend of €0.40 per common share has not been included as a liability on the consolidated balance sheet as of January 3, 2021. The payment of this dividend will not have income tax consequences for the Company.

21 Equity attributable to common shareholders continued

Share buyback

The share buyback program of €1 billion that started on January 2, 2020, was successfully completed on December 3, 2020. In total, 43,416,759 of the Company's own shares were repurchased at an average price of €23.03 per share. The related transaction costs amounted to €1 million.

On January 4, 2021, the Company commenced the €1 billion share buyback program that was announced on November 4, 2020. The program is expected to be completed before the end of 2021.

Share-based payments

Share-based payments recognized in equity in the amount of €61 million (2019: €47 million) relate to the 2020 Global Reward Opportunity (GRO) share-based compensation expenses (see *Note 32*) and the associated current and deferred income taxes.

Cumulative preferred shares

The Company's Articles of Association provide for the possible issuance of cumulative preferred shares. The Company believes that its ability to issue this class of shares could at least delay an attempt by a potential bidder to make a hostile takeover bid, allowing the Company and its stakeholders time to discuss and respond to the offer in an orderly process. According to Dutch law, a response device is limited in time and therefore cannot permanently block a take-over of the Company concerned. Instead, it aims to facilitate an orderly process in which the interests of the continuity of the Company, its shareholders and other stakeholders are safeguarded in the best way possible.

Moreover, outside the scope of a public offer, but also under other circumstances, the ability to issue this class of shares may safeguard the interests of the Company and its stakeholders and resist influences that might conflict with those interests by affecting the Company's continuity, independence or identity. No cumulative preferred shares were outstanding as of January 3, 2021, or during 2020 and 2019.

In March 1989, the Company entered into an agreement with the Dutch foundation Stichting Continuïteit Ahold Delhaize (SCAD, previously named Stichting Ahold Continuïteit), as amended and restated in April 1994, March 1997, December 2001, December 2003 and May 2018 (the "Option Agreement"). Pursuant to the Option Agreement, SCAD has been granted an option to acquire cumulative preferred shares from the Company from time to time for no consideration.

The Option Agreement entitles SCAD, under certain circumstances, to acquire cumulative preferred shares from the Company up to a total par value that is equal to the total par value of all issued and outstanding shares of Ahold Delhaize's share capital, excluding cumulative preferred shares, at the time of exercising the option. If the authorized share capital of the Company is amended during the term of the option, the Option Agreement provides for a corresponding change of the total par value of cumulative preferred shares under option.

The holders of the cumulative preferred shares are entitled to one vote per share and a cumulative dividend expressed as a percentage of the amount called-up and paid-in to purchase the cumulative preferred shares. The percentage to be applied is the sum of (1) the average basic refinancing transaction interest rate as set by the European Central Bank – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – plus 2.1%, and (2) the average interest surcharge rate – measured by the number of days during which that rate was in force in the fiscal year over which the dividend is paid – that would be charged by the largest credit institution in the Netherlands (based on the balance sheet total as of the close of the fiscal year immediately preceding the fiscal year over which the dividend is paid). The minimum percentage to be applied is 5.75%. Subject to limited exceptions, any potential transfer of cumulative preferred shares requires the approval of the Management Board. Cumulative preferred shares can only be issued in a registered form. The Company may stipulate that only 25% of the par value will be paid upon subscription to cumulative preferred shares until payment in full is later required by the Company. SCAD would then only be entitled to a market-based interest return on its investment.

SCAD is a foundation organized under the laws of the Netherlands. Its purpose under its articles is to safeguard the interests of the Company and its stakeholders and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity. SCAD seeks to realize its objectives by acquiring and holding cumulative preferred shares and by exercising the rights attached to these shares, including the voting rights. The SCAD board has four members, who are appointed by the board of SCAD itself.

If the board of SCAD considers acquiring cumulative preferred shares or exercising voting rights on cumulative preferred shares, it will make an independent assessment and, pursuant to Dutch law, it must ensure that its actions are proportional and reasonable. If SCAD acquires cumulative preferred shares, it will only hold them for a limited period of time. These principles are in line with Dutch law, which only allows response measures that are proportionate, reasonable and limited in time. In the case of liquidation, the SCAD board will decide on the use of any remaining residual assets.

Legal reserves

In accordance with the Dutch Civil Code and statutory requirements in other countries, legal reserves have to be established in certain circumstances. Legal reserves are not available for distribution to the Company's shareholders. The currency translation reserve, cash flow hedging reserve and other reserves include non-distributable amounts. Of the total equity as per January 3, 2021, of €12,432 million, an amount of €431 million is non-distributable (December 29, 2019: €590 million out of total equity of €14,083 million). See *Note 10* to the parent company financial statements for more details on the legal reserves.

Accounting policies

Equity instruments issued by the Company are recorded at the value of proceeds received. Own equity instruments that are bought back (treasury shares) are deducted from equity. When reissued or cancelled, shares are removed from the treasury shares on a FIFO basis, and recorded as a reduction of the additional paid-in capital, in accordance with the Company's Articles of Association. Incremental costs that are directly attributable to issuing or buying back own equity instruments are recognized directly in equity, net of the related tax. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

22 Loans and credit facilities

The notes in the table below were either issued by or guaranteed by Ahold Delhaize unless otherwise noted. The amortization of the purchase price allocation to the debt acquired through business combinations is allocated to the respective maturity brackets.

€ million, unless otherwise stated	January 3, 2021					December 29, 2019		
	Outstanding notional redemption amount		Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
EUR 400 notes 3.125%, due 2020	EUR	400	—	—	—	402	—	402
EUR 300 notes EURIBOR + 18 bps, due 2021	EUR	300	300	—	300	—	300	300
EUR 750 notes 0.875%, due 2024	EUR	750	—	750	750	—	750	750
EUR 600 notes 0.250%, due 2025	EUR	600	—	600	600	—	600	600
USD 62 indebtedness 8.62%, due 2025	USD	62	10	40	51	19	44	63
EUR 500 notes 1.125%, due 2026	EUR	500	—	500	500	—	500	500
EUR 500 notes 1.75%, due 2027	EUR	500	—	500	500	—	—	—
USD 71 notes 8.05%, due 2027	USD	71	2	70	72	2	78	80
USD 500 notes 6.875%, due 2029	USD	500	—	409	409	—	447	447
USD 271 notes 9.00%, due 2031	USD	271	5	287	292	6	319	325
USD 827 notes 5.70%, due 2040	USD	477	3	464	467	3	510	513
Deferred financing costs			(4)	(17)	(21)	(3)	(17)	(20)
Total notes			316	3,604	3,920	429	3,533	3,962
Financing obligations[1]			21	193	214	22	241	263
Mortgages payable[2]			11	63	74	2	64	66
Other loans			—	2	2	—	3	3
Total loans			348	3,863	4,210	453	3,841	4,294

1 The weighted average interest rate for the financing obligations amounted to 7.4% at the end of 2020 (2019: 7.2%).
2 Mortgages payable are collateralized by buildings and land. The weighted average interest rate for these mortgages payable amounted to 7.5% at the end of 2020 (2019: 10.5%).

22 Loans and credit facilities continued

On April 10, 2019, Ahold Delhaize repaid its 4.125% USD 300 million notes on maturity, for which $130 million was outstanding at year-end 2018.

On June 19, 2019, Ahold Delhaize issued its first EUR 600 million Sustainability Bond with a term of six years, maturing on June 26, 2025. The issuance was priced at 99.272% and carries an annual coupon of 0.25%.

On March 26, 2020, Ahold Delhaize launched and priced EUR 500 million fixed rate bonds due in 2027. The seven-year fixed rate bonds bear a coupon of 1.75% per annum and were issued at a price of 99.44% of the nominal value.

On February 27, 2020, Ahold Delhaize repaid its 3.125% EUR 400 million notes on maturity.

The fair values of financial instruments, corresponding derivatives, and the foreign exchange and interest rate risk management policies applied by Ahold Delhaize are disclosed in *Note 30*.

Credit facilities

Ahold Delhaize has access to a €1.0 billion committed, unsecured, multi-currency and syndicated credit facility. In December 2020, Ahold Delhaize closed a €1.0 billion sustainability linked revolving credit facility, maturing in 2023 with two one-year extension options. This new facility refinanced the 2015-dated €1.0 billion facility.

The credit facility has a mechanism to adjust the margin based on the Company's performance on predefined sustainability targets. It contains customary covenants and is subject to a financial covenant that requires Ahold Delhaize, in the event that its corporate rating from Standard & Poor's and Moody's is lower than BBB/Baa2, respectively, not to exceed a maximum leverage ratio of 5.5:1.

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

Ahold Delhaize also has access to uncommitted credit facilities to cover working capital requirements, issuance of guarantees and letters of credit. As of January 3, 2021, €64 million was utilized.

23 Other non-current financial liabilities

€ million	January 3, 2021	December 29, 2019
Lease liabilities	**8,442**	8,484
Reinsurance liabilities	**170**	162
Other long-term financial liabilities	**283**	56
Other	**10**	13
Total other non-current financial liabilities	**8,905**	8,716

For more information on lease liabilities see *Note 33*.

The Company recognizes reinsurance liabilities on its balance sheet in connection with a pooling arrangement between unrelated companies (see *Note 16*).

As of January 3, 2021, Other long-term financial liabilities mainly consists of:

- $286 million (€234 million) financial liability for the withdrawal from the National Plan and the 1500 Plan (see *Note 24*);
- $43 million (€35 million) liability for the discounted amount of the remaining settlement liability, relating to a 2013 agreement with the New England Teamsters and Trucking Industry Pension Fund (NETTI) to settle Stop & Shop's pension liabilities in the fund; and
- $10 million (€8 million) financial liability for rent payments for nine Tops stores that the Company agreed to make for a period of 72 months (see *Note 34*).

Other mainly includes financial guarantees.

Accounting policies

Financial guarantees

Financial guarantees made by Ahold Delhaize to third parties that may require the Company to incur future cash outflows if called upon to satisfy are recognized at inception as liabilities at fair value. Fair value is measured as the premium received, if any, or calculated using a scenario analysis. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the obligation or the amount initially recognized less cumulative amortization corresponding to the expiration or repayment of the underlying amount guaranteed.

Reinsurance liabilities

For more information on the accounting policies for reinsurance liabilities, see *Note 30*.

24 Pensions and other post-employment benefits

€ million	January 3, 2021	December 29, 2019
Defined benefit liabilities	763	677
Other long-term pension plan obligations	472	—
Total pension and other post-employment benefits	**1,235**	677

Post-employment benefits are provided through a number of funded and unfunded defined benefit plans and defined contribution plans, the most significant of which are in the United States and the Netherlands. For more information on the defined benefit liabilities and the other long-term pension plan obligations as presented in the table above, see the sections titled *Defined benefit plans*, *Multi-employer plans (MEPs)*, and *FELRA and MAP settlement agreement*. The current portion of other long-term pension plan obligations in the amount of €26 million is included in *Note 27*.

The following table provides an overview of the pension and other post-employment benefit expenses recorded in the income statement:

€ million	2020	2019
Defined benefit costs	129	179
Defined benefit costs – FELRA and MAP settlement agreement	174	—
Total defined benefit costs (see section *Defined benefit plans*)	303	179
Defined contribution plans (see section *Defined contribution plans*)	120	107
Multi-employer plans (see section *Multi-employer plans (MEPs)*):		
Defined benefit plans	77	88
Defined contribution plans	293	299
Withdrawal and settlement:		
FELRA and MAP settlement agreement	502	—
National Plan withdrawal	559	—
1500 Plan withdrawal	183	—
Total pension and other post-employment benefit expenses[1]	**2,037**	673

1 Total pension and other post-employment benefit expenses include €1,418 million related to the FELRA and MAP settlement agreement and the National Plan and 1500 Plan withdrawals.

More information on these defined benefit plans and defined contribution plans is provided in the sections below.

Defined benefit plans

Ahold Delhaize has a number of defined benefit pension plans covering a substantial number of employees, former employees and retirees in the Netherlands, the United States, Belgium, Greece and Serbia.

Net assets relating to one plan are not offset against liabilities of another plan, resulting in the following presentation of the pension and other post-employment benefits on the consolidated balance sheet:

€ million	January 3, 2021	December 29, 2019
Defined benefit liabilities	763	677
Defined benefit assets	(78)	(43)
Total net defined benefit plan funded status	**685**	633

The defined benefit assets are part of the other non-current financial assets; for more information, see *Note 16*.

In the Netherlands, the Company has a career average plan covering all employees, except for bol.com employees, over the age of 21. The plan provides benefits to participants or beneficiaries upon retirement, death or disability. The plan's assets, which are made up of contributions from Ahold Delhaize and its employees, are managed by Stichting Ahold Delhaize Pensioen ("Ahold Delhaize Pensioen"), an independent foundation. The contributions are established in a funding agreement between Ahold Delhaize, employee representatives and Ahold Delhaize Pensioen and are generally set every five years, or at the time of a plan change. The contributions are determined as a percentage of an employee's pension base.

In the United States, the Company maintains a funded plan covering a limited population of employees. This plan is closed to new participants. The plan provides a life annuity benefit based upon final pay to participants or beneficiaries upon retirement, death or disability. The assets of the plan, which are made up of contributions from Ahold Delhaize, are maintained with various trustees. Contributions to the plan are required under the current funding policy if the prior year-end funding ratio falls below 100% as measured using regulatory interest rates without funding relief in order to avoid variable Pension Benefit Guaranty Corporation (PBGC) premiums. In addition, the Company provides additional pension benefits for certain Company executives and life insurance and medical care benefits for certain retired employees meeting age and service requirements at its U.S. subsidiaries, all of which the Company funds as claims are incurred.

24 Pensions and other post-employment benefits continued

In Belgium, the Company sponsors plans for substantially all of its employees. The plans are funded by fixed monthly contributions from both the Company and employees, which are adjusted annually according to the Belgian consumer price index. Certain employees who were employed before 2005 could choose not to participate in the employee contribution part of the plans. The plans assure employees receive a lump-sum payment at retirement based on the contributions made, and provide employees with death-in-service benefits. Belgian law prescribes a variable minimum guaranteed rate of return with Belgian 10-year government bonds as the underlying benchmark, and a collar of 1.75% and 3.75%. The Company substantially insures these returns with external insurance companies that receive and manage the contributions to the plans. According to the relevant legislation, a short-fall only needs to be compensated by the employer at the point in time when the employee either retires or leaves the Company. As these plans have defined benefit features (when the return provided by the insurance company can be below the legally required minimum return, in which case the employer has to cover the gap with additional contributions), the Company treats these plans as defined benefit plans. In order to avoid the gap, or reduce it to a minimum, the Company has opened a new cash balance plan, under branch 23 rules in Belgium, as of July 1, 2017. All new employees who begin service after this date will be included in this new plan. The level of contributions remains unchanged, but the new plan is expected to experience higher returns in the long term than those generated under the branch 21 rules followed by the older plans.

Additionally, in Belgium, the Company maintains a plan covering Company executives that provides lump-sum benefits to participants upon death or retirement based on a formula applied to the last annual salary of the participant before his or her retirement or death. The plan is subject to the legal requirement to guarantee a minimum return on contributions. The plan's assets, which are made up of contributions, are managed through a fund that is administered by an independent insurance company, providing a minimum guaranteed return. The plan participant's contributions are defined in the terms of the plan, while the annual contributions to be paid by the Company are determined based on the funding level of the plan and are calculated based on current salaries, taking into account the legal minimum funding requirement, which is based on the vested reserves to which employees are entitled upon retirement or death. The plan mainly invests in debt securities in order to achieve the required minimum return. The Company bears any risk above the minimum guarantee given by the insurance company. There are no asset ceiling restrictions. In order to avoid returns being less than the minimum guaranteed return, or reduce the risk to a minimum, the level of contributions at July 1, 2017, has been capped and applied under the classic branch 21 rules. Any increase in contributions after July 1, 2017, will be managed in accordance with branch 23 rules, which are expected to experience higher returns in the long term.

In Greece, the Company operates an unfunded defined benefit post-employment plan. This plan relates to retirement benefits prescribed by Greek law, consisting of lump-sum compensation payable in case of normal retirement or termination of employment. The amount of the indemnity is based on an employee's monthly earnings and a multiple depending on the length of service and the status of the employee. There is no legal requirement to fund these plans with contributions or other plan assets. Employees participate in the plan once they have completed a minimum service period, which is generally one year.

In Serbia, the Company has an unfunded defined benefit plan that provides a lump-sum benefit upon the employee's retirement, as prescribed by Serbian law. The benefit is based on a fixed multiple of the higher of the (i) average gross salary of the employee, (ii) average gross salary in the Company or (iii) average gross salary in the country, each determined at the time the employee retires. There is no legal requirement to fund these plans with contributions or other plan assets.

The pension plans expose the Company to actuarial risks such as: longevity risk, interest rate risk, currency risk, salary risk and investment risk. Longevity risk relates to the mortality assumptions used to value the defined benefit obligation, where an increase in participants' life expectancies will increase a plan's liability. Interest rate risk relates to the discount rate used to value the defined benefit obligation, where a decrease in the discount rate will increase a plan's liability; however, this will be partially offset by an increase in the return on a plan's investments in debt instruments. The pension plans may mitigate interest rate risk by entering into interest rate swap contracts. Currency risk relates to the fact that a plan holds investments that may not be denominated in the same currency as the plan's obligations. The pension plans may mitigate currency risk by purchasing forward currency instruments. Salary risk relates to salary increase assumptions used to value the defined benefit obligation, where an increase will result in a higher plan liability. See section *Plan assets* for more details on the Company's asset-liability matching strategy employed to manage its investment risk.

The net defined benefit cost in 2020 and 2019 were as follows:

€ million	2020	2019
Service cost:		
Current service cost	**206**	152
Past service cost	**67**	—
Gain on settlement	**—**	(3)
Net interest expense	**16**	18
Administrative cost	**13**	11
Termination benefits	**1**	1
Components of defined benefit cost recorded in the income statement	**303**	179
Remeasurements recognized:		
Return on plan assets, excluding amounts included in net interest (income) expense	**(578)**	(1,162)
(Gain) loss from changes in demographic assumptions	**(194)**	10
(Gain) loss from changes in financial assumptions	**912**	1,251
Experience (gains) losses	**(32)**	(23)
Components of defined benefit cost recognized in other comprehensive income	**108**	76
Total net defined benefit cost	**411**	256

24 Pensions and other post-employment benefits continued

The changes in the defined benefit obligations and plan assets in 2020 and 2019 were as follows:

	The Netherlands		The United States		Rest of world		Total	
€ million	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Defined benefit obligations								
Beginning of the year	**5,911**	4,777	**1,547**	1,333	**351**	281	**7,809**	6,391
Current service cost	**163**	118	**24**	19	**18**	14	**206**	152
Past service cost	**(107)**	—	**174**	—	**—**	—	**67**	—
Gain on settlements	**—**	—	**—**	(16)	**—**	—	**—**	(16)
Interest expense	**73**	94	**52**	60	**4**	5	**129**	158
Termination benefits	**—**	—	**—**	—	**1**	1	**1**	1
Contributions by plan participants	**25**	23	**—**	—	**1**	1	**26**	24
Benefits paid	**(96)**	(95)	**(76)**	(72)	**(10)**	(8)	**(181)**	(176)
(Gain) loss from changes in demographic assumptions	**(192)**	(9)	**(2)**	18	**—**	—	**(194)**	10
(Gain) loss from changes in financial assumptions	**749**	1,035	**141**	164	**23**	52	**912**	1,251
Experience (gains) losses	**(34)**	(32)	**5**	4	**(3)**	5	**(32)**	(23)
Exchange rate differences	**—**	—	**(143)**	37	**—**	—	**(143)**	37
End of the year	**6,492**	5,911	**1,721**	1,547	**387**	351	**8,600**	7,809
Plan assets								
Fair value of assets, beginning of the year	**5,642**	4,588	**1,285**	1,101	**249**	194	**7,177**	5,883
Acquisitions through business combinations	**—**	—	**—**	—	**—**	—	**—**	—
Interest income	**68**	88	**43**	49	**2**	3	**114**	140
Company contribution	**264**	101	**47**	22	**18**	18	**328**	140
Contributions by plan participants	**25**	23	**—**	—	**1**	1	**26**	24
Benefits paid	**(96)**	(95)	**(76)**	(72)	**(10)**	(8)	**(181)**	(176)
Settlement payments	**—**	—	**—**	(13)	**—**	—	**—**	(13)
Administrative cost	**(9)**	(8)	**(3)**	(3)	**—**	—	**(13)**	(11)
Return on plan assets, excluding amounts included in net interest (income) expense	**445**	946	**116**	175	**17**	42	**578**	1,162
Exchange rate differences	**—**	—	**(113)**	27	**—**	—	**(113)**	27
Fair value of assets, end of the year	**6,339**	5,642	**1,298**	1,285	**278**	249	**7,915**	7,177
Funded status	**(153)**	(269)	**(423)**	(262)	**(109)**	(102)	**(685)**	(633)

The total defined benefit obligation of €8,600 million as of January 3, 2021, includes €379 million related to plans that are wholly unfunded. These plans include pension plans in Greece and Serbia and other benefits (such as life insurance and medical care) and supplemental executive retirement plans in the United States.

There have been plan amendments in the Netherlands and the United States, resulting in a loss of €67 million. As of January 1, 2021, the Dutch pension plan rules have changed, resulting in a total past service credit of €107 million. These changes include:

- A decrease in accrual rate from 2.0% to 1.75%, which led to a gain of €111 million
- An increase in maximum salary cap to the legal maximum (€112,189), which led to a loss of €4 million
- An increase in the level of employer and employee contributions. This change had no effect on the defined benefit obligation at the end of the year

In the United States, the introduction of the FELRA & MAP single-employer plan excess benefit plan led to a past service cost in the P&L of $211 million (€174 million) (see section *Multi-employer defined benefit plans – FELRA and MAP settlement agreement)*.

24 Pensions and other post-employment benefits continued

During 2017, Ahold Delhaize decided to transition a select population of employees participating in its defined benefit pension plan in the United States to a defined contribution plan, effective January 1, 2020. Accrued benefits under the defined benefit plan for these employees were frozen as of December 31, 2019. In 2020, the Company made transition contributions of €3 million to compensate affected employees for the benefit freeze. These transition contributions were already accrued for in 2017.

Cash contributions

From 2020 to 2021, Company contributions are expected to decrease from €264 million to €99 million in the Netherlands (impacted by the additional funding as explained below and a prepayment of the 2021 contributions in the amount of €33 million), increase from $54 million (€47 million) to $55 million (€45 million) for all defined benefit plans in the United States including the new variable annuity pension plans ("VAPP"), and decrease from €18 million to €17 million for all plans in the rest of the world.

As of year-end 2020, the funding ratio, calculated in accordance with regulatory requirements, of the Dutch plan was 101.5%. Under the financing agreement with Ahold Delhaize Pensioen, contributions are made as a percentage of employees' pension bases and shared between Ahold Delhaize and the employees. The agreement also allows for a reduction in premiums if certain funding conditions are met. In addition, Ahold Delhaize can be required to contribute a maximum amount of €150 million over a five-year period if the funding ratio is below 105%. At year-end 2016, the funding ratio was 104% and the Company and Ahold Delhaize Pensioen agreed to an additional funding of €28 million under the financing agreement, which was included in the 2017 cash contributions. In 2020, the Company and Ahold Delhaize Pensioen agreed to the remaining additional funding of €122 million, which was included in the 2020 cash contributions. The impact of the additional payment on the funding ratio as of year-end 2020 was approximately 2%.

The Ahold Delhaize USA pension plan's funding ratio at year-end 2020 was 134%, measured using regulatory interest rates allowed by the U.S. government as part of funding relief, which are higher than otherwise would be allowed. Based upon this funding ratio, under the current funding policy, we do not expect to make a funding contribution to the Ahold Delhaize USA pension plan in 2021.

Actuarial assumptions

The calculations of the defined benefit obligation and net defined benefit cost are sensitive to the assumptions set out below. These assumptions require a large degree of judgment. Actual experience may differ from the assumptions made. The assumptions required to calculate the actuarial present value of benefit obligations and the net defined benefit costs are determined per plan and are as follows (expressed as weighted averages):

	The Netherlands		The United States		Rest of world	
%	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate	**0.8**	1.2	**2.8**	3.5	**0.7**	1.0
Future salary increases	**2.5**	2.5	**4.3**	4.3	**3.7**	3.8
Future pension increases	**0.8**	0.7	**0.0**	0.0	**0.0**	0.0

Assumptions regarding longevity are based on published statistics and mortality tables. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	The Netherlands		The United States		Rest of world	
Years	**2020**	2019	**2020**	2019	**2020**	2019
Longevity at age 65 for current pensioners						
Male	**21.0**	21.4	**20.2**	20.4	N/A	N/A
Female	**23.3**	23.6	**22.1**	22.4	N/A	N/A
Longevity at age 65 for current members aged 50						
Male	**22.5**	23.1	**21.3**	21.6	N/A	N/A
Female	**24.7**	25.3	**23.2**	23.5	N/A	N/A

The following table summarizes how the effect on the defined benefit obligations at the end of the reporting period would have increased (decreased) as a result of a 0.5% change in the respective assumptions and a one-year increase in life expectancy.

€ million	The Netherlands	The United States	Rest of world	Total
Discount rate				
0.5% increase	(776)	(94)	(27)	(898)
0.5% decrease	928	105	32	1,066
Future salary increases				
0.5% increase	95	—	13	108
0.5% decrease	(90)	—	(11)	(100)
Future pension increases				
0.5% increase	852	—	N/A	852
0.5% decrease	(728)	—	N/A	(728)
Life expectancy				
1 year increase at age 65	280	57	1	338

The above sensitivity analyses are based on a change in each respective assumption while holding all other assumptions constant. In reality, one might expect interrelationships between the assumptions, especially between discount rate and future salary increases as both depend to a certain extent on expected inflation rates. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

24 Pensions and other post-employment benefits continued

Plan assets

The pension plan asset allocation differs per plan. The allocation of plan assets was as follows:

€ million	The Netherlands 2020	The Netherlands 2019	The United States 2020	The United States 2019	Rest of world 2020	Rest of world 2019
Equity instruments:						
Consumer goods	**388**	340	**18**	15	**—**	—
Financial services	**188**	206	**13**	15	**—**	—
Telecommunications and information	**223**	163	**11**	11	**—**	—
Energy and utilities	**96**	116	**19**	17	**—**	—
Industry	**423**	381	**8**	7	**—**	—
Other	**346**	358	**102**	95	**8**	—
Debt instruments:						
Government	**1,653**	1,543	**161**	95	**—**	—
Corporate bonds (investment grade)	**446**	429	**601**	662	**—**	—
Corporate bonds (non-investment grade)	**8**	8	**—**	—	**—**	—
Other	**—**	—	**70**	77	**30**	13
Real estate:						
Retail	**2**	4	**—**	—	**—**	—
Offices	**1**	2	**—**	—	**—**	—
Residential	**1**	2	**—**	—	**—**	—
Other	**—**	—	**43**	47	**—**	—
Investment funds	**1,842**	1,645	**145**	152	**—**	8
Insurance contracts	**—**	—	**—**	—	**239**	229
Derivatives:						
Interest rate swaps	**280**	139	**—**	—	**—**	—
Forward foreign exchange contracts	**27**	6	**—**	—	**—**	—
Cash and cash equivalents	**409**	308	**21**	27	**—**	—
Other	**7**	(8)	**84**	65	**—**	—
Total	**6,339**	5,642	**1,298**	1,285	**278**	249

Virtually all equity and debt instruments have quoted prices in active markets. Derivatives can be classified as Level 2 instruments, and real estate and some investment funds as Level 3 instruments based on the definitions in IFRS 13, "Fair Value Measurement." It is Ahold Delhaize Pensioen's policy to use interest rate swaps to partially hedge its exposure to interest rate risk on the pension liability. Foreign currency exposures are hedged by the use of forward foreign exchange contracts.

In the Netherlands, the plan assets are managed by outside investment managers following investment strategies based on the composition of the plan liabilities. With the aid of asset liability management modeling, analyses are made of possible future economic scenarios and investment portfolios. Based on these analyses, investment strategies are determined to produce optimal investment returns at acceptable funding ratio risk levels. Less favorable years can be part of these scenarios. During 2020, the strategic targets for asset allocation of the Dutch pension plan were: 50% return portfolio (equity, high-yield debt, emerging-market debt, private equity and real estate) and 50% matching portfolio (government bonds, interest swaps, € credits, mortgages and cash).

In the United States, the plan assets are managed by external investment managers and rebalanced periodically. Pension plan assets are invested in a trust intended to comply with the Employee Retirement Income Security Act of 1974 (ERISA), as amended, the United States Tax Code, and applicable fiduciary standards. In 2020, AON was approved by the Fiduciary Committee as the pension plan's Outsourced Chief Investment Officer (OCIO). The OCIO manages the entire pension plan portfolio and acts as fiduciary under ERISA. The Fiduciary Committee monitors the OCIO's performance. The long-term investment objective for the plan's assets is to maintain an acceptable funding ratio of the plan's assets and liabilities without undue exposure to risk. During 2020, the strategic targets were: 11% equity securities, 5% hedge funds and 84% debt securities.

In 2020, the Dutch plan had €2 million of plan assets invested in Ahold Delhaize's financial instruments (2019: €2.0 million). In 2020 or 2019, the U.S. plans did not have any plan assets invested in Ahold Delhaize financial instruments.

The actual return on plan assets in 2020 was 9.1% for the Dutch plan (2019: 22.6%) and 14.1% for the Ahold Delhaize USA pension plan (2019: 22.4%).

Benefit maturities

The weighted average duration of the defined benefit obligations of the plans in the Netherlands, the United States and the rest of world are 26.9, 14.1, and 16.0 years, respectively.

The expected schedule of benefit payments for the plans are as follows:

€ million	The Netherlands	The United States	Rest of world	Total
Amount due within one year	93	73	7	173
Amount due between two and five years	379	306	53	738
Amount due between six and ten years	603	412	68	1,083

24 Pensions and other post-employment benefits continued

Defined contribution plans

The Company operates defined contribution plans in the Netherlands, the United States, Belgium, Greece and Czech Republic. As mentioned above, the defined contribution plans in Belgium are accounted for as defined benefit plans due to the guaranteed return elements of the plans. The largest defined contribution plans exist in the United States, where the Company sponsors profit-sharing retirement plans that include a 401(k) feature that permits participating employees to make elective deferrals of their compensation and requires the Company to make matching contributions.

During 2020 and 2019, the Company contributed €120 million and €107 million, respectively, to its defined contribution plans. These contributions were recognized as an expense in the income statement and related entirely to continuing operations in 2020 and 2019.

Multi-employer plans (MEPs)

A number of union employees in the United States are covered by MEPs based on obligations arising from collective bargaining agreements. These plans provide retirement and other benefits to participants generally based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed in equal number by employers and unions and they are typically responsible for oversight of the investment of the assets and administration of the plan. Contribution rates and, in some instances, benefit levels are generally determined through the collective bargaining process between the participating employers and unions. At year-end, none of the Company's collective bargaining agreements required an increase in the Company's total pension contributions for MEPs to meet minimum funding requirements.

Most of these plans are defined contribution plans. The plans that are defined benefit plans, on the basis of the terms of the benefits provided, are accounted for as defined contribution plans because, among other things, there is insufficient information available to account for these plans as defined benefit plans. These plans are generally flat dollar benefit plans. Ahold Delhaize is generally one of several employers participating in most of these plans and, in the event that Ahold Delhaize withdraws from a plan, its allocable share of the plan's obligations (with certain exceptions) would be based upon unfunded vested benefits in the plan at the time of such withdrawal. Ahold Delhaize's obligation to pay for its allocable share of a plan's unfunded vested benefits is called a withdrawal liability. The withdrawal liability payable by Ahold Delhaize at such time as it experiences a withdrawal from a plan is based upon the applicable statutory formula, plan computation methods and actuarial assumptions, and the amount of the plan's unfunded benefits. Ahold Delhaize does not have sufficient information to accurately determine its ratable share of plan obligations and assets following defined benefit accounting principles and the financial statements of the MEPs are drawn up on the basis of other accounting policies than those applied by Ahold Delhaize. Consequently, these MEPs are not included in the Company's balance sheet.

The risks of participating in MEPs are different from the risks of single-employer plans. Ahold Delhaize's contributions are pooled with the contributions of other contributing employers, and are therefore used to provide benefits to employees of these other participating employers. If other participating employers cease to participate in the plan without paying their allocable portion of the plan's unfunded obligations, this could result in increases in the amount of the plan's unfunded benefits and, thus, Ahold Delhaize's future contributions. Similarly, if a number of employers cease to have employees participating in the plan, Ahold Delhaize could be responsible for an increased share of the plan's deficit. If Ahold Delhaize seeks to withdraw from a MEP, it generally must obtain the agreement of the applicable unions and will likely be required to pay withdrawal liability in connection with this. If a MEP in which Ahold Delhaize participates becomes insolvent, Ahold Delhaize may be required to increase its contributions, in certain circumstances, to fund the payment of benefits by the MEP.

Under normal circumstances, when a MEP reaches insolvency, it must reduce all accrued benefits to the maximum level guaranteed by the United States' PBGC. MEPs pay annual insurance premiums to the PBGC for such benefit insurance. PBGC currently projects that its multi-employer insurance program will become insolvent by the end of the PBGC's 2026 fiscal year. If the PBGC's multi-employer insurance program becomes insolvent, it may become unable to fund the PBGC-guaranteed benefits owed by insolvent MEPs, which might impact our future contribution obligations to certain plans. Various legislative initiatives to assist the PBGC and/or the multi-employer pension system in the United States are under consideration by the United States Congress, but it is unclear whether any of these initiatives will be enacted.

MEP - Defined benefit plans

At the end of 2020, Ahold Delhaize participated in 7 MEPs that are defined benefit plans on the basis of the terms of the benefits provided (Ahold Delhaize participated in 11 such plans in 2019). The Company's participation in these MEPs is outlined in the following tables.

Ahold Delhaize's participation percentage is an indication based on the relevant amount of its contributions during the year in relation to the total amount of contributions made to the plan.

The estimate of the Company's net proportionate share of the plans' deficits is based on the latest available information received from these plans, such as the plans' measurement of plan assets and the use of discount rates between 6.5% and 8.5%. The estimate does not represent Ahold Delhaize's direct obligation. While it is our best estimate, based upon information available to us, it is imprecise and a reliable estimate of the amount of the obligation cannot be made.

The EIN/Pension Plan Number column provides the Employer Identification Number (EIN) and the three-digit pension plan number. As with all pension plans, multi-employer pension plans in the U.S. are regulated by the ERISA; the United States Tax Code; as amended; the Pension Protection Act of 2006 (PPA); and the Multi-employer Pension Reform Act of 2014 (MPRA), among other legislation.

Under the PPA, plans are categorized as "endangered" (Yellow Zone), "seriously endangered" (Orange Zone), "critical" (Red Zone), or neither endangered nor critical (Green Zone). This categorization is primarily based on three measures: the plan's funded percentage, the number of years before the plan is projected to have a minimum funding deficiency under ERISA and the number of years before the plan is projected to become insolvent. A plan is in the "Yellow Zone" if the funded percentage is less than 80% or a minimum funding deficiency is projected within seven years. If both of these triggers are reached, the plan is in the "Orange Zone." Generally, a plan is in the "Red Zone" if a funding deficiency is projected at any time in the next four years (or five years if the funded percentage is less than 65%). Plans with a funding ratio above 80% are generally designated as being in the "Green Zone." A plan in the "Red Zone" may be further categorized as "critical and declining" if the plan is projected to become insolvent within the current year or within either the next 14 years or the next 19 years, depending on the plan's ratio of inactive participants to active participants and the plan's specific funding percentage. MEPs in endangered or critical status are required by U.S. law to develop either a funding improvement plan (FIP) or a rehabilitation plan (RP) to enhance funding through reductions in benefits, increases in contributions, or both.

The FIP/RP Status Pending/Implemented column in the table below indicates plans for which an FIP or an RP is pending or has been implemented. Additional information regarding the multi-employer plans listed in the following tables can be found on the website of the U.S. Department of Labor (www.efast.dol.gov).

24 Pensions and other post-employment benefits continued

€ million, except Ahold Delhaize's participation percentages	EIN / Pension plan number	ERISA zone status	FIP / RP status pending / implemented	Year of Form 5500[1]	Expiration date of collective bargaining agreement	January 3, 2021 Annual contributions[2]	Plan deficit / (surplus)[3]	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus)[4]
New England Teamsters & Trucking Industry Pension	04-6372430/001	Red (Critical and declining)	Implemented	2019	March 29, 2025	5	—	2.6%	—
UFCW Local 1262 & Employers Pension Fund	22-6074414/001	Red	Implemented	2019	October 23, 2023 – February 10, 2024	6	43	29.6%	13
Warehouse Employees' Union Local 730 Pension Trust Fund	52-6124754/001	Red (Critical and declining)	Implemented	2019	May 15, 2027	3	94	86.5%	82
Other plans[5]						7	5,489	1.0%	(29)
Total						21	5,627		65

€ million, except Ahold Delhaize's participation percentages	EIN / Pension plan number	ERISA zone status	FIP / RP status pending / implemented	Year of Form 5500[1]	Expiration date of collective bargaining agreement	December 29, 2019 Annual contributions[2]	Plan deficit / (surplus)[3]	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus)[4]
FELRA & UFCW Food Pension Fund	52-6128473/001	Red (Critical and declining)	Implemented	2018	October 26, 2019	23	1,335	56.6%	756
Mid-Atlantic UFCW & Participating Employers Pension Fund	46-1000515/001	Green	No	2018	October 26, 2019	10	(18)	62.0%	(11)
New England Teamsters & Trucking Industry Pension	04-6372430/001	Red (Critical and declining)	Implemented	2018	March 29, 2025	6	—	2.6%	—
UFCW Local 1262 & Employers Pension Fund	22-6074414/001	Red	Implemented	2018	October 23, 2023 – February 10, 2024	5	85	43.4%	37
United Food & Commercial Workers International Union – Industry Pension Fund	51-6055922/001	Green	No	2018	February 23, 2019 – October 31, 2020	23	(270)	23.8%	(64)
UFCW Local 1500 Pension Plan	23-7176372/001	Yellow	Implemented	2018	December 26, 2020	12	182	39.9%	73
Warehouse Employees' Union Local 730 Pension Trust Fund	52-6124754/001	Red (Critical and declining)	Implemented	2018	March 14, 2022	3	99	86.0%	85
Other plans[5]						6	5,882	0.9%	(15)
Total						88	7,295		861

1 Form 5500 is part of ERISA's overall reporting and disclosure framework and includes the financial statements of a MEP.
2 The total annual contributions for the multi-employer defined benefit pension plans recorded in the income statement are €77 million (2019: €88 million). The annual contributions for the settled plans (FELRA & UFCW Food Pension Fund, Mid-Atlantic UFCW & Participating Employers Pension Fund, United Food & Commercial Workers International Union – Industry Pension Fund and UFCW Local 1500 Pension Plan) were €56 million in 2020 (see more information on the new plans in the paragraphs below).
3 The deficit/(surplus) of the plans is heavily influenced by the discount rate applied by the plans, which ranges between 6.5% and 8.5%. MEPs discount the liabilities at the plan's expected rate of return on assets. As a plan nearing insolvency reduces liquidity risk and expected volatility, its expected rate of return on assets declines and, as such, the discount rate will decline, resulting in an increase of the deficit within the plan.
4 Ahold Delhaize's proportionate share of deficit (surplus) is calculated by multiplying the deficit/(surplus) of each plan that the Company participates in by Ahold Delhaize's participation percentage in that plan. This proportional share of deficit/(surplus) is an indication of our share of deficit/(surplus) based on the best available information. The deficit is calculated in accordance with the accounting policies and funding assumptions applied by the relevant plan and does not represent any obligation or liability Ahold Delhaize may have in respect of the plan, which would be accounted for and measured in accordance with Ahold Delhaize's accounting policies.
5 Other plans include Teamsters Local 639 Employers Pension Plan, UFCW Local 464A Pension Fund, Bakery and Confectionery Union Pension Fund and IAM National Pension Fund with participation percentages as of January 3, 2021, equal to 4.7%, 23.5%, 0.5% and 0.0%, respectively.

24 Pensions and other post-employment benefits continued

If the underfunded liabilities of the multi-employer pension plans are not reduced, either by improved market conditions, reductions in benefits and/or collective bargaining changes, increased future payments by the Company and the other participating employers may result. However, all future increases generally will be subject to the collective bargaining process.

In 2020, Ahold Delhaize withdrew from the United Food & Commercial Workers International Union–Industry Pension Fund (the"National Plan") and the United Food & Commercial Workers (UFCW) – Local 1500 Pension Fund (the "1500 Plan") resulting in a total withdrawal liability of $634 million (€559 million) and $222 million (€183 million), respectively. In 2020, Ahold Delhaize paid $590 million, which included a transition payment to the new plan as explained below. The outstanding withdrawal liability as of January 3, 2021, amounts to $286 million (€234 million). This withdrawal liability is recorded as a financial liability; see *Note 23*.

For the National Plan, a new multi-employer variable annuity pension plan ("VAPP") will be established and will be effective retrospectively as of July 1, 2020. The new plan is a defined benefit plan and the Company will apply defined benefit accounting. The transition payment in the amount of $18 million has been recorded as pension assets and, with $1 million service costs, resulted in a $17 million net pension asset as of year end. For the 1500 Plan, the Company will provide associates who are members of the UFCW Local 1500 future service retirement benefits through an existing defined contribution plan for which defined contribution accounting is applied.

In 2021, the Company expects its total contributions to multi-employer defined benefit plans to be €22 million, which includes RP contribution increases, where applicable. Ahold Delhaize has a risk of increased contributions and withdrawal liability (upon a withdrawal) if any of the participating employers in an underfunded MEP withdraw from the plan or become insolvent and are no longer able to meet their contribution requirements or if the MEP itself no longer has sufficient assets available to fund its short-term obligations to the participants in the plan. Including the annual contributions of €56 million for the settled plans (FELRA & UFCW Food Pension Fund, Mid-Atlantic UFCW & Participating Employers Pension Fund, United Food & Commercial Workers International Union - Industry Pension Fund and UFCW Local 1500 Pension Plan) the contribution decrease from €77 million to €22 million. If and when a withdrawal liability is assessed, it may be substantially higher than the proportionate share disclosed above. Any adjustment for a withdrawal liability will be recorded when it is probable that a liability exists and the amount can be reliably estimated. Ahold Delhaize does not have a contractual agreement with any MEP that determines how a deficit will be funded, except for the FELRA and MAP settlement agreement as described below.

FELRA and MAP settlement agreement

On December 31, 2020, Giant Food, UFCW Locals 27 and 400 (collectively the "Union Locals"), the PBGC, the Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund ("FELRA") and the Mid-Atlantic UFCW and Participating Employers Pension Fund ("MAP") finalized a settlement agreement on Giant Food's funding obligations with respect to FELRA and MAP. As a result of this agreement, the PBGC has approved the combining of MAP into FELRA (the "Combined Plan") and has agreed to provide financial assistance to the Combined Plan following its insolvency, which is currently projected to occur in 2022. The agreement is intended to resolve all of Giant Food's existing liabilities with respect to the FELRA and MAP Plans and improves the security of pension benefits for associates and reduces financial risk for Giant Food.

The agreement consists of the following components:

- Following the combination of FELRA and MAP, the PBGC will provide financial assistance to the Combined Plan after it becomes insolvent to fund benefit payments up to the level guaranteed by the PBGC. Giant Food will pay the withdrawal liability to the Combined Plan in monthly installments, commencing in February 2021, for the next 25 years.
- Giant Food will create a new single-employer plan to cover benefits accrued by Giant Food associates under the Combined Plan that exceed the PBGC's guarantee level following the Combined Plan's insolvency ("excess benefits").
- Giant Food will create a new MEP with another employer to provide excess benefits for certain other participants in the Combined Plan for whom Giant Food previously assumed responsibility. Giant Food intends to exercise its option to withdraw from this plan, which is currently estimated to be approximately $10 million (€8 million) in total, at some point during the next few years.

Each of the above plans is a frozen plan, meaning that no further benefits will be accrued. With this agreement, Giant Food has significantly reduced its pension exposure and has improved the security of pension benefits for plan participants. The above plans, in essence, remain defined benefit plans; see *Principal risks and uncertainties* in this Annual Report for related risk factors for pension and other post-employment benefits.

As part of establishing these plans, Giant Food recorded a $609 million (€502 million) pension-related liability and a $211 million (€174 million) defined benefit obligation, with a corresponding reduction in the Ahold Delhaize FELRA and MAP MEP off-balance sheet liabilities. This pension-related liability was recorded as a pension expense in 2020. The current portion of the pension-related liability is included in Other current liabilities (see *Note 27*).

Giant's associates who are represented by UFCW Locals 27 and 400 will accrue benefits under a single-employer variable annuity plan beginning January 1, 2021. The defined benefit obligation of $211 million relates to this new variable annuity single-employer plan and represents the best estimate based on information available at year end. Any relevant adjustments will be recorded in 2021.

As mentioned above, the PBGC currently projects that its multi-employer insurance program will become insolvent by the end of the PBGC's 2026 fiscal year. If the PBGC's multi-employer insurance program becomes insolvent, it may become unable to fund the PBGC-guaranteed benefits owed by insolvent MEPs. Various legislative initiatives to assist the PBGC and/or the multi-employer pension system in the United States are under consideration by the United States Congress, but it is unclear whether any of these initiatives will be enacted. In the event that the PBGC fails to fund the benefits that are guaranteed by the PBGC after the Combined Plan becomes insolvent, the settlement agreement to which Giant Food is a party requires the Company to fund the benefit payments that are not paid by the PBGC for certain participants through Giant's new single-employer plan for excess benefits.

24 Pensions and other post-employment benefits continued

MEP – Defined contribution plans

Ahold Delhaize also participates in 40 MEPs that are defined contribution plans on the basis of the terms of the benefits provided. The majority of these plans provide health and welfare benefits. The Company contributed €293 million and €299 million to multi-employer defined contribution plans during 2020 and 2019, respectively. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2020 and 2019. These plans vary significantly in size, with contributions to the three largest plans representing 52% of total contributions.

Accounting estimates and judgments

The present value of the pension obligations depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. Other key assumptions include longevity and future salary and pension increases.

Accounting policies

The net assets and net liabilities recognized on the consolidated balance sheet for defined benefit plans represent the actual surplus or deficit in Ahold Delhaize's defined benefit plans measured as the present value of the defined benefit obligations less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Defined benefit obligations are actuarially calculated on the balance sheet date using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using market yields on high-quality corporate bonds (i.e., bonds rated AA or higher), denominated in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities.

Defined benefit costs are split into three categories:

- Service cost, past service cost, gains and losses on curtailment and settlements
- Net interest expense or income
- Remeasurement

The first category is presented as labor costs within operating earnings. Past-service costs are recognized in the income statement in the period of plan amendment. Results from curtailments or settlements are recognized immediately.

Past service years within the Dutch pension plan are calculated based upon a methodology that uses the maximum past service years based on accrued benefits or a participant's actual date of hire.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is presented within net financial expenses.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (if applicable), and the return on plan assets (excluding interest) are recognized immediately in the balance sheet with a charge or credit to other comprehensive income in the period in which it occurs. Remeasurements recorded in other comprehensive income are not recycled to the income statement.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions. Post-employment benefits provided through industry MEPs, managed by third parties, are generally accounted for under defined contribution criteria.

25 Provisions

The table below specifies the changes in total provisions (current and non-current):

€ million	Self-insurance program	Claims and legal disputes	Severance and termination benefits	Onerous contracts[1]	Other	Total
As of December 29, 2019						
Current portion	267	23	39	8	13	349
Non-current portion	599	29	12	32	52	724
Carrying amount	**866**	**52**	**51**	**40**	**65**	**1,074**
Year ended January 3, 2021						
Additions charged to income	220	31	52	584	24	910
Used during the year	(170)	(19)	(52)	(27)	(18)	(287)
Released to income	(4)	(6)	(2)	(3)	(2)	(17)
Interest accretion	6	—	—	3	1	10
Effect of changes in discount rates	54	—	—	1	1	56
Other movements	—	(1)	—	(527)	—	(528)
Exchange rate differences	(80)	(2)	—	(38)	(2)	(122)
Closing carrying amount	**891**	**54**	**49**	**32**	**70**	**1,096**
As of January 3, 2021						
Current portion	278	36	40	8	17	378
Non-current portion	613	18	8	25	53	718
Carrying amount	**891**	**54**	**49**	**32**	**70**	**1,096**

1 The additions, usage, other movements and exchange rate differences in 2020 mainly relate to the withdrawal from the National Plan in the United States. See Note 24.

Maturities of total provisions as of January 3, 2021, are as follows:

€ million	Self-insurance program	Claims and legal disputes	Severance and termination benefits	Onerous contracts	Other	Total
Amount due within one year	278	36	40	8	17	378
Amount due between one and five years	381	15	8	15	23	442
Amount due after five years	233	4	—	10	30	276
Total	**891**	**54**	**49**	**32**	**70**	**1,096**

Self-insurance program

Ahold Delhaize is self-insured for certain potential losses, mainly relating to general liability, vehicle liability, workers' compensation and property losses incurred by its subsidiaries. Some of Ahold Delhaize's self-insured losses are retained at its captive insurance companies. The captives' maximum self-insurance retention per occurrence, including defense costs, is $2 million (€2 million) for general liability, $15 million (€13 million) for commercial vehicle liability, $5 million (€4 million) for workers' compensation in the United States and an amount equivalent to the capped continued payment of wages in The Netherlands, $5 million (€4 million) for property losses in Europe and $9 million (€8 million) with an annual aggregate of $25 million (€22 million) for property losses in the United States. Part of the self-insured risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies; see *Note 16*.

The measurement of the self-insurance provisions involves estimates and judgments to be made regarding future claim patterns, which include estimates on the number of future claims, timing and amount of payment of damages and costs associated with the settlement of future claims.

Claims and legal disputes

The Company is party to a number of legal proceedings arising out of its business operations. Such legal proceedings are subject to inherent uncertainties. Management, supported by internal and external legal counsel, where appropriate, determines whether it is probable that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized.

Severance and termination benefits

This provision relates to payments to employees whose employment with the Company has ended, either as part of a restructuring or a voluntary separation plan. The measurement of the provision involves estimates and judgments about the population and number of employees that will ultimately be affected by the plans, estimates of salary ranges used to measure future cash flows, and assumptions of periods of service, if relevant.

Onerous contracts

Onerous contract provisions relate to unfavorable contracts where the unavoidable costs of meeting the obligations under the contracts exceed the benefits expected to be received. The judgments and estimates made in the measurement of onerous contracts relate to unavoidable future costs anticipated to be incurred.

Other

Other provisions include loyalty programs, long-term incentives, jubilee payments, asset retirement obligations, provisions for environmental risks and supplemental medical benefits. The judgments and estimates made in the measurement of these provisions relate to the estimated costs to be incurred at an unknown future date.

The loyalty program provision of €20 million as of January 3, 2021 (December 29, 2019: €15 million), relates to a third-party customer loyalty program in the Netherlands and reflects the estimated cost of benefits to which customers participating in the loyalty program are entitled. When measuring the provision for loyalty programs, management estimates the expected timing of the redemptions by customers and the expected breakage (benefits granted but never redeemed).

25 Provisions continued

Accounting estimates and judgments

The recognition of provisions requires estimates and assumptions regarding the timing and the amount of outflow of resources. The main estimates are as follows:

- Self-insurance program: estimates and assumptions include an estimate of claims incurred but not yet reported, historical loss experience, projected loss development factors, estimated changes in claim reporting patterns, claim settlement patterns, judicial decisions and legislation. It is possible that the final resolution of claims may result in significant expenditures in excess of existing reserves.
- Loyalty programs: estimating the cost of benefits to which customers participating in the loyalty program are entitled includes assumptions on redemption rates. These estimates and assumptions apply to all loyalty programs, irrespective of whether they are accounted for as sales deferrals or provisions for future payments made at redemption.
- Claims and legal disputes: management, supported by internal and external legal counsel, where appropriate, determines whether it is probable that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognized.
- Severance and termination benefits: the provisions relate to separation plans and agreements and use the best estimate, based on information available to management, of the cash flows that will likely occur. The amounts that are ultimately incurred may change as the plans are executed.
- Onerous contracts: mainly relate to unfavorable contracts and include the excess of the unavoidable costs of meeting the contractual obligations over the benefits expected to be received under such contracts.

Accounting policies

Provisions are recognized when (i) the Company has a present (legal or constructive) obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) the amount can be reliably estimated. The amount recognized is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant.

The provision for the Company's self-insurance program is recorded based on claims filed and an estimate of claims incurred but not yet reported. The provision includes expenses incurred in the claim settlement process that can be directly associated with specific claims. Other expenses incurred in the claim settlement process are expensed when incurred. The Company's estimate of the required liability of such claims is recorded on a discounted basis, utilizing an actuarial method based upon various assumptions that include, but are not limited to, historical loss experience, projected loss development factors and actual payroll costs.

Restructuring-related provisions for severance and termination benefits are recognized when the Company has approved a detailed formal restructuring plan and the restructuring has either commenced or has been announced to those affected by it. Onerous contract provisions are measured at the amount by which the unavoidable costs to fulfill agreements exceeds the expected benefits from such agreements.

26 Other current financial liabilities

€ million	January 3, 2021	December 29, 2019
Lease liabilities – current portion	**1,143**	1,211
Interest payable	**33**	37
Short-term borrowings	**74**	60
Bank overdrafts	**683**	1,395
Reinsurance liabilities – current portion (see *Note 16* and *Note 23*)	**77**	76
Loans – current portion (see *Note 22*)	**348**	453
Deposit liabilities	**16**	15
Derivative financial instruments	**—**	1
Other	**11**	8
Total other current financial liabilities	**2,386**	3,257

Bank overdrafts includes an amount of €681 million (December 29, 2019: €1,391 million) which relates to the overdraft position of a notional cash pooling arrangement. This bank overdraft is fully offset by an identical amount included under Cash and cash equivalents (see *Note 20* and *Note 30*).

For more information on lease liabilities see *Note 33*.

Accounting policies

For more information on the accounting policies for financial liabilities and reinsurance liabilities, see *Note 30*.

27 Other current liabilities

€ million	January 3, 2021	December 29, 2019
Accrued expenses	**1,630**	1,342
Compensated absences	**515**	493
Payroll taxes, social security and VAT	**533**	503
Deferred income[1]	**203**	74
Gift card liabilities[2]	**208**	172
Other[3]	**37**	6
Total other current liabilities	**3,125**	2,591

1 The increase in deferred income mainly relates to our self-insurance activities and is due to the timing of insurance policy renewals. In connection with these insurance policy renewals, there was a similar increase in prepaid expenses. For more information on insurance activities, see *Note 16* and *Note 30*.
2 Gift card sales for the year in the amount of €542 million, offset by redemptions in the amount of €485 million, breakage in the amount of €16 million, and exchange rate differences of €6 million resulted in an ending balance of gift card liabilities of €208 million.
3 Includes the current portion of the pension-related liability for FELRA and MAP of €26 million (2019: nil). For details see *Note 24*.

The non-current portion of the Deferred income amounts to €54 million (December 29, 2019: €63 million), and is included in the "Other non-current liabilities" line of the balance sheet.

Accounting estimates and judgments

For more information on the accounting estimates and judgments policies for gift card liabilities, see *Note 7*.

28 Cash flow

The following table presents the reconciliation between the cash and cash equivalents as presented in the statement of cash flows and on the balance sheet:

€ million	January 3, 2021	December 29, 2019
Cash and cash equivalents as presented in the statement of cash flows	**2,910**	3,701
Restricted cash	**23**	17
Cash and cash equivalents as presented on the balance sheet	**2,933**	3,717

The following tables present additional cash flow information:

€ million	2020	2019
Non-cash investing activities		
Accounts payable at year-end related to purchased non-current assets	**334**	321
Assets acquired under leases[1]	**638**	481
Reassessments and modifications to leases[2]	**1,143**	781
Acquisition of businesses (see Note 4)		
Total purchase consideration	**(5)**	(43)
Cash acquired	**1**	—
Acquisition of businesses, net of cash acquired	**(4)**	(43)
Divestments of businesses		
Net cash flows related to Tops Markets	**(3)**	(11)
Divestment of businesses	**(3)**	**(11)**
Cash divested	**—**	—
Divestment of businesses, net of cash divested	**(3)**	(11)
Reconciliation between results on divestments of discontinued operations and cash (paid) received		
Result on divestments of discontinued operations before income taxes	**—**	(1)
Changes in provisions and other financial liabilities – net	**(3)**	(10)
Divestment of businesses	**(3)**	(11)
Cash divested	**—**	—
Divestment of businesses, net of cash divested	**(3)**	(11)

1 In 2020, the additions to right-of-use assets (see *Note 12* and *Note 13*) include €7 million of additions through sale and leaseback transactions and €4 million of initial direct costs net of lease incentives received (2019: €33 million of additions through sale and leaseback transactions and initial direct costs), which are excluded from the amount of non-cash investing activities.
2 In 2020, the amount includes €19 million of modifications and remeasurements to investment in leases classified within non-current and current financial assets (see *Note 16* and *Note 19*) and excludes €16 million of lease incentives received net of initial direct costs.

28 Cash flow continued

Changes in liabilities arising from financing activities for the years ended January 3, 2021, and December 29, 2019:

€ million	Loans	Lease liabilities	Short-term borrowings and bank overdrafts	Derivative assets	Derivative liabilities	Total
As of December 29, 2019	4,294	9,695	1,455	—	1	15,445
Proceeds from long-term debt[1]	506	—	—	—	—	506
Acquisitions through business combinations	1	1	—	—	—	2
Repayments of loans and lease liabilities [2]	(438)	(1,599)	—	—	—	(2,037)
Classified (to) held for sale or sold	(16)	—	—	—	—	(16)
Changes in short-term borrowings and overdrafts	—	—	(556)	—	—	(556)
Other cash flows from derivatives	—	—	—	2	—	2
Fair value changes	—	—	—	(2)	(1)	(3)
Additions to lease liabilities	—	645	—	—	—	645
Reassessments and modifications to leases	—	1,136	—	—	—	1,136
Termination of leases	—	(70)	—	—	—	(70)
Amortization of fair value adjustments and interest accretion to lease liability	(9)	357	—	—	—	348
Other non-cash movements	16	—	—	—	—	16
Exchange rate differences	(144)	(579)	(142)	—	—	(865)
As of January 3, 2021	4,210	9,586	757	—	—	14,553

1 The amount is net of deferred financing costs of €5 million, of which €2 million is included in Other within financing cash flows from continuing operations in the statement of cash flows.
2 Repayment of lease liabilities as presented in the statement of cash flows includes €12 million of lease incentives received net of initial direct costs and excludes €3 million of lease payments classified as divestment of business, net of cash divested.

€ million	Loans	Lease liabilities	Cumulative preferred financing shares	Short-term borrowings and bank overdrafts	Derivative assets	Derivative liabilities	Total
As of December 30, 2018	3,845	9,432	455	753	(1)	—	14,484
Proceeds from long-term debt[1]	593	—	—	—	—	—	593
Acquisitions through business combinations	—	45	—	—	—	—	45
Repayments of loans, lease liabilities and cumulative preferred financing shares[2,3]	(166)	(1,535)	(455)	—	—	—	(2,156)
Changes in short-term borrowings and overdrafts	—	—	—	689	—	—	689
Other cash flows from derivatives	—	—	—	—	—	(5)	(5)
Fair value changes	—	—	—	—	1	6	7
Additions to lease liabilities	—	513	—	—	—	—	513
Reassessments and modifications to leases	—	781	—	—	—	—	781
Termination of leases	—	(60)	—	—	—	—	(60)
Amortization of fair value adjustments and interest accretion to lease liability	(19)	366	—	—	—	—	347
Exchange rate differences	41	153	—	13	—	—	207
As of December 29, 2019	4,294	9,695	—	1,455	—	1	15,445

1 The amount is net of deferred financing costs of €7 million, of which €3 million is included in Other within financing cash flows from continuing operations in the statement of cash flows.
2 Repayments of loans and cumulative preferred financing shares as presented in the statement of cash flows include a €35 million premium paid for the settlement of part of the mortgage payables and cumulative preferred financing shares.
3 Repayment of lease liabilities as presented in the statement of cash flows excludes €4 million of lease payments classified as divestment of business, net of cash divested.

28 Cash flow continued

Accounting policies

The Company has chosen to prepare the statement of cash flows using the indirect method, which presents cash flows from operating activities as the income from continuing operations adjusted for non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash flows in foreign currencies have been translated using weighted average periodic exchange rates. Interest paid on loans is presented as a financing activity, while interest received is presented as an investing activity. Acquisitions and divestments of businesses are presented net of cash and cash equivalents acquired or disposed of, respectively. The Company has chosen to present dividends paid to its shareholders as a financing activity.

In the cash flow statement, the Company has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments are not split between interest and principal portions but are shown as one line, "Repayment of lease liabilities," in the cash flow statement. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

The Company has classified cash flows from operating leases as operating activities. Cash flows representing the collection of principal and interest payments for finance lease receivables are classified as investing activities and disclosed using a single line in the cash flow statement, "Lease payments received on lease receivables."

29 Earnings per share

The calculation of basic and diluted net income per share attributable to common shareholders is based on the following data:

	2020	2019
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic and diluted earnings per share	**1,397**	1,766
Number of shares (in millions)		
Weighted average number of common shares for the purposes of basic earnings per share	**1,067**	1,107
Effect of dilutive potential common shares:		
Conditional shares from share-based compensation programs	**5**	5
Weighted average number of common shares for the purposes of diluted earnings per share	**1,072**	1,112

The calculation of the basic and diluted income from continuing operations per share attributable to common shareholders is based on the same number of shares as detailed above and the following earnings data:

€ million	2020	2019
Income from continuing operations, attributable to common shareholders for the purposes of basic and diluted earnings per share	**1,397**	1,767

Both basic and diluted income per share from discontinued operations attributable to common shareholders amounted to €0.00 (2019: €0.00), based on the loss from discontinued operations attributable to common shareholders of nil (2019: €1 million) and the denominators detailed above.

Accounting policies

Basic net income per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Basic income from continuing operations per share is calculated by dividing income from continuing operations attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted income per share is calculated by dividing the net income/income from continuing operations attributable to shareholders by the diluted weighted average number of common shares outstanding. To determine the diluted weighted average number of common shares outstanding, the weighted average number of shares outstanding is adjusted for the conditional shares from the share-based compensation programs.

30 Financial risk management and financial instruments

Financial risk management

Ahold Delhaize is exposed to a variety of financial risks, including currency, interest rate, funding, liquidity and counterparty risks. The Company's financial risk management is centralized through its Treasury function, which operates within a regularly reviewed framework of policies and procedures. Ahold Delhaize's Management Board has overall responsibility for the establishment and oversight of the Treasury risk management framework. Ahold Delhaize's management reviews material changes to Treasury policies and receives information related to Treasury activities. The Treasury function does not operate as a profit center and manages the financial risks that arise in relation to underlying business needs.

In accordance with its Treasury policies, Ahold Delhaize uses derivative instruments solely for the purpose of hedging exposures. These exposures are mainly the result of interest rate and currency risks arising from the Company's operations and its sources of financing. Ahold Delhaize does not enter into derivative financial instruments for speculative purposes. The transaction of derivative instruments is restricted to Treasury personnel only and Ahold Delhaize's Internal Control department reviews the Treasury internal control environment regularly.

Relationships with credit rating agencies and monitoring of key credit ratios are also managed by the Treasury department.

Currency risk

Ahold Delhaize operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the U.S. dollar. Since Ahold Delhaize's subsidiaries primarily purchase and sell in local currencies, the Company's exposure to exchange rate movements in its commercial operations is limited. The Company is subject to foreign currency exchange risks due to exchange rate movements in connection with the translation of its foreign subsidiaries' income, assets and liabilities into euros for inclusion in its consolidated financial statements. Translation risk related to Ahold Delhaize's foreign subsidiaries, joint ventures and associates is not actively hedged; however, the Company aims to minimize this exposure by funding its foreign operations in their functional currency wherever feasible.

To protect the value of future foreign currency cash flows, including loan and interest payments, lease payments, dividends and firm purchase commitments, and the value of assets and liabilities denominated in foreign currency, Ahold Delhaize seeks to mitigate its foreign currency exchange exposure by borrowing in local currency and entering into various financial instruments, including forward contracts and currency swaps. It is Ahold Delhaize's policy to cover foreign exchange transaction exposure in relation to existing assets, liabilities and firm purchase commitments.

Foreign currency sensitivity analysis

As of January 3, 2021, Ahold Delhaize carried out a sensitivity analysis with regard to changes in foreign exchange rates to revalue dollar-denominated cash, cash equivalents and debt in its balance sheet at year-end. Assuming the euro had strengthened (weakened) by 10% against the U.S. dollar compared to the actual 2020 rate, with all other variables held constant, the hypothetical result on income before income taxes would have been a decrease (increase) of €5 million (2019: a decrease (increase) of €2 million), as a result of foreign exchange revaluation of U.S. dollar-denominated monetary assets and liabilities held by non-U.S. dollar functional currency subsidiaries.

The loss on foreign exchange recognized in the 2020 income statement related to the revaluation of unhedged leases reported in the balance sheet amounted to €15 million (2019: loss of €8 million). The strengthening (weakening) of the euro by 10% against the other currencies, with all other variables held constant, would result in a loss (gain) of €69 million (2019: €63 million).

Interest rate risk

Ahold Delhaize's outstanding debt and investment position is exposed to changes in interest rates. To manage interest rate risk, Ahold Delhaize has an interest rate management policy aiming to reduce volatility in its interest expense and maintaining a target percentage of its debt in fixed-rate instruments. As of January 3, 2021, 92% of Ahold Delhaize's long-term bonds was at fixed rates of interest (December 29, 2019: 92%).

Interest rate sensitivity analysis

The total interest expense recognized in the 2020 income statement related to the variable rates of short- and long-term debt amounted to nil (2019: nil). An increase (decrease) in market interest rates by 25 basis points, with all other variables (including foreign exchange rates) held constant, would have resulted in a loss (gain) of €1 million (2019: €1 million).

The total interest income recognized in the 2020 income statement amounted to €35 million (2019: €65 million), mainly related to variable rate money market fund investments and deposits. The Company estimates that with a possible increase (decrease) of euro and U.S. dollar market interest rates of 25 basis points with all other variables (including foreign exchange rates) held constant, this would have resulted in a gain of €7 million or a loss of €7 million, respectively (2019: gain of €5 million or a loss of €5 million).

The above sensitivity analyses are for illustrative purposes only as, in practice, market rates rarely change in isolation from other factors that also affect Ahold Delhaize's financial position and results.

Supply chain financing

Ahold Delhaize has supply chain finance arrangements with third party banks. As of January 3, 2021, the amounts due under the supply chain finance arrangements classified as trade payables were €862 million (December 29, 2019: €610 million). For more information on the accounting policies regarding supply chain finance arrangements see section *Accounting policies – Supply chain financing* below. The terms, including the payment terms, of the trade payables that are part of the supply chain finance arrangements are not substantially different from the terms of the Company's trade payables that are not part of the supply chain arrangement.

Credit risk

Ahold Delhaize has no significant concentrations of credit risk. The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate is calculated based on delinquency status and actual historical credit loss experience. As a result, management believes there is no further credit risk provision required over the normal individual and collective impairment, based on an aging analysis performed as of January 3, 2021. For further discussion on Ahold Delhaize's receivables, see *Note 16* and *Note 18*.

Financial transactions are predominantly entered into with investment grade financial institutions. The Company requires a minimum short-term rating of A1/P1 and a minimum long-term rating of A3/A- for its deposit and investment products. The Company may deviate from this requirement from time to time for operational reasons. Regarding credit risk, derivative contracts with counterparties are entered into primarily under the standard terms and conditions of the International Swaps and Derivatives Association (ISDA). With certain counterparties, Ahold Delhaize has credit support annexes in place that materially reduce the counterparty risk exposure because of a contractual exchange of cash collateral. Ahold Delhaize has policies that limit the amount of counterparty credit exposure to any single financial institution or investment vehicle and actively monitors these exposures.

30 Financial risk management and financial instruments continued

Counterparty risk is measured by adding the nominal value of cash, short-term deposits and marketable securities, and the mark-to-market of derivative instruments, netted with the collateral posted, if any. As a result, the highest exposure to a single financial counterparty, excluding AAA-rated money market funds, on January 3, 2021, amounted to €108 million (December 29, 2019: €240 million).

Offsetting of financial instruments

Ahold Delhaize has several financial assets and financial liabilities that are subject to offsetting or enforceable master netting arrangements and similar agreements.

Cash pool

The Company has implemented a cash pool system, allowing a more efficient management of the daily working capital needs of the participating operating entities. The settlement mechanism of the cash pool is provided by an external financial counterparty. The cash pool system exposes the Company to a single net amount with that financial counterparty rather than the gross amount of several current accounts and bank overdraft balances with multiple financial counterparties. From an operational perspective, the balances in the cash pool are netted. However, under the guidance of IAS 32 regarding the offsetting of debit and credit balances for financial reporting purposes, these balances have to be presented on a gross basis on the balance sheet (see Note 20 and Note 26).

ISDA master agreements for derivatives

The Company has entered into several ISDA master agreements in connection with its derivative transactions. In general, under such agreements, the amounts owed by each counterparty to another on the same day in respect of the same transaction payable in the same currency are aggregated into a single net amount payable by one party to the other.

Under certain circumstances, if all transactions under the ISDA master agreement are terminated, e.g., when a credit event such as payment default occurs, the termination value is assessed and only a single net amount is payable in the settlement of all transactions governed by the ISDA master agreement.

The ISDA agreements do not meet the criteria for offsetting in the balance sheet. This is because the Company does not currently have a legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of a future event such as a default. ISDAs are considered to be master netting arrangements for IFRS 7 disclosure purposes.

The following table shows the maximum exposure of the Company's financial assets and financial liabilities that are subject to offset or enforceable master netting arrangements and similar agreements for the year ended January 3, 2021.

€ million	Gross and net amounts in the balance sheet	Cash collateral received/ pledged[1]	Net exposure
Assets			
Cash and cash equivalents	709	681	28
Total	**709**	**681**	**28**
Liabilities			
Bank overdrafts	681	681	—
Total	**681**	**681**	**—**

1 Amounts not offset in the balance sheet but subject to master netting arrangements (or similar).

Liquidity risk

Ahold Delhaize views available cash balances and funds from operating activities as its primary sources of liquidity, complemented with access to external sources of funds when deemed to be required. Ahold Delhaize manages short-term liquidity based on projected cash flows. As of January 3, 2021, the Company's liquidity position primarily comprised €2,438 million of cash (including short-term deposits and similar instruments and the current portion of investments in debt instruments, adjusted for cash held under a notional cash pooling arrangement), and the €1 billion revolving credit facility, of which €146 million is drawn.

Based on the current operating performance and liquidity position, the Company believes that its liquidity position will be sufficient for working capital, capital expenditures, commitments related to acquisitions, interest payments, dividends, the announced €1 billion share buyback program and scheduled debt repayments for the next 12 months. In addition, the Company has access to the amount available on its revolving credit facility and to the debt capital markets based on its current credit ratings.

The following tables summarize the expected maturity profile of the Company's financial liabilities (including derivatives) as of January 3, 2021, and December 29, 2019, respectively, based on contractual undiscounted payments.

All financial liabilities held at the reporting date, for which payments are already contractually agreed, have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curve interest rates as of January 3, 2021, and December 29, 2019, respectively. See Note 34 for the liquidity risk related to guarantees.

Year ended January 3, 2021

		Contractual cash flows			
€ million	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities[1]					
Notes	**(3,920)**	**(412)**	**(1,779)**	**(2,652)**	**(4,843)**
Other loans	**(2)**	**—**	**—**	**(2)**	**(2)**
Financing obligations	**(214)**	**(35)**	**(114)**	**(40)**	**(189)**
Mortgages payable	**(74)**	**(16)**	**(68)**	**—**	**(84)**
Accounts payable	**(6,795)**	**(6,795)**	**—**	**—**	**(6,795)**
Short-term borrowings	**(757)**	**(757)**	**—**	**—**	**(757)**
Reinsurance liabilities	**(248)**	**(78)**	**(100)**	**(71)**	**(249)**
Other	**(319)**	**(9)**	**(264)**	**(45)**	**(318)**
Derivative financial liabilities					
Cross-currency swaps and foreign currency derivatives	**—**	**—**	**—**	**—**	**—**

1 The maturity analysis for lease liabilities is included in Note 33.

30 Financial risk management and financial instruments continued

Year ended December 29, 2019

€ million	Net carrying amount	Contractual cash flows: Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities[1]					
Notes	(3,962)	(533)	(1,486)	(2,976)	(4,995)
Other loans	(3)	—	—	(3)	(3)
Financing obligations	(263)	(40)	(136)	(68)	(244)
Mortgages payable	(66)	(7)	(73)	—	(80)
Accounts payable	(6,311)	(6,311)	—	—	(6,311)
Short-term borrowings	(1,455)	(1,455)	—	—	(1,455)
Reinsurance liabilities	(238)	(81)	(108)	(65)	(254)
Other	(92)	(21)	(20)	(49)	(90)
Derivative financial liabilities					
Cross-currency swaps and foreign currency derivatives	(1)	(1)	—	—	(1)

1 The maturity analysis for lease liabilities is included in *Note 33*.

Credit ratings

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

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

Capital risk management

The Company's primary objective to manage capital is the optimization of its debt and equity balances to sustain the future development of the business, maintain its investment grade credit rating and maximize shareholder value.

Ahold Delhaize may balance its capital structure in several ways, including through the payment of dividends, capital repayment, new share issues, share buybacks and the issuance or redemption of debt.

Financial instruments

Accounting classification and fair values of financial instruments

The following table presents the fair value of financial instruments, based on Ahold Delhaize's categories of financial instruments, including current portions, compared to the carrying amount at which these instruments are included on the balance sheet:

€ million	January 3, 2021 Carrying amount	January 3, 2021 Fair value	December 29, 2019 Carrying amount	December 29, 2019 Fair value
Financial assets at amortized cost				
Loans receivable	**47**	**52**	59	65
Trade and other (non-)current receivables	**1,982**	**1,982**	1,914	1,914
Lease receivable	**442**	**468**	444	473
Cash and cash equivalents	**2,933**	**2,933**	3,717	3,717
Short-term deposits and similar instruments	**58**	**58**	15	15
	5,461	**5,493**	6,150	6,185
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	**254**	**254**	236	236
Investments in debt instruments	**138**	**138**	141	141
	391	**391**	377	377
Derivative financial instruments				
Derivatives	**—**	**—**	—	—
Total financial assets	**5,853**	**5,884**	6,527	6,562

30 Financial risk management and financial instruments continued

€ million	January 3, 2021 Carrying amount	Fair value	December 29, 2019 Carrying amount	Fair value
Financial liabilities at amortized cost				
Notes	**(3,920)**	**(4,422)**	(3,962)	(4,246)
Other loans	**(2)**	**(2)**	(3)	(3)
Financing obligations	**(214)**	**(176)**	(263)	(216)
Mortgages payable	**(74)**	**(80)**	(66)	(65)
Accounts payable	**(6,795)**	**(6,795)**	(6,311)	(6,311)
Short-term borrowings	**(757)**	**(757)**	(1,455)	(1,455)
Interest payable	**(33)**	**(33)**	(37)	(37)
Other	**(319)**	**(337)**	(92)	(97)
	(12,115)	**(12,603)**	(12,190)	(12,430)
Financial liabilities at fair value through profit or loss				
Reinsurance liabilities	**(248)**	**(248)**	(238)	(238)
Derivative financial instruments				
Derivatives	**—**	**—**	(1)	(1)
Total financial liabilities excluding lease liabilities	**(12,363)**	**(12,851)**	(12,429)	(12,669)
Lease liabilities	**(9,586)**	**N/A**	(9,696)	N/A
Total financial liabilities	**(21,949)**	**N/A**	(22,125)	N/A

Of Ahold Delhaize's categories of financial instruments, only derivatives, investments in debt instruments and reinsurance assets (liabilities) are measured and recognized on the balance sheet at fair value. These fair value measurements are categorized within Level 2 of the fair value hierarchy. The Company uses inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The fair value of derivative instruments is measured by using either a market or income approach (mainly present value techniques). Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates that match the maturity of the contracts. Interest rate swaps are measured at the present value of expected future cash flows. Expected future cash flows are discounted by using the applicable yield curves derived from quoted interest rates.

To the extent that no cash collateral is contractually required, the valuation of Ahold Delhaize's derivative instruments is adjusted for the credit risk of the counterparty, called Credit Valuation Adjustment (CVA), and adjusted for Ahold Delhaize's own credit risk, called Debit Valuation Adjustment (DVA). The valuation technique for the CVA/DVA calculation is based on relevant observable market inputs.

No CVA/DVA adjustments are made to the valuation of certain derivative instruments, for which both Ahold Delhaize and its counterparties are required to post or redeem cash collaterals if the value of a derivative exceeds a threshold defined in the contractual provisions. Such cash collaterals materially reduce the impact of both the counterparty and Ahold Delhaize's own non-performance risk on the value of the instrument. The portion of outstanding derivatives that was collateralized as of January 3, 2021, is nil (December 29, 2019: nil).

The carrying amount of trade and other (non-)current receivables, cash and cash equivalents, accounts payable, short-term deposits and similar instruments, and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because any expected recoverability loss is reflected in an impairment loss. The fair values of quoted borrowings for which an active market exists are based on year-end quoted prices. The fair value of other non-derivative financial assets and liabilities that are not traded in an active market is estimated using discounted cash flow analyses based on market rates prevailing at year-end.

As of January 3, 2021, short-term deposits and similar instruments (€58 million) contain short-term liquid investments that are considered part of Ahold Delhaize's cash management financial assets.

Derivatives

Fair values, notional amounts, maturities and the qualification of derivative financial instruments for accounting purposes are presented in the table below:

€ million	Maturity	January 3, 2021 Fair value Assets	Fair value Liabilities	Notional amount
Forward foreign currency contracts	Within 1 year	—	—	—
Total cash flow hedges		—	—	—
Forward foreign currency contracts	Within 1 year	—	—	—
Total fair value hedges		—	—	—
Forward foreign currency contracts	Within 1 year	—	—	**25**
Total derivatives – no hedge accounting treatment		—	—	**25**
Total derivative financial instruments		—	—	**25**

30 Financial risk management and financial instruments continued

€ million	Maturity	December 29, 2019 Fair value Assets	Liabilities	Notional amount
Forward foreign currency contracts	Within 1 year	—	—	9
Total cash flow hedges		—	—	9
Forward foreign currency contracts	Within 1 year	—	—	6
Total fair value hedges		—	—	6
Forward foreign currency contracts	Within 1 year	—	(1)	310
Total derivatives – no hedge accounting treatment		—	(1)	310
Total derivative financial instruments		—	(1)	325

Accounting policies

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Company).

At initial recognition, the Company measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset.

After initial recognition, the Company classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive income or iii) FVPL on the basis of both:

- The Company's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income (FVOIC). If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Company measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses.

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

The Company's financial assets measured at amortized cost comprise loans receivable, net investment in leases, trade and other (non-)current receivables, cash and cash equivalents, short-term deposits and similar instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOIC if both i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments measured at FVOIC are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to profit or loss when debt instrument is derecognized.

There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments in equity instruments that are not held for trading and for which the Company made an irrevocable election at the time of initial recognition to account for the equity investment at FVOIC.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at FVPL is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at FVPL is recognized in the consolidated statement of income for the reporting period in which it arises.

The Company may, at initial recognition, irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Company's financial instruments measured at FVPL comprise reinsurance assets, derivatives and certain investments in debt instruments.

30 Financial risk management and financial instruments continued

Accounting policies continued

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for derivatives and reinsurance liabilities. Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments

All derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Gains and losses resulting from the fair value remeasurement are recognized in the income statement as fair value gains (losses) on financial instruments, unless the derivative qualifies and is effective as a hedging instrument in a designated hedging relationship. In order for a derivative financial instrument to qualify as a hedging instrument for accounting purposes, the Company must document (i) at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions and (ii) its assessment, both at hedge inception and on an ongoing basis, of whether the derivative that is used in the hedging transaction is highly effective in offsetting changes in fair values or cash flows of hedged items. Derivatives that are designated as hedges are accounted for as either cash flow hedges or fair value hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized initially in the cash flow hedging reserve, a separate component of equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are reclassified into the income statement in the same period in which the related exposure impacts the income statement. When a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately recognized in the income statement.

Fair value changes of derivative instruments that qualify for fair value hedge accounting treatment are recognized in the income statement in the periods in which they arise, together with any changes in fair value of the hedged asset or liability. If the hedging instrument no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortized in the income statement over the hedged item's remaining period to maturity.

Reinsurance assets and liabilities

Under Ahold Delhaize's self-insurance program, part of the insurance risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated companies. In accordance with the pooling arrangement, the Company assumes a share of the reinsurance treaty risks that is measured in relation to the percentage of Ahold Delhaize's participation in the treaty. Reinsurance assets include estimated receivable balances related to reinsurance contracts purchased by the Company. Reinsurance liabilities represent the expected insurance risks related to reinsurance contracts sold by the Company. Reinsurance assets and liabilities are measured on a discounted basis using accepted actuarial methods.

Supply chain financing

The supply chain financing arrangements do not expose Ahold Delhaize to additional credit risk nor provide Ahold Delhaize with a significant benefit of additional financing and, accordingly, it is Ahold Delhaize's policy to classify the amounts due under supply chain finance arrangements with banks as trade payables. In accordance with our accounting policy, trade payables are presented as operating activities in our cash flow statements. Suppliers choose to enter into these arrangements, which provide them with the option of access to earlier payment at favorable interest rates from the bank based on Ahold Delhaize's credit rating. If suppliers do not choose early payment under these arrangements, their invoices are settled by the bank under the applicable payment terms.

31 Related party transactions

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company considers all members of the Executive Committee (ExCo) and Supervisory Board to be key management personnel as defined in IAS 24 "Related Party Disclosures." At the end of 2020, the ExCo consisted of the Management Board and four other members.

The total compensation of key management personnel in 2020 amounted to €32,449 thousand (2019: €25,077 thousand). This includes an estimate of additional wage tax relating to key management personnel leaving the Company due in accordance with Dutch tax laws of €2 million (2019: €1 million).

(Service) Agreements with individual Management Board members

Frans Muller

In 2020, the Company provided Frans Muller with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of €1,085 thousand was increased by 1.6% to €1,102 thousand, effective at the start of 2020. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of above-target performance. The at-target award under the equity-based long-term incentive plan is 235% of base salary. Unless Frans' service agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2023. If the Company terminates his service agreement for reasons other than cause, Frans is entitled to a severance payment equal to one year's base salary or retirement treatment on his unvested performance shares in case of termination in 2019 through 2023. His service agreement may be terminated by the Company with a notice period of 12 months and by Frans with a notice period of six months. Frans participates in the Company's Dutch pension plan.

Natalie Knight

Natalie Knight was appointed Chief Financial Officer and a member of the Management Board at the Annual General Meeting of Shareholders on April 8, 2020. She started at Ahold Delhaize as Executive Vice President Finance and Member of the Executive Committee on March 1, 2020. In 2020, the Company provided Natalie with an annual base salary of €660 thousand, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of above-target performance. The at-target award under the equity-based long-term incentive plan is 175% of base salary. In recognition of the long-term incentive that was outstanding and forfeited at the time of Natalie's resignation at Arla Foods, two performance share awards were granted with a grant value of €600 thousand each, which will vest the day after the annual General Meeting of Shareholders of Ahold Delhaize in 2021 and 2022, respectively, and will further be subject to the terms and conditions of the long-term incentive plan (including performance targets), as well as the five-year holding period from the date of grant as applicable to members of the Management Board. Furthermore, Natalie receives school fees and a temporary housing allowance of €7,000 net per month. Unless Natalie's service agreement is otherwise terminated, she will be eligible for reappointment at the annual General Meeting of Shareholders in April 2024. If the Company terminates her service agreement for reasons other than cause, Natalie is entitled to a severance payment equal to one year's base salary. Her service agreement may be terminated by the Company with a notice period of 12 months and by Natalie with a notice period of six months. Natalie participates in the Company's Dutch pension plan.

Kevin Holt

In 2020, the Company provided Kevin Holt with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of $1,070 thousand was increased by 1.6% to $1,088 thousand, effective at the start of 2020. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of above-target performance. The at-target award under the equity-based long-term incentive plan is 235% of base salary. Furthermore, Kevin receives a housing allowance of up to $7,500 net per month. Kevin was reappointed as a member of the Management Board for a term ending on the day of the annual General Meeting of Shareholders to be held in 2024. If the Company terminates his employment agreement for reasons other than cause, Kevin is entitled to a severance payment equal to one year's base salary, unless he is eligible for retirement. His employment agreement may be terminated by the Company with a notice period of 12 months and by Kevin with a notice period of six months. Kevin and the Company have the option to end Kevin's assignment as per the annual General Meeting of Shareholders to be held in 2022. As executive leadership transition and continuity is critical, Kevin would then subsequently remain attached to the Company as an advisor to the Management Board until December 31, 2022, after which he would retire. Kevin participates in the Company's U.S. pension plan.

Wouter Kolk

In 2020, the Company provided Wouter Kolk with an annual base salary, participation in the annual cash incentive plan and participation in the Company's equity-based long-term incentive plan (GRO – see *Note 32*). The annual base salary of €649 thousand was increased by 10.6% to €718 thousand, effective at the start of 2020. The at-target payout under the annual cash incentive plan is 100% of base salary and is capped at 150% in the event of above-target performance. The at-target award under the equity-based long-term incentive plan is 150% of base salary. Unless Wouter's service agreement is otherwise terminated, he will be eligible for reappointment at the annual General Meeting of Shareholders in April 2022. If the Company terminates his service agreement for reasons other than cause, Wouter is entitled to a severance payment equal to one year's base salary. His service agreement may be terminated by the Company with a notice period of 12 months and by Wouter with a notice period of six months. Wouter participates in the Company's Dutch pension plan.

Jeff Carr

Jeff Carr, CFO Ahold Delhaize and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee after his term expired per the annual General Meeting of Shareholders in April 2020. His employment relationship with Ahold Delhaize terminated as of April 9, 2020, without any severance payment due. Performance shares awarded under the GRO plan will vest at the regular vesting dates. In 2020, the Company provided Jeff with an annual base salary of €769 thousand and participation in the annual cash incentive plan. The at-target amount under the annual cash incentive plan is 100% of base salary and the payout for 2020 is capped at 100%. No performance shares were granted to Jeff in 2020 under the Company's equity-based long-term incentive plan (GRO – see *Note 32*). Jeff received a housing allowance of €1,750 net per month. Furthermore, Jeff participated in the Company's Dutch pension plan.

31 Related party transactions continued

Remuneration of the Management Board by member

€ thousand	Base salary	EIP[1]	Other[2]	Total direct remuneration	Share-based compensation[3]	Pensions[4]	Total remuneration
	Direct remuneration				Deferred remuneration		
Frans Muller							
2020	**1,102**	**1,653**	**257**	**3,012**	**2,935**	**77**	**6,024**
2019	1,085	965	248	2,298	1,971	87	4,356
Natalie Knight[5]							
2020	**477**	**716**	**260**	**1,453**	**817**	**(1)**	**2,269**
2019	—	—	—	—	—	—	—
Kevin Holt							
2020	**954**	**1,431**	**406**	**2,791**	**2,259**	**220**	**5,270**
2019	955	851	429	2,235	1,270	209	3,714
Wouter Kolk							
2020	**718**	**1,077**	**182**	**1,977**	**1,129**	**36**	**3,142**
2019	649	578	168	1,395	400	32	1,827
Total 2020	**3,251**	**4,877**	**1,105**	**9,233**	**7,140**	**332**	**16,705**
Total 2019	2,689	2,394	845	5,928	3,641	328	9,897

Remuneration of the former members of the Management Board

€ thousand	Base salary	EIP[1]	Other[2]	Total direct remuneration	Share-based compensation[3]	Pensions[4]	Total remuneration
	Direct remuneration				Deferred remuneration		
Jeff Carr[6]							
2020	**216**	**216**	**73**	**505**	**861**	**44**	**1,410**
2019	769	685	244	1,698	1,732	33	3,463
Dick Boer[7]							
2020	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2019	—	—	28	28	2,311	27	2,366
Pierre Bouchut[8]							
2020	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2019	—	—	—	—	79	—	79
Total 2020	**216**	**216**	**73**	**505**	**861**	**44**	**1,410**
Total 2019	769	685	272	1,726	4,122	60	5,908

Remuneration of the Executive Committee including Management Board

The table below specifies the remuneration of the ExCo, comprising the Management Board members and the former members of the Management Board as listed above, and the additional ExCo members who were not part of the Management Board.

€ thousand	2020	2019
Base salary	**5,474**	5,328
EIP[1]	**8,275**	4,744
Other[2]	**3,235**	2,461
Share-based compensation[3]	**11,306**	9,681
Pensions[4]	**598**	506
Total remuneration	**28,888**	22,720

1 The ExCo Incentive Plan (EIP) represents accrued annual cash incentives to be paid in the following year based on an overall weighted EIP performance. For an explanation of the Company's remuneration policy, see the *Remuneration* section of this report. The overall 2020 performance multiplier was 150% (2019: 89%).
2 Other mainly includes gross allowances for net pension, tax compensation (tax equalization charges or refunds for expatriates), allowances for housing expenses, relocation costs, international school fees, employer's contributions to social security plans, benefits in kind such as company cars, tax advice, medical expenses and the associated tax gross-up.
3 The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2020 reflects this year's portion of the share grants over the previous four years (plans 2017 to 2020). For more information on the share-based compensation expenses see *Note 32*.
4 Pension costs are the total net periodic pension costs of the applicable pension plans.
5 Natalie Knight started at Ahold Delhaize as Executive Vice President Finance and Member of the Executive Committee on March 1, 2020, and was appointed as member of the Management Board effective April 8, 2020. Her 2020 remuneration reported as member of the Management Board reflects a partial year as of the date of her appointment as member of the Management Board. The table "Remuneration of the Executive Committee including Management Board" reflects the total year 2020, including the period that she was a member of the Executive Committee, but not a member of the Management Board. She received two additional performance share awards with a grant value of €600 thousand each, which will vest the day after the annual General Meeting of Shareholders of Ahold Delhaize in 2021 and 2022 respectively, subject to the terms and conditions of the long-term plan (including performance targets). The related expenses in the amount of €582 thousand were included in "Share-based compensation."
6 Jeff Carr's employment relationship with Ahold Delhaize terminated as of April 9, 2020, without any severance payment due. Shares awarded under the GRO plan will vest at the regular vesting dates. An estimate of these costs in the amount of €921 thousand was recognized in 2019. The total remuneration as presented in the tables above excludes the accrual for estimated additional wage tax payable by the Company in accordance with Dutch tax laws (2019: estimated at €979 thousand; 2020: updated to €1,489 thousand)
7 Dick Boer, President and CEO Ahold Delhaize and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of July 1, 2018, and remained available as an advisor to the Company until mid-2019. His employment relationship with Ahold Delhaize terminated as of July 1, 2019, after which he retired. The performance shares awarded under the GRO plan were settled on an accelerated basis upon the termination of his employment relationship in 2019. In 2019, adjustments to the estimate of the remuneration costs as a result of actual payments were included in Other and the expenses related to the equity-based long-term incentive were included in "Share-based compensation."
8 Pierre Bouchut, Chief Operating Officer Europe and Indonesia and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of January 1, 2018, and remained available as an advisor and for specific initiatives until July 1, 2018. His employment relationship with Ahold Delhaize terminated as of August 31, 2018, after which he retired. Performance shares awarded under the GRO plan will vest at the regular vesting dates.

31 Related party transactions continued

Remuneration of the members of the Supervisory Board

The table below specifies the remuneration of the members of the Supervisory Board. The remuneration of the members of the Supervisory Board in 2019 and in 2020 up to April 8 was determined based on the annual remuneration as adopted by the extraordinary General Meeting of Shareholders on March 14, 2016. The remuneration of the members of the Supervisory Board from April 8, 2020, was determined in line with the Remuneration Policy for the Supervisory Board as adopted by the General Meeting of Shareholders on April 8, 2020.

€ thousand	2020	2019
Peter Agnefjäll (appointed in 2019)[1]	**138**	104
Bill McEwan (reappointed in 2020)[2]	**150**	208
René Hooft Graafland (reappointed in 2018)	**129**	143
Ben Noteboom (reappointed in 2017)[3]	**109**	125
Katie Doyle (appointed in 2019)	**126**	104
Mary Anne Citrino (reappointed in 2020)	**119**	130
Dominique Leroy (reappointed in 2020)[4]	**116**	118
Helen Weir (appointed in 2020)	**88**	—
Frank van Zanten (appointed in 2020)	**83**	—
Jan Hommen (retired in December 2020)[5]	**223**	243
Jacques de Vaucleroy (retired in April 2020)[6]	**31**	120
Rob van den Bergh (resigned in 2019)	**—**	39
Mark McGrath (resigned in 2019)	**—**	44
Total[7,8,9]	**1,312**	1,378

1 Peter Agnefjäll became Vice-Chair of the Supervisory Board and Chair of the Risk Committee, effective July 1, 2020, and received the fees for these roles as of that date. Since January 1, 2021, Peter Agnefjäll has acted as the Chair of the Supervisory Board, meaning he will receive the fee associated with this role as of this date.
2 Bill McEwan acted as Vice-Chair as of April 11, 2018, and received the Vice-Chair remuneration (formerly referred to as Vice-Chair and member of the presidium) from that date. For the period starting July 1, 2018, up and until the first quarter of 2020, Bill McEwan refrained from any remuneration for his role as Chairman of the Remuneration Committee. Effective July 1, 2020, Bill McEwan stepped down as Vice-Chair and per January 1, 2021, Bill McEwan was reinstated as Vice-Chair of the Supervisory Board and will receive the fee for this role going forward.
3 Ben Noteboom became Chair of the Governance and Nomination Committee, effective December 1, 2020, and received the fee for this role.
4 Dominique Leroy acted as Chair of the Governance and Nomination Committee as of April 1, 2020, up and until November 30, 2020, and received the fee for this role.
5 Jan Hommen was appointed Chair of the Supervisory Board, effective April 2018. He became Chair of the Governance and Nomination Committee as of July 1, 2018, and refrained from any remuneration for this role. Effective April 1, 2020, Jan Hommen stepped down as Chair of the Governance and Nomination Committee and he retired from the Supervisory Board, effective January 1, 2021.
6 As of July 1, 2018, Jacques de Vaucleroy refrained from any additional remuneration for his role as Vice-Chair. Jacques de Vaucleroy retired from the Supervisory Board after the annual General Meeting of Shareholders on April 8, 2020.
7 All members of the Supervisory Board were members of the Sustainability and Innovation Committee as of July 1, 2018, and refrained from any remuneration for this membership, except for the Chair(s) of this Committee. Up and until June 30, 2020, Katie Doyle and Peter Agnefjäll co-chaired the Committee and each received half of the remuneration for this role. As of July 1, 2020, Katie Doyle was the sole Chair of the Committee and received the fee for this role.
8 With the arrival and retirement of members of the Supervisory Board, the composition of the several Committees was reorganized, resulting in the composition as detailed in section *Governance – Our Supervisory Board* and became effective on July 1, 2020.
9 For the members who were appointed to or resigned from the Supervisory Board or one of its Committees in 2019 and 2020, the remuneration reflects a partial year.

Shares and other interests in Ahold Delhaize

As of January 3, 2021, Management Board members (excluding the former Management Board members) held the following shares and other interests in Ahold Delhaize:

Number of shares	Common shares subject to additional holding requirement[1]	Other common shares	Total common shares
Frans Muller[2]	79,498	165,359	244,857
Natalie Knight	—	—	—
Kevin Holt	62,885	—	62,885
Wouter Kolk	—	41,416	41,416
Total	**142,383**	**206,775**	**349,158**

1 In line with best practice 3.1.2 VI of the Dutch Corporate Governance Code 2016 and the Management Board remuneration policy, shares granted and vested under the GRO program to Management Board members should be retained for a period of at least five years after grant, except to finance tax payable at the vesting date, or at least until the date of resignation from the Management Board, if this period is shorter.
2 Additionally, 9,579 shares are held by Frans Muller in the form of American Depository Receipts.

As of January 3, 2021, Peter Agnefjäll held 7,200 Ahold Delhaize common shares, Bill McEwan held 7,125 Ahold Delhaize American Depository Receipts, and Ben Noteboom held 15,637 Ahold Delhaize common shares. None of the other Supervisory Board members held Ahold Delhaize shares.

Ahold Delhaize does not provide loans or advances to members of the Management Board or the Supervisory Board. There are no loans or advances outstanding. Ahold Delhaize does not issue guarantees to the benefit of members of the Management Board or the Supervisory Board. No such guarantees are outstanding.

31 Related party transactions continued

Trading transactions

Ahold Delhaize has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements. Transactions were conducted at market prices. During 2020 and 2019, the Company entered into the following transactions with unconsolidated related parties:

For the year ended January 3, 2021

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
JMR	2	—	1	—	—
Cathedral Commons	—	1	—	—	17
Other	—	3	3	1	9
Total	**2**	**4**	**4**	**1**	**26**

For the year ended December 29, 2019

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
JMR	2	—	2	—	—
Cathedral Commons	—	1	—	—	24
Other	—	3	3	3	12
Total	2	4	5	3	36

These unconsolidated related parties consist of:

- JMR, a joint venture of Ahold Delhaize in the retail business (see *Note 15*).
- Cathedral Commons Partners, LLC, a real estate joint venture of Ahold Delhaize.
- Super Indo, a joint venture of Ahold Delhaize in the retail business (see *Note 15*). There were no transactions with Super Indo in 2020 and 2019.
- "Other," which includes mainly real estate joint ventures in which Ahold Delhaize has an interest and holding properties operated by Ahold Delhaize and Loyalty Management Nederland B.V., an associate of Ahold Delhaize that renders services relating to the management of customer loyalty programs to certain Ahold Delhaize subsidiaries in the Netherlands.
- Ahold Delhaize participates in Coopernic and AMS, which are cooperative European purchase alliances towards third-party vendors. Receivable and payable positions occur with these buying alliances. These transactions are considered to reflect the results of the negotiated purchasing terms with the third-party vendors. As such, these transactions are not shown in the table above of related party transactions.

Furthermore, the Company's post-employment benefit plans in the Netherlands and the United States are considered related parties. For more information on these plans, see *Note 24*.

32 Share-based compensation

In 2020, Ahold Delhaize's share-based compensation program consisted of a share grant program called Global Reward Opportunity (GRO). Total 2020 GRO share-based compensation expenses were €59 million (2019: €51 million). Ahold Delhaize's share-based compensation programs are equity-settled.

The fair value of the performance shares granted under the GRO program in 2020 at grant date was €48 million, of which €6 million related to current and former Management Board members. The fair value is expensed over the vesting period of the grants, adjusted for expected annual forfeitures of 5% (2019: 5%) excluding Management Board members. For the share-based compensation expenses allocable to the individual Management Board members, see *Note 31*.

GRO program

Main characteristics of performance shares granted in 2019 and 2020

A revised GRO program was introduced in 2019. The performance shares granted under this program vest on the day after the annual General Meeting of Shareholders in the third year after the grant, subject to certain performance conditions being met. The revised GRO program employs three financial measures: return on capital (RoC), underlying earnings per share growth (EPS) and total shareholder return (TSR), as well as non-financial performance measures related to sustainability targets.

The total GRO award is comprised of four portions of performance shares. The first 35% is linked to a three-year RoC target. Depending on performance, the number of performance shares that eventually vest may range between zero and a maximum of 150% of the number of performance shares granted.

Another 35% is linked to a three-year EPS growth target. The number of performance shares that vest may range between zero and a maximum of 150% of the number of performance shares granted, depending on the performance.

Another 15% of the total GRO award is linked to TSR (share price growth and dividends paid over the performance period), with performance at vesting benchmarked against the TSR performance of a peer group comprised of 12 companies (see the *Remuneration* section for the composition of the peer group). The number of performance shares that vest depends on the Company's relative ranking in the peer group and may range between zero and a maximum of 150% of the number of performance shares granted (see table on next page for the vesting percentages based on Ahold Delhaize's ranking within the peer group).

For the remaining 15% of the total GRO share award, the performance at vesting is measured using sustainability targets related to the Company's sustainability ambitions. Depending on performance, the number of performance shares that eventually vest can range between zero and a maximum of 150% of the number of performance shares granted.

32 Share-based compensation continued

The table below indicates the percentage of performance shares that could vest based on Ahold Delhaize's TSR ranking within the peer group, for the performance shares granted in 2019 and 2020:

2019–2020 GRO program rank	All participants
1	150%
2	125%
3	110%
4	100%
5	75%
6	50%
7-12	0%

Main characteristics of performance shares granted in 2017 and 2018

The performance shares granted in 2017 and 2018 under the GRO program as introduced in 2016 vest on the day after the annual General Meeting of Shareholders in the third year after the grant, subject to certain performance conditions being met. This program employs two financial measures, RoC and TSR, as well as non-financial performance measures related to sustainability targets.

The first 40% of the total GRO share award is linked to a three-year RoC target. Depending on performance, the number of performance shares that eventually vest may range between zero and a maximum of 150% of the number of performance shares granted.

Another 40% is linked to TSR (share price growth and dividends paid over the performance period), with performance at vesting benchmarked against the TSR performance of a peer group comprised of 14 companies (see table below for the composition of the TSR peer group). The number of performance shares that vest depends on the Company's relative ranking in the peer group and may range between zero and a maximum of 175% of the number of performance shares granted (see table below for the vesting percentages based on Ahold Delhaize's ranking within the peer group).

For the remaining 20% of the total GRO share award, the performance at vesting is measured using sustainability targets related to the Company's sustainability ambitions. The targets set under this non-financial performance measure are both qualitative and quantitative. Depending on performance, the number of performance shares that eventually vest can range between zero and a maximum of 150% of the number of performance shares granted.

The table below shows the composition of the TSR peer group for the performance shares granted in 2017 and 2018:

TSR performance peer group for performance shares granted in 2017 and 2018	
Tesco	Kroger
Carrefour	Costco
Metro Cash & Carry	Target
Casino Guichard Perrachon	Walgreens Boots Alliance
J Sainsbury	Best Buy
W M Morrison	Lowe's Companies
	Walmart

The table below indicates the percentage of performance shares that could vest based on Ahold Delhaize's TSR ranking within the peer group, for the performance shares granted in 2017 and 2018:

2017–2018 GRO program rank	All participants
1	175%
2	150%
3	125%
4	110%
5	100%
6	80%
7	50%
8-14	0%

Performance shares vesting in 2021

In 2021, the performance shares granted in 2018 will vest. The performance shares vesting will comprise performance shares based on the Company's TSR, RoC and sustainability performance. As of the end of 2020, Ahold Delhaize ranked 6th in the TSR peer group with respect to the 2018 grant. Based on this TSR ranking, the vesting percentage for the portion of the 2018 performance shares dependent on Ahold Delhaize's TSR performance was 80%.

At the end of each reporting period, Ahold Delhaize revises its estimates of the number of performance shares that are expected to vest based on the non-market vesting conditions (RoC, EPS and sustainability performance). Ahold Delhaize recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The final vesting percentage for the portion of the 2018 performance shares dependent on Ahold Delhaize's RoC and sustainability performance is 150% and 125% respectively.

On April 15, 2021, a maximum of 0.5 million performance shares granted in 2018 to current and former members of the Management Board under the Ahold Delhaize GRO plan are expected to vest. Except to finance taxes and social security charges due on the vesting date, members of the Management Board cannot sell shares for a period of at least five years following the grant date, or until their date of resignation from the Management Board, if this period is shorter.

On April 15, 2021, a maximum of 2.5 million performance shares granted in 2018 to Ahold Delhaize employees under the Ahold Delhaize GRO plan are expected to vest. As of the vesting date, participants are allowed to sell all or part of the vested shares, subject to insider trading restrictions as applicable from time to time.

The Company will use treasury shares for the delivery of the vested shares.

32 Share-based compensation continued

The following table summarizes the status of the GRO program during 2020 for the individual Management Board members and for all other employees in the aggregate.

	Grant date	Vesting date	End of retention period	Outstanding at the beginning of 2020	Granted	Performance adjustment[1]	Vested[2]	Forfeited	**Outstanding at the end of 2020**	Maximum number of shares[3]	Fair value per share at the grant date (€)
Frans Muller											
2017 TSR grant	April 13, 2017	April 9, 2020	April 13, 2022	41,152	—	(20,576)	20,576	—	**—**	N/A	9.57
2017 RoC grant				41,152	—	(14,404)	26,748	—	**—**	N/A	17.07
2017 Sustainability grant				20,576	—	2,057	22,633	—	**—**	N/A	17.07
2018 TSR grant	April 12, 2018	April 15, 2021	April 12, 2023	51,408	—	—	—	—	**51,408**	89,963	16.58
2018 RoC grant				51,408	—	—	—	—	**51,408**	77,112	17.89
2018 Sustainability grant				25,704	—	—	—	—	**25,704**	38,555	17.89
2019 TSR grant	April 11, 2019	2022 AGM + 1 day	April 11, 2024	17,304	—	—	—	—	**17,304**	25,956	14.47
2019 RoC grant				40,374	—	—	—	—	**40,374**	60,561	20.01
2019 EPS grant				40,374	—	—	—	—	**40,374**	60,561	20.01
2019 Sustainability grant				17,304	—	—	—	—	**17,304**	25,956	20.01
2020 TSR grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	—	17,261	—	—	—	**17,261**	25,891	14.51
2020 RoC grant				—	40,274	—	—	—	**40,274**	60,411	19.98
2020 EPS grant				—	40,274	—	—	—	**40,274**	60,411	19.98
2020 Sustainability grant				—	17,261	—	—	—	**17,261**	25,891	19.98
Natalie Knight[4]											
2018 TSR grant	April 9, 2020	April 15, 2021	April 9, 2025	—	10,663	—	—	—	**10,663**	18,660	17.10
2018 RoC grant				—	10,663	—	—	—	**10,663**	15,994	18.45
2018 Sustainability grant				—	5,332	—	—	—	**5,332**	7,998	18.45
2019 TSR grant	April 9, 2020	2022 AGM + 1 day	April 9, 2025	—	3,999	—	—	—	**3,999**	5,998	13.40
2019 RoC grant				—	9,331	—	—	—	**9,331**	13,996	18.52
2019 EPS grant				—	9,331	—	—	—	**9,331**	13,996	18.52
2019 Sustainability grant				—	3,999	—	—	—	**3,999**	5,998	18.52
2020 TSR grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	—	7,698	—	—	—	**7,698**	11,547	14.51
2020 RoC grant				—	17,961	—	—	—	**17,961**	26,941	19.98
2020 EPS grant				—	17,961	—	—	—	**17,961**	26,941	19.98
2020 Sustainability grant				—	7,698	—	—	—	**7,698**	11,547	19.98

32 Share-based compensation continued

	Grant date	Vesting date	End of retention period	Outstanding at the beginning of 2020	Granted	Performance adjustment[1]	Vested[2]	Forfeited	**Outstanding at the end of 2020**	Maximum number of shares[3]	Fair value per share at the grant date (€)
Kevin Holt											
2017 TSR grant	April 13, 2017	April 9, 2020	April 13, 2022	34,563	—	(17,282)	17,281	—	**—**	N/A	9.57
2017 RoC grant				34,563	—	(12,098)	22,465	—	**—**	N/A	17.07
2017 Sustainability grant				17,282	—	1,728	19,010	—	**—**	N/A	17.07
2018 TSR grant	April 12, 2018	April 15, 2021	April 12, 2023	38,066	—	—	—	—	**38,066**	66,615	16.58
2018 RoC grant				38,066	—	—	—	—	**38,066**	57,099	17.89
2018 Sustainability grant				19,033	—	—	—	—	**19,033**	28,549	17.89
2019 TSR grant	April 11, 2019	2022 AGM + 1 day	April 11, 2024	12,766	—	—	—	—	**12,766**	19,149	14.47
2019 RoC grant				29,787	—	—	—	—	**29,787**	44,680	20.01
2019 EPS grant				29,787	—	—	—	—	**29,787**	44,680	20.01
2019 Sustainability grant				12,766	—	—	—	—	**12,766**	19,149	20.01
2020 TSR grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	—	15,412	—	—	—	**15,412**	23,118	14.51
2020 RoC grant				—	35,962	—	—	—	**35,962**	53,943	19.98
2020 EPS grant				—	35,962	—	—	—	**35,962**	53,943	19.98
2020 Sustainability grant				—	15,412	—	—	—	**15,412**	23,118	19.98
Wouter Kolk[5]											
2017 TSR grant	April 13, 2017	April 9, 2020	N/A	15,020	—	(7,510)	7,510	—	**—**	N/A	9.57
2017 RoC grant				15,020	—	(5,257)	9,763	—	**—**	N/A	17.07
2017 Sustainability grant				7,510	—	751	8,261	—	**—**	N/A	17.07
2018 TSR grant	April 12, 2018	April 15, 2021	April 12, 2023	21,433	—	—	—	—	**21,433**	37,507	16.58
2018 RoC grant				21,433	—	—	—	—	**21,433**	32,149	17.89
2018 Sustainability grant				10,717	—	—	—	—	**10,717**	16,075	17.89
2019 TSR grant	April 11, 2019	2022 AGM + 1 day	April 11, 2024	6,607	—	—	—	—	**6,607**	9,910	14.47
2019 RoC grant				15,416	—	—	—	—	**15,416**	23,124	20.01
2019 EPS grant				15,416	—	—	—	—	**15,416**	23,124	20.01
2019 Sustainability grant				6,607	—	—	—	—	**6,607**	9,910	20.01
2020 TSR grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	—	7,175	—	—	—	**7,175**	10,762	14.51
2020 RoC grant				—	16,740	—	—	—	**16,740**	25,110	19.98
2020 EPS grant				—	16,740	—	—	—	**16,740**	25,110	19.98
2020 Sustainability grant				—	7,175	—	—	—	**7,175**	10,762	19.98

32 Share-based compensation continued

	Grant date	Vesting date	End of retention period	Outstanding at the beginning of 2020	Granted	Performance adjustment[1]	Vested[2]	Forfeited	**Outstanding at the end of 2020**	Maximum number of shares[3]	Fair value per share at the grant date (€)
Jeff Carr[6]											
2017 TSR grant				25,662	—	(12,831)	12,831	—	**—**	N/A	9.57
2017 RoC grant	April 13, 2017	April 9, 2020	N/A	25,662	—	(8,982)	16,680	—	**—**	N/A	17.07
2017 Sustainability grant				12,831	—	1,283	14,114	—	**—**	N/A	17.07
2018 TSR grant				29,644	—	—	—	—	**29,644**	51,877	16.58
2018 RoC grant	April 12, 2018	April 15, 2021	N/A	29,644	—	—	—	—	**29,644**	44,466	17.89
2018 Sustainability grant				14,822	—	—	—	—	**14,822**	22,233	17.89
2019 TSR grant				9,139	—	—	—	—	**9,139**	13,708	14.47
2019 RoC grant	April 11, 2019	2022 AGM + 1 day	N/A	21,323	—	—	—	—	**21,323**	31,984	20.01
2019 EPS grant				21,323	—	—	—	—	**21,323**	31,984	20.01
2019 Sustainability grant				9,139	—	—	—	—	**9,139**	13,708	20.01
Pierre Bouchut[7]											
2017 TSR grant				19,641	—	(9,821)	9,820	—	**—**	N/A	9.57
2017 RoC grant	April 13, 2017	April 9, 2020	N/A	19,641	—	(6,875)	12,766	—	**—**	N/A	17.07
2017 Sustainability grant				9,821	—	982	10,803	—	**—**	N/A	17.07
2018 TSR grant				22,244	—	—	—	—	**22,244**	38,927	16.58
2018 RoC grant	April 12, 2018	April 15, 2021	N/A	22,244	—	—	—	—	**22,244**	33,366	17.89
2018 Sustainability grant				11,122	—	—	—	—	**11,122**	16,683	17.89
Subtotal Management Board members				1,052,516	370,284	(108,835)	231,261	—	**1,082,704**	1,667,406	

1 Represents the adjustment to the number of performance shares granted resulting from the TSR, RoC and sustainability performance.
2 The vesting date of the 2017 grant was April 9, 2020. The share price was €22.09 on April 9, 2020.
3 For the TSR performance grants, the maximum number of performance shares that could potentially vest equals 175% of outstanding performance shares, for the award granted in 2018, if Ahold Delhaize's ranking is one. For the TSR performance grants awarded in 2019 and 2020, the maximum number of performance shares that could potentially vest equals 150% of the outstanding performance shares if the Company's ranking is one. For the RoC performance grants, the EPS performance grants and the sustainability performance grants the maximum number of performance shares that could potentially vest equals 150% of outstanding performance shares (as explained in the sections *Main characteristics of performance shares granted in 2019 and 2020* and *Main characteristics of performance shares granted in 2017 and 2018* above). The minimum number of performance shares that could potentially vest would be nil (as explained in the sections *Main characteristics of performance shares granted in 2019 and 2020* and *Main characteristics of performance shares granted in 2017 and 2018* above).
4 Natalie Knight started at Ahold Delhaize as Executive Vice President Finance and Member of the Executive Committee on March 1, 2020, and was appointed as member of the Management Board effective April 8, 2020. For more information see *Note 31*.
5 Wouter Kolk, Chief Executive Officer Ahold Delhaize Europe and Indonesia has been a member of the Management Board since April 11, 2018.
6 Jeff Carr, Chief Financial Officer and member of the Management Board and Executive Committee stepped down from the Management Board and Executive Committee after his term expired per the annual General Meeting of Shareholders in April 2020. His employment relationship with Ahold Delhaize terminated as of April 9, 2020. Performance shares awarded under the GRO plan will vest at the regular vesting dates. No performance shares were granted to Jeff Carr in 2020.
7 Pierre Bouchut, Chief Operating Officer of Europe and Indonesia and member of the Management Board and Executive Committee, stepped down from the Management Board and Executive Committee as of January 1, 2018. His employment relationship with Ahold Delhaize was terminated as of August 31, 2018, after which he retired. Performance shares awarded under the GRO plan will vest at the regular vesting dates.

32 Share-based compensation continued

	Outstanding at the beginning of 2020	Granted	Performance adjustment[1]	Vested[2]	Forfeited	**Outstanding at the end of 2020**
Other employees						
2017 grant	3,371,569	—	(1,067,595)	2,260,116	43,858	**—**
2018 grant	2,199,548	10,256	—	2,201	93,777	**2,113,826**
2019 grant	2,009,120	10,930	—	1,976	115,616	**1,902,458**
2020 grant	—	2,168,716	—	1,212	54,870	**2,112,634**
Subtotal Management Board members	1,052,516	370,284	(108,835)	231,261	—	**1,082,704**
Total number of shares	8,632,753	2,560,186	(1,176,430)	2,496,766	308,121	**7,211,622**

1 Represents the adjustment to the number of performance shares granted resulting from the TSR, RoC and sustainability performance.
2 The vesting date of the 2017 grant was April 9, 2020. The share price was €22.09 on April 9, 2020.

Valuation model and input variables

The weighted average fair value of the performance shares granted in 2020, for all eligible participants including Management Board members, amounted to €14.54 per share for TSR performance shares and €20.02 per share for RoC performance shares, EPS performance shares and sustainability performance shares (2019: €14.43 per share for TSR performance shares and €19.96 per share for RoC performance shares, EPS performance shares and sustainability performance shares). The fair values of the RoC, EPS and sustainability performance shares are based on the Black-Scholes model. The fair values of the TSR performance shares are determined using a Monte Carlo simulation model, which considers the likelihood of Ahold Delhaize's TSR ending at various ranks as well as the expected share price at each rank. The most important assumptions used in the valuations of the fair values were as follows:

	2020	2019
Closing share price at grant date (€)	**22.42**	22.94
Risk-free interest rate	**(0.6)%**	(0.6)%
Volatility	**21.2%**	19.7%
Assumed dividend yield	**3.8%**	4.2%

Expected volatility has been determined based on historical volatilities for a period of three years.

Accounting policies

The grant date fair value of equity-settled share-based compensation plans is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting periods of the grants. The cumulative expense recognized at each balance sheet date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of performance shares that will eventually vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition (e.g., total shareholder return). Those are treated as vested irrespective of whether or not the market condition is ultimately satisfied, provided that all non-market conditions (e.g., continued employment) are satisfied.

33 Leases

Ahold Delhaize as lessee

Ahold Delhaize leases a significant number of its stores, as well as distribution centers, warehouses, offices and other assets, under lease arrangements. Leases of retail stores typically run for periods of 10 to 20 years, and warehouses and distribution centers for 10 years.

The Company also leases equipment, mainly IT equipment, with average contract terms of four years. The majority of these are short-term leases and/or leases of low-value assets, and the Company has elected not to recognize right-of-use assets and lease liabilities for these leases. The Company expects the amount of expenses incurred for short-term leases and leases of low-value assets to remain broadly consistent in future years.

Right-of-use assets

See *Note 12* for more information on the right-of-use assets.

Lease liabilities

The following table summarizes the expected maturity profile of the Company's lease liabilities as presented in *Note 23* (non-current portion) and *Note 26* (current portion) as of January 3, 2021, and December 29, 2019, respectively, based on the undiscounted payments.

€ million	**January 3, 2021**	December 29, 2019
Less than one year	**1,406**	1,541
One to five years	**4,870**	5,029
Five to ten years	**3,251**	3,272
Ten to fifteen years	**1,422**	1,422
More than fifteen years	**1,040**	1,115
Total undiscounted lease payments	**11,990**	12,379
Lease liabilities included in the balance sheet	**9,586**	9,696
Current portion (*Note 26*)	**1,143**	1,211
Non-current portion (*Note 23*)	**8,442**	8,484

General

Leases are managed by local management and, accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The terms and conditions of real estate leases include, among others, extension and termination options as well as (additional) variable payments. A large part of the real estate leases also provide for lease payment increases that are based on changes in local price indices, which are generally determined annually. Lease liabilities are remeasured to reflect those revised lease payments only when there is a change in the cash flows.

The Company does not have leases with significant guaranteed residual values or purchase options.

None of Ahold Delhaize's leases impose restrictions on the Company's ability to pay dividends, incur additional debt or enter into additional leasing arrangements.

33 Leases continued

Extension and termination options

Extension and termination options are included in a large number of real estate leases across the Company. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

As at January 3, 2021, potential uncommitted future cash outflows of an estimated €33 billion (undiscounted) (2019: €35 billion) have not been included in the lease liability (and right-of-use asset) because it is not reasonably certain that the leases will be extended (or not terminated).

During the current financial year, an amount of €1,107 million (2019: €781 million) has been recorded as a net increase in the right-of-use assets due to reassessments and modifications of leases, which include, among others, the effect of exercising extension and termination options and changes in lease payments due to inflation-related increases.

The table below summarizes the rate of exercise of termination options.

	Number of contracts with termination options exercisable as of January 3, 2021	Number of contracts with termination options not exercised or not considered reasonably certain to be exercised as of January 3, 2021	Number of contracts with terminations options exercised or considered reasonably certain to be exercised as of January 3, 2021
	Number of leases	Number of leases	Number of leases
Total Ahold Delhaize	2,240	1,960	280

In countries like Greece, Romania and Serbia, it is general practice to be able to terminate contracts, subject to a notice period. A large portion of the termination options listed above relates to vehicle leases in Greece, Romania and Serbia.

In Belgium, real estate leases normally have an initial term of 27 years, but the lessee has the right, by law, to terminate the lease every three years. In practice, contracts are therefore recorded in the real estate system as having a 27-year term with termination options every three years. These termination options are then assessed as part of the determination of the lease term, which is normally established as nine years.

In other countries, limited to no termination options are in place.

Variable payments

Variable payment terms are used for a variety of reasons, including minimizing the fixed cost base for newly established stores or for reasons of margin control and operational flexibility. Variable lease payment terms vary widely across the Company:

- The majority of variable payment terms are based on a range of percentages of store sales. Percentages vary per contract and range between 1% and 6% of net sales of the applicable store.
- Some variable payment terms include minimum rent clauses.

Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales.

The Company expects the amount of variable rental payments to remain broadly consistent in future years.

Commitment for leases not yet commenced

In addition to the leases included on the balance sheet, Ahold Delhaize has signed lease agreements for properties under development of which it has not yet taken possession. The future undiscounted lease payments for these agreements amount to approximately €1,193 million (2019: €294 million). The 2019 figure mainly relates to signed leases related to stores under development. The 2020 number mainly relates to an investing commitment of approximately $1 billion to transform and expand the supply chain operations on the U.S. East Coast. See Note 34 for more information.

Sale and leaseback transactions

There have been no significant sale and leaseback transactions in 2019 and 2020. In 2020, the gain on sale and leaseback transactions of €20 million was mainly the result of transactions in Belgium and the Czech Republic.

Amounts recognized in the income statement

€ million	2020	2019
Variable lease payments not included in the measurement of lease liabilities	**(16)**	(21)
Expenses related to short-term leases	**(28)**	(26)
Expenses relating to leases of low-value assets that are not shown above as short-term leases	**(15)**	(18)
Total rent expense	**(59)**	(66)
Depreciation charge for right-of-use assets	**(1,083)**	(1,052)
Interest accretion to lease liability	**(357)**	(366)
Gains (losses) on sale and leaseback transactions	**20**	1
Income from subleasing right-of-use assets	**71**	102

During 2020, net impairments of €2 million (2019: €8 million) on right-of-use assets (excluding investment properties) and €1 million (2019: €9 million) on investment property right-of-use assets were recorded. These impairments mainly relate to buildings leased. No impairments were recognized as a result of COVID-19. Ahold Delhaize did not apply for rent concessions and did not receive material rent concessions.

Amounts recognized in the cash flow statement

€ million	2020	2019
Total cash outflow for leases	**(1,646)**	(1,600)

The total cash outflow for leases consists of repayment of lease liabilities (both the principal and interest portion of lease payments), the cash outflows from short-term and low-value leases and variable lease payments not included in the measurement of lease liabilities.

33 Leases continued

Ahold Delhaize as lessor

Ahold Delhaize rents out its investment properties (mainly retail units in shopping centers containing an Ahold Delhaize store) and also (partially) subleases various other properties that are leased by Ahold Delhaize. Ahold Delhaize classifies these leases as operating or finance leases.

Operating leases

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

€ million	January 3, 2021	December 29, 2019
Less than one year	**102**	154
One to two years	**83**	135
Two to three years	**62**	95
Three to four years	**47**	64
Four to five years	**36**	43
More than five years	**82**	105
Total undiscounted lease payments	**413**	596

Finance leases

Net investment in leases

€ million	2020	2019
As of the beginning of the year		
Current portion	**78**	81
Non-current portion	**396**	398
Carrying amount at the beginning of the year	**474**	479
Interest accretion	**13**	14
Repayments	**(99)**	(95)
Impairment losses and reversals – net	**(1)**	—
Terminations	**(2)**	(7)
Reassessments and modifications	**19**	6
Reclassifications (to) from right-of-use assets	**97**	72
Exchange rate differences	**(17)**	5
Closing carrying amount	**485**	474
As of the end of the year		
Current portion	**88**	78
Non-current portion	**397**	396
Carrying amount at the end of the year	**485**	474

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

€ million	January 3, 2021	December 29, 2019
Less than one year	**99**	93
One to two years	**86**	81
Two to three years	**78**	75
Three to four years	**66**	65
Four to five years	**56**	54
More than five years	**105**	132
Total undiscounted lease payments receivable	**491**	500
Unearned finance income	**(45)**	(53)
Total discounted lease payments receivable	**445**	447
Cumulative impairment losses	**(4)**	(3)
Lease receivable	**442**	444
Unguaranteed residual value	**43**	30
Net investment in leases	**485**	474

Lease receivables are principally for real estate. Terms range primarily from five to 12 years.

There are no significant changes in the provision for impairment.

The Company, as lessor, manages risks associated with rights retained in the underlying assets mainly by screening lessees for credit worthiness prior to entering into the lease agreement and following up on outstanding lease payments as part of debtor management. In addition, lease contracts generally include terms about rights in case of delinquency and default. Lease contracts rarely include residual value guarantees.

Amounts recognized in the income statement

€ million	2020	2019
Operating leases		
Rent income relating to fixed payments on operating leases	**156**	183
Rent income relating to variable payments on operating leases	**5**	4
Total rent income	**162**	187
Interest income on net investment in leases	**13**	14

No material rent concessions were recognized as as a result of COVID-19; however, Ahold Delhaize did provide some rent concessions, mainly to tenants in the U.S. markets.

33 Leases continued

Accounting estimates and judgments

Where the Company is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease, for example related to term, country, currency and security. On a quarterly basis, the Company calculates incremental borrowing rates for each country, broken down into buckets of duration and underlying asset leased.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of stores, distribution centers and warehouses, the following factors are normally the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made that has a useful life beyond the current lease term.

Where the Company is the lessor, the classification of leases as finance leases or operating leases requires judgments about the fair value of the leased asset, the economic life of the asset, whether or not to include renewal or termination options in the lease term and the appropriate discount rate to use to calculate the present value of the lease payments to be received.

Revenue recognition with respect to sale and leaseback transactions is dependent on management's judgment of whether the Company has satisfied all of its performance obligations and control of the asset is transferred to the buyer, and the determination of the fair value of the asset.

Accounting policies

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception, or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of its relative stand-alone price.

The Company applies the recognition exemptions for short-term leases (less than 12 months) and leases of low-value items, defined by the Company to be below $5,000 per item (on acquisition). The payments for these exempted leases are recognized in the income statement on a straight-line basis over the lease terms.

As a lessee

The Company recognizes a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments, at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred (for example, key money and lease contract commissions), less any incentives received. The right-of-use asset for acquired leases is adjusted for any favorable or unfavorable lease rights recognized as part of the purchase price allocation. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company has elected to separate lease and non-lease components included in lease payments for all leases. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, which are initially measured using the index or rate at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price of a purchase option that the Company is reasonably certain to exercise
- Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

33 Leases continued

Accounting policies continued

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is included in “Other current financial liabilities” and “Other non-current financial liabilities.”

The Company applies judgment to determine the lease term for the lease contracts in which it is a lessee that include renewal and termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. See accounting estimates and judgements for more information.

As a lessor

Lessor accounting remains similar to the previous standard and the Company continues to classify leases as finance or operating leases at lease inception based upon whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, the Company considers certain indicators, such as whether the lease is for the majority of the economic life of the asset.

Leases classified as finance leases result in the recognition of a net investment in a lease representing the Company's right to receive rent payments. The value of the net investment in a lease is the value of the future rent payments to be received and the unguaranteed residual value of the underlying asset discounted using the rate implicit in the lease.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Rent income."

Sale and leaseback

Sale and leaseback transactions are defined as transactions that lead to a sale according to IFRS 15 “Revenue from Contracts with Customers.” Under IFRS 15, the seller-lessee must determine if the transaction qualifies as a sale for which revenue is recognized (i.e., if the transaction is a genuine sale, where all performance obligations are satisfied and control has transferred to the buyer-lessor), or whether the transaction is a collateralized borrowing. More specifically, a sale is considered as such if there is no repurchase option on the asset at the end of the lease term.

If the sale by the Company as seller-lessee qualifies as a sale, the Company derecognizes the asset and recognizes a gain (or loss) that is limited to the proportion of the total gain (or loss) relating to the rights transferred to the buyer-lessor. In addition, the Company recognizes a right-of-use asset arising from the leaseback and measures it at the proportion of the previous carrying amount of the asset relating to the right of use retained. In addition, the Company recognizes the lease liability.

If the fair value of the consideration for the sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, adjustments are made to measure the sales proceeds at fair value as follows:

a. Any below-market terms should be accounted for as a prepayment of lease payments.

b. Any above-market terms should be accounted for as additional financing provided by the buyer-lessor.

If the sale by the Company does not qualify as a sale, the Company keeps the asset transferred on its balance sheet and recognizes a financing obligation (financing) equal to the transferred proceeds or cash received.

34 Commitments and contingencies

Capital investment commitments

As of January 3, 2021, Ahold Delhaize had outstanding capital investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €230 million and €5 million, respectively (December 29, 2019: €593 million and €11 million, respectively). Ahold Delhaize's share in the capital investment commitments of its unconsolidated joint ventures JMR and Super Indo amounted to €1 million as of January 3, 2021 (December 29, 2019: €1 million).

U.S. supply chain

In addition to the capital investments referred to above, on December 10, 2019, Ahold Delhaize announced that it is investing to transform and expand its supply chain operations on the U.S. East Coast. This included investments in two new fully automated Ahold Delhaize USA frozen food facilities to be constructed in the U.S. Northeast and Mid-Atlantic regions. On May 14, 2020, Ahold Delhaize USA entered into a 20-year service agreement for these two facilities, one in Connecticut and one in Pennsylvania. The development of these facilities started in 2020 and the services will be provided as of 2022, at which time they will start impacting our consolidated income statement, balance sheet and statement of cash flows. The future 20-year undiscounted commitment related to this agreement is approximately $1 billion is included in commitments for leases not yet commenced (see Note 33). This is the total commitment for the embedded lease which includes lease and non-lease components. The lease components will be recognized on the balance sheet on the commencement date, which is expected to be in 2022. The non-lease components will be expensed as incurred. The new self-distribution supply chain will enable the U.S. businesses to reduce costs, improve speed to shelf, enhance relationships with vendors, and improve product availability and freshness for customers.

Purchase commitments

Ahold Delhaize enters into purchase commitments with vendors in the ordinary course of business. The Company has purchase contracts with some vendors for varying terms that require Ahold Delhaize to buy services and predetermined volumes of goods and goods not-for-resale at fixed prices. As of January 3, 2021, the Company's purchase commitments were approximately €1,256 million (December 29, 2019: €1,194 million). Not included in the purchase commitments are those purchase contracts for which Ahold Delhaize has received advance vendor allowances, such as upfront signing payments in consideration of its purchase commitments. These contracts generally may be terminated without satisfying the purchase commitments upon the repayment of the unearned portions of the advance vendor allowances. The unearned portion of these advance vendor allowances is recorded as a liability on the balance sheet.

Commitments related to business acquisitions

As of January 3, 2021, the Company has outstanding commitments to acquire an 80% stake in FreshDirect, as well as 62 BI-LO and Harveys Supermarkets and a distribution center from Southeastern Grocers. The total purchase consideration is estimated to be €392 million ($477 million). For more information, see Note 36.

Contingent liabilities

Guarantees

Guarantees to third parties issued by Ahold Delhaize can be summarized as follows:

€ million	January 3, 2021	December 29, 2019
Lease guarantees	**713**	833
Lease guarantees backed by letters of credit	**20**	33
Corporate and buyback guarantees	**17**	24
Total	**750**	891

The amounts included in the table above are the maximum undiscounted amounts the Group could be forced to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee. For lease guarantees, this is based on the committed lease terms as communicated to Ahold Delhaize. Specifics to the guarantees are discussed below.

Lease guarantees

Ahold Delhaize may be contingently liable for leases that have been assigned and/or transferred to third parties in connection with facility closings and disposals. Ahold Delhaize could be required to assume the financial obligations under these leases if any of the third parties are unable to fulfill their lease obligations. The lease guarantees are based on the nominal value of future minimum lease payments of the relevant leases, which extend through 2041 and are based on the committed lease terms as communicated to Ahold Delhaize. The amounts of the lease guarantees set forth in the table above exclude the cost of common area maintenance and real estate taxes; such amounts may vary in time, per region and per property. Certain amounts related to these leases are recognized as a provision or a financial liability; for more information see Note 23 and Note 25.

As of January 3, 2021, the €713 million in the undiscounted lease guarantees as presented in the table above mainly relates to divestments. The following table sets out the undiscounted lease guarantees by divestment:

€ million	January 3, 2021	December 29, 2019
Tops divestments	**291**	342
BI-LO/Bruno's divestment	**105**	127
Sweetbay, Harveys and Reid's divestment	**95**	109
Bottom Dollar Food divestment	**89**	105
Other[1]	**132**	150
Total lease guarantees	**713**	833

1 Other includes the divestment of remedy stores in the U.S. and the divestment of Bradlees.

On a discounted basis, these lease guarantees amount to €603 million and €674 million as of January 3, 2021, and December 29, 2019, respectively. If Ahold Delhaize is called upon to satisfy its obligations under the outstanding lease guarantees, it has several options to reduce the Company's gross exposure. Further details on the guarantees related to divestments are discussed below.

34 Commitments and contingencies continued

Lease guarantees related to the Tops Markets divestments

In connection with the divestment of Tops Markets in 2007, Ahold Delhaize retained a contingent liability for 45 leases that carry Ahold Delhaize guarantees. Additionally, Ahold Delhaize retained liabilities related to stores previously divested, including guarantees on five Tops stores in eastern New York state, as well as liabilities related to the Tops convenience stores and the stores in northeast Ohio as outlined under *Lease guarantees related to the divestment of Tops convenience stores: Wilson Farms and Sugarcreek*.

On February 21, 2018, Tops Markets filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. These actions resulted in Ahold Delhaize recognizing €24 million partly as a financial liability and partly as an onerous contract provision (see *Note 23* and *Note 25*), which was presented as an after-tax loss from discontinued operations of €17 million in 2018.

Lease guarantees related to the divestment of Tops convenience stores: Wilson Farms and Sugarcreek

Tops may be contingently liable to landlords under 186 leases assigned in connection with the divestment of the Tops' Wilson Farms and Sugarcreek convenience stores in 2005, in the event of a future default by the tenant under such leases. In addition, Ahold Delhaize may be contingently liable to landlords under the guarantees of 77 of these leases in the same event.

Lease guarantees related to divestment of the Tops northeast Ohio stores

Ahold Delhaize may be contingently liable to landlords under guarantees of 13 leases for locations in northeast Ohio, resulting from its divestment of Tops in 2007 in the event of a future default by the tenant under the leases.

Lease guarantees related to BI-LO/Bruno's divestment

In 2005, Ahold Delhaize divested its U.S. retail subsidiaries BI-LO and Bruno's. On February 5, 2009, and March 23, 2009, Bruno's Supermarkets, LLC and BI-LO, LLC, respectively, filed for protection under Chapter 11 of the U.S. Bankruptcy Code (the "2009 BI-LO Bankruptcy Filing"). As a result of the 2009 BI-LO Bankruptcy Filing, Ahold Delhaize made an assessment of its potential obligations under existing lease guarantees. Consequently, in 2009, Ahold Delhaize recognized provisions of €109 million (see *Note 25*) and related tax benefit offsets of €47 million within results on divestments.

On May 12, 2010, the then reorganized BI-LO exited bankruptcy protection and assumed 149 operating locations that were guaranteed by Ahold Delhaize. Based on the foregoing developments, Ahold Delhaize recognized a reduction of €23 million in its provision, after tax, within results on divestments in the first half of 2010. Since the end of the second quarter of 2010, Ahold Delhaize has entered into settlements with a number of landlords relating to leases of former BI-LO or Bruno's stores that were guaranteed by Ahold Delhaize.

On March 27, 2018, BI-LO and its parent, Southeastern Grocers, Inc., filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code (the "2018 BI-LO Bankruptcy Filing"). As a result of the 2018 BI-LO Bankruptcy Filing, Ahold Delhaize has reassessed its potential obligations under the lease guarantees based upon: (i) the remaining initial term of each lease, (ii) an assessment of the possibility that Ahold Delhaize would have to pay under a guarantee and (iii) any potential remedies that Ahold Delhaize may have to limit future lease payments.

At the end of 2020, the undiscounted lease guarantees relating to BI-LO and Bruno's totaled €105 million. As of January 3, 2021, the remaining provision was €2 million (December 29, 2019: €2 million) with a related tax benefit offset of nil (2019: €1 million); see *Note 25*. This amount represents Ahold Delhaize's best estimate of the discounted aggregate amount of the remaining lease obligations and associated charges, net of known mitigation offsets, which could result in cash outflows for Ahold Delhaize under the various lease guarantees. Ahold Delhaize continues to monitor any developments and pursues its mitigation efforts with respect to these potential lease guarantee liabilities.

Lease guarantees related to Sweetbay, Harveys and Reid's and Bottom Dollar Food divestments

Ahold Delhaize divested its U.S. retail subsidiaries Sweetbay, Harveys and Reid's to BI-LO II in 2014 and its U.S. retail subsidiary Bottom Dollar Food to Aldi in 2015. Ahold Delhaize had provided guarantees for a number of existing leases, which extend through 2037. Ahold Delhaize has made an assessment of its potential obligations under lease guarantees, considering: (i) the remaining term of each lease, (ii) the re-let potential of the property if the acquirer were to default on the lease and (iii) the credit position of the counterparty. At the end of 2020, the undiscounted lease guarantees were €95 million for Sweetbay, Harveys and Reid's and €89 million for Bottom Dollar Food. As of January 3, 2021, the on-balance sheet financial liability representing the fair value of the lease guarantees was €8 million (2019: €10 million); see *Note 23*.

In connection with the 2018 BI-LO Bankruptcy filing described above, BI-LO II has rejected a number of leases for which Ahold Delhaize recognized a provision for lease guarantees in the amount of €22 million in 2018. As of January 3, 2021, the remaining provision for these lease guarantees was €6 million (2019: €11 million); see *Note 25*.

Lease guarantees related to the divestment of U.S. remedy stores

In July 2016, as a condition of receiving regulatory clearance for their merger from the United States Federal Trade Commission (FTC), Ahold and Delhaize entered into a consent agreement ("Consent Agreement") with the FTC that required Ahold and Delhaize to divest certain stores in seven states in order to prevent the merger from being anti-competitive. Ahold Delhaize subsidiaries may be contingently liable under leases that were assigned in connection with required divestitures.

Lease guarantees related to the divestment of Bradlees

In 1992, Stop & Shop spun-off Bradlees Stores, Inc. ("Bradlees") as a public company (the "Bradlees Spin-off"). In connection with the Bradlees Spin-off, Stop & Shop assigned to Bradlees certain commercial real property leases. Pursuant to a 1995 reorganization of Bradlees and a subsequent wind-down and liquidation of Bradlees following a bankruptcy protection filing in 2000 (collectively, the "Bradlees Bankruptcies"), a number of such real property leases were assumed and assigned to third parties. Pursuant to applicable law, Stop & Shop may be contingently liable, subject to applicable defenses, to landlords under certain of the leases assigned in connection with the Bradlees Spin-off and subsequently assumed and assigned to third parties in connection with the Bradlees Bankruptcies.

Lease guarantees backed up by letters of credit

As part of the divestment of U.S. Foodservice in 2007, Ahold Delhaize received an irrevocable standby letter of credit for $216 million (€163 million), which was reduced to $25 million (€20 million) as of January 3, 2021 (2019: $37 million (€33 million)).

Corporate and buyback guarantees

Ahold Delhaize has provided corporate guarantees to certain suppliers of its franchisees or non-consolidated entities. Ahold Delhaize would be required to perform under the guarantee if the franchisee or non-consolidated entity failed to meet its financial obligations, as described in the guarantee. Buyback guarantees relate to Ahold Delhaize's commitment to repurchase stores or inventory from certain franchisees at predetermined prices. The buyback guarantees reflect the maximum committed repurchase value under the guarantees. The last of the corporate and buyback guarantees expire in 2022.

34 Commitments and contingencies continued

Indemnifications as part of divestments of Ahold Delhaize's operations

In the relevant sales agreements, Ahold Delhaize has provided customary indemnifications, including for potential breach of representations and warranties, that often include, but are not limited to, completeness of books and records, title to assets, schedule of material contracts and arrangements, litigation, permits, labor matters, and employee benefits and taxes. These representations and warranties will generally terminate, depending on their specific features, a number of years after the date of the relevant transaction completion date.

The most significant divestment of operations is, to the extent not already covered in the guarantee section above, described below. In addition, specific, limited indemnifications exist for a number of Ahold Delhaize's smaller divestments. The aggregate impact of claims, if any, under such indemnification provisions is not expected to be material.

Disco divestment

As part of the divestment of Disco S.A. ("Disco") in 2004, Ahold Delhaize is required to indemnify Disco and its buyers for the outcome of the Uruguayan litigation described in the *Legal proceedings* section of this Note. Ahold Delhaize's indemnification obligation relating to this litigation is not capped at a certain amount nor restricted to a certain time period.

Taxes

Ahold Delhaize operates in a number of countries and is subject to several direct and indirect taxes including Corporate Income Tax, Value Added Tax, Sales and Use Tax, and Wage Tax. Its income is subject to direct and indirect tax in differing jurisdictions where those taxes are levied on a tax base differing per tax law, jurisdiction and at differing tax rates. Significant judgment is required in determining the direct and indirect tax position. We seek to organize our affairs in a sustainable manner, taking into account the applicable regulations of the jurisdictions in which we operate. As a result of Ahold Delhaize's multi-jurisdictional operations, it is exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of such tax laws. The authorities in the jurisdictions where Ahold Delhaize operates may review the Company's direct and indirect tax returns and may disagree with the positions taken in those returns. While the ultimate outcome of such reviews is not certain, Ahold Delhaize has considered the merits of its filing positions in its overall evaluation of potential tax liabilities for both direct and indirect taxes and believes it has adequate liabilities recorded in its consolidated financial statements for exposures on these matters. Based on its evaluation of the potential tax liabilities and the merits of Ahold Delhaize's filing positions, it is unlikely that potential tax exposures over and above the amounts currently recorded as liabilities in its consolidated financial statements will be material to its financial condition or future results of operations.

In December 2020, Ahold Delhaize subsidiary Delhaize Le Lion/De Leeuw SCA ("DLL") received an adjustment notice from the Belgian tax authorities relating to its filed tax return for 2018. In 2018, DLL executed a common control transaction and transferred the former Delhaize USA business from DLL to Koninklijke Ahold Delhaize N.V. with the purpose of combining the former Delhaize USA business with the former Ahold USA business in order to simplify the legal structure and to elect to file one consolidated federal tax return within the United States. This transaction is tax exempt in Belgium for DLL and falls under the participation exemption in the Netherlands for the receiving entity Koninklijke Ahold Delhaize N.V. The valuation to support the at arm's length principles of the transfer of the underlying Delhaize USA business is supported by an external valuation report. Within the adjustment notice, the Belgian tax authorities informed the Company that, in their opinion, the valuation of the underlying business does not reflect its true market value and they rejected the external valuation report as, in their view, the valuation report is not based on at arm's length principles. Although the entire transaction was tax exempt in Belgium, a correction on the transaction value would be a taxable event under the Belgian tax code. The maximum exposure relating to this adjustment notice amounts to €380 million. Ahold Delhaize disagrees with this position and, in our opinion, the adjustment notice is without any merit and we will vigorously oppose and defend ourselves against it. We filed an objection letter to the adjustment notice. The Belgian tax authorities could decide to issue an additional assessment to our 2018 filed tax return when they disagree with the arguments in our objection letter. Ahold Delhaize has several legal and remediation options, if necessary, to defend our position.

Legal proceedings

Ahold Delhaize and certain of its former or current subsidiaries are involved in a number of legal proceedings, which include litigation as a result of divestments, tax and employment, as well as other litigation and inquiries. The legal proceedings discussed below, whether pending, threatened or unasserted, if decided adversely or settled, may result in liability material to Ahold Delhaize's financial condition, results of operations or cash flows. Ahold Delhaize may enter into discussions regarding the settlement of these and other proceedings, and may enter into settlement agreements, if it believes settlement is in the best interest of Ahold Delhaize's shareholders. In accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets," Ahold Delhaize has recognized provisions with respect to these proceedings, where appropriate, which are reflected on its balance sheet.

Albert Heijn Franchising

In 2014, the Vereniging Albert Heijn Franchisenemers (an association of Albert Heijn franchisees or "VAHFR") asserted claims against Albert Heijn Franchising BV (an Ahold Delhaize subsidiary or "AHF"), for the years 2008 through 2012, the alleged value of which exceeds €200 million in aggregate. On December 24, 2014, proceedings were initiated with respect to these discussions. On November 16, 2016, the District Court in Haarlem issued a judgment rejecting all claims of the VAHFR and the claimants. On February 13, 2017, VAHFR and 240 individual claimants filed an appeal against the judgment and, in September 2017, they asserted unquantified claims for the years 2008 until 2016.

On July 23, 2019, the Court of Appeal issued a judgment rejecting, except for one, all the claims of VAHFR and the claimants. On October 23, 2019, the VAHFR and the claimants filed an appeal in cassation to the Supreme Court. Parties are awaiting the Supreme Court ruling, which is scheduled for March 2021. Depending on the outcome of this ruling these proceedings will be completed or AHF and its affiliates will continue to vigorously defend their interest in the legal proceedings.

Uruguayan litigation

Ahold Delhaize, together with Disco and Disco Ahold International Holdings N.V. ("DAIH"), is party to one lawsuit in Uruguay related to Ahold Delhaize's 2002 acquisition of Velox Retail Holdings' shares in the capital of DAIH. The two other related lawsuits in Uruguay were decided in favor of Ahold Delhaize without any further right to appeal of the plaintiffs in 2013. The damages alleged by the plaintiffs, alleged creditors of certain Uruguayan and other banks, amount to approximately $62 million (€55 million) plus interest and costs. As part of the divestment of Disco to Cencosud in 2004, Ahold Delhaize indemnified Cencosud and Disco against the outcome of these legal proceedings. The one remaining lawsuit is ongoing. Ahold Delhaize continues to believe that the plaintiffs' claims are without merit and will continue to vigorously oppose such claims.

34 Commitments and contingencies continued

National prescription opiate litigation

Several U.S. brands and subsidiaries of Ahold Delhaize have been sued in a number of lawsuits included in In re: National Prescription Opiate Litigation (MDL No. 2804), a multi-district litigation (MDL) matter pending in the United States District Court in the Northern District of Ohio. The MDL contains thousands of cases filed against hundreds of defendants by counties, cities, hospitals and others concerning the impact of opioid abuse. The suits name Ahold Delhaize as a defendant, as well as various subsidiaries, including American Sales Company, LLC, which ceased operations prior to being named as a defendant in any MDL-related case. All of the matters in which Ahold Delhaize or its subsidiaries have been named have been stayed by the court and, therefore, are not being actively litigated at this time while certain cases proceed against other defendants. Ahold Delhaize and its subsidiaries believe the plaintiffs' claims against Ahold Delhaize entities are without merit and will defend against the claims in all these matters, if and when the stay is lifted. Ahold Delhaize is not currently able to predict the outcome of these claims.

Pharmacy regulatory investigation

The Ahold Delhaize USA brands are responding to a civil investigative demand (CID) from the U.S. Department of Justice (DOJ), working together with several state Attorneys General, concerning a False Claims Act investigation relating to pharmacy prescription discount programs. The brands are cooperating with this investigation and communicating with DOJ regarding the CID. As part of its cooperation, Ahold Delhaize has provided factual information, produced documents, and is responding to certain interrogatories. Ahold Delhaize has also raised legal arguments challenging a significant portion of DOJ's investigation. Ahold Delhaize is not currently able to predict the timing or outcome of the investigation.

Other legal proceedings

In addition to the legal proceedings described previously in this Note, Ahold Delhaize and its former or current subsidiaries are parties to a number of other legal proceedings arising out of their business operations. Ahold Delhaize believes that the ultimate resolution of these other proceedings will not, in the aggregate, have a material adverse effect on Ahold Delhaize's financial position, results of operations or cash flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that Ahold Delhaize could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

Accounting estimates and judgments

For accounting estimates and judgments relating to income taxes, see *Note 10*, and for provisions and contingencies, see *Note 25*.

35 List of subsidiaries, joint ventures and associates

The following are Ahold Delhaize's significant subsidiaries, joint ventures and associates as of January 3, 2021:

Consolidated significant subsidiaries

The following subsidiaries are, directly or indirectly, wholly owned by Ahold Delhaize. Subsidiaries not important to providing an insight into the Ahold Delhaize Group as required under Dutch law are omitted from this list.

Retail trade Europe

Albert Heijn B.V., Zaandam, the Netherlands*

Albert Heijn Franchising B.V., Zaandam, the Netherlands*

Gall & Gall B.V., Zaandam, the Netherlands*

Etos B.V., Zaandam, the Netherlands*

bol.com B.V., Utrecht, the Netherlands*

Alfa-Beta Vassilopoulos Single Member S.A., Athens, Greece

Delhaize Le Lion / De Leeuw Comm. VA, Brussels, Belgium

Delhaize Serbia d.o.o. Beograd, Belgrade, Serbia

Mega Image SRL., Bucharest, Romania

Albert Česká republika, s.r.o., Prague, Czech Republic

Albert Heijn België NV / SA, Antwerp, Belgium

Delhaize Luxembourg S.A., Pommerloch, Grand-Duchy of Luxembourg

Retail trade United States

The Stop & Shop Supermarket Company LLC, Quincy, Massachusetts, United States

Food Lion LLC, Salisbury, North Carolina, United States

The GIANT Company LLC, Carlisle, Pennsylvania, United States

Giant of Maryland LLC, Landover, Maryland, United States

Hannaford Bros. Co., LLC, Scarborough, Maine, United States

Other

Ahold Delhaize Coffee Company B.V., Zaandam, the Netherlands*

Ahold Europe Real Estate & Construction B.V., Zaandam, the Netherlands*

Ahold Delhaize Finance Company N.V., Zug, Switzerland

Ahold Finance U.S.A., LLC, Zaandam, the Netherlands*

Ahold Insurance N.V., Willemstad, Curaçao

Ahold Delhaize International Sàrl, Geneva, Switzerland

35 List of subsidiaries, joint ventures and associates continued

Other continued

Ahold Information Services Inc., Greenville, South Carolina, United States

Ahold Lease U.S.A. Inc., Quincy, Massachusetts, United States

Ahold Delhaize Licensing Sàrl, Geneva, Switzerland

Ahold Delhaize Nederland B.V., Zaandam, the Netherlands*

Ahold Delhaize USA Inc., Quincy, Massachusetts, United States

American Sales Company LLC, Lancaster, New York, United States

CUW B.V., Willemstad, Curaçao

Delhaize America LLC, Salisbury, North Carolina, United States

Delhaize "The Lion" Nederland B.V., Zaandam, the Netherlands*

Delhaize US Holding Inc., Salisbury, North Carolina, United States

Guiding Stars Licensing Company LLC, Scarborough, Maine, United States

Lion Lux Finance S.à.r.l., Pommerloch, Grand-Duchy of Luxembourg

Lion Retail Holding S.à.r.l., Pommerloch, Grand-Duchy of Luxembourg

MAC Risk Management Inc., Quincy, Massachusetts, United States

The MollyAnna Company, Williston, Vermont, United States

Retail Business Services LLC, Salisbury, North Carolina, United States

Peapod Digital Labs, LLC, Chicago, Illinois, United States

With respect to the separate financial statements of the Dutch legal entities included in the consolidation, substantially all subsidiaries availed themselves of the exemption laid down in section 403, subsection 1 of Book 2 of the Dutch Civil Code. Pursuant to section 403, Ahold Delhaize has assumed joint and several liability for the debts arising out of the legal acts of these subsidiaries. The determination of which Dutch subsidiaries of Ahold Delhaize, whether significant in the context of this Note or not, make use of the 403 exemption follows from the Dutch trade register. Each of these subsidiaries has filed Ahold Delhaize's 403 declaration with the Dutch trade register. The above significant subsidiaries that make use of the 403 exemption are marked by *.

Significant joint ventures and associates (unconsolidated)

JMR – Gestão de Empresas de Retalho, SGPS, S.A., Lisbon, Portugal (49% owned by Ahold Delhaize's subsidiary Ahold Delhaize International Sàrl)

P.T. Lion Super Indo, Jakarta, Indonesia (51% owned by Ahold Delhaize's subsidiary Delhaize "The Lion" Nederland B.V.)

36 Subsequent events

Acquisition of FreshDirect

On November 18, 2020, Ahold Delhaize and Centerbridge Partners announced they entered into a definitive agreement to acquire FreshDirect, an online grocer based in New York City. Ahold Delhaize will acquire the majority share, funded by cash on hand, and Centerbridge Partners will be a minority equity investor with a 20% stake. Ahold Delhaize's share of the purchase consideration is approximately €269 million ($327 million). The transaction was closed on January 5, 2021.

On a provisional basis, the allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisition of FreshDirect is as follows:

€ million	
Property, plant and equipment	**329**
Right-of-use asset	**210**
Other intangible assets	**94**
Loans	**(118)**
Lease liabilities	**(205)**
Deferred tax liability	**(59)**
Other assets and liabilities – net	**(1)**
Net identifiable assets acquired	**250**
Non-controlling interest	**(67)**
Goodwill	**86**
Total purchase consideration	**269**

Transaction with Southeastern Grocers

On June 3, 2020, Ahold Delhaize announced that Food Lion had agreed to purchase 62 BI-LO and Harveys Supermarkets from Southeastern Grocers. The stores are located in North Carolina, South Carolina and Georgia. The closing of the acquisition of stores will take place over a staggered period from January to April 2021. This transaction with Southeastern Grocers also includes the acquisition of an additional distribution center in Mauldin, South Carolina. The closing date will be no later than four weeks following the last store closing or May 1, 2021. The purchase consideration is estimated to be approximately €123 million ($150 million).

Up until February 26, 2021, in total, 37 stores closed for an allocated purchase consideration of $91 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the transaction will be provided after the acquisition is completely finalized, which is expected to occur in the second quarter of 2021.

Albert Heijn reaches agreement to acquire 39 DEEN supermarkets

On February 16, 2021, Ahold Delhaize announced that Albert Heijn has agreed to acquire 39 DEEN supermarkets. The agreement includes the intended sale of 80 DEEN supermarkets to three parties, Albert Heijn, Vomar and Detailresult Group. Out of the 80 stores, Albert Heijn will acquire 39 stores, Vomar will acquire 22 stores and Detailresult Group (Dekamarkt) will acquire 19 stores. The acquisition is currently expected to close in the second half of 2021, subject to customary closing conditions as well as alignment with the trade unions and the advice of the work councils involved.

Parent company financial statements
Income statement

€ million	Note	2020	2019
Intercompany head office and other recharges		**92**	75
General and administrative expenses		**(65)**	(65)
Total operating expenses	2	**(65)**	(65)
Operating income		**27**	10
Interest expense		**(47)**	(47)
Other financial income (expense)		**(48)**	(59)
Net financial expenses		**(95)**	(106)
Loss before income taxes		**(69)**	(96)
Income taxes	5	**35**	26
Income from subsidiaries and investments in joint ventures after income taxes	7	**1,431**	1,835
Net result after tax		**1,397**	1,766

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

Parent company financial statements
Balance sheet

Before appropriation of current year result

€ million	Note	January 3, 2021	December 29, 2019
Assets			
Right-of-use asset		**1**	1
Intangible assets	6	**57**	49
Deferred tax assets	5	**9**	11
Financial assets	7	**19,938**	21,009
Total non-current assets		**20,005**	21,071
Receivables	8	**60**	28
Prepaid expenses		**25**	13
Other current financial assets	9	**—**	12
Cash and cash equivalents		**47**	157
Total current assets		**132**	210
Total assets		**20,137**	21,281
Liabilities and shareholders' equity			
Issued and paid-in share capital		**11**	11
Additional paid-in capital		**12,246**	12,246
Currency translation reserve		**(839)**	159
Cash flow hedging reserve		**(3)**	(3)
Reserve participations		**420**	420
Accumulated deficit		**(800)**	(516)
Net income		**1,397**	1,766
Shareholders' equity	10	**12,432**	14,083
Provisions	11	**2**	1
Loans	12	**4,944**	5,440
Other non-current liabilities		**17**	1
Total non-current liabilities		**4,960**	5,441
Current liabilities	13	**2,742**	1,756
Total liabilities and shareholders' equity		**20,137**	21,281

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

Notes to the parent company financial statements

1 Significant accounting policies

Basis of preparation

Ahold Delhaize's parent company financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see accounting policies relating to financial statement captions included in the relevant notes to the consolidated financial statements and *Note 3* to the consolidated financial statements).

Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are measured at net asset value (equity method of accounting). Net asset value is based on the measurement of assets (including goodwill), provisions and liabilities, and determination of profit as described in *Note 15* to the consolidated financial statements for investments in joint arrangements and associates. Goodwill is subsumed in the carrying amount of the net asset value if an investment in a subsidiary is acquired through the Company's intermediate subsidiary.

2 Expenses by nature

The operating expenses are specified by nature as follows:

€ million	2020	2019
Labor costs	**(27)**	(27)
Other operational expenses	**(30)**	(31)
Depreciation and amortization	**(9)**	(7)
Total expenses by nature	**(65)**	(65)

Labor costs consists of employee expenses of €22 million (2019: €20 million), other related employee costs of €3 million (2019: €5 million) and other contracted personnel expenses of €2 million (2019: €2 million).

3 Employees

The average number of employees of Koninklijke Ahold Delhaize N.V. in full-time equivalents during 2020 was seven (2019: eight), of whom none were employed outside of the Netherlands. One Management Board member serves as board member outside of the Netherlands via an assignment agreement, but is not employed by Koninklijke Ahold Delhaize N.V.

The current number of employees of Koninklijke Ahold Delhaize N.V. consists primarily of members of the Executive Committee, including the Management Board. Salaries, social security charges and pension expenses amounted to €22 million, €1.2 million and €0.2 million, respectively, for 2020 (2019: expenses of €20 million, €3 million and €0.1 million, respectively).

For information on the parent company's defined benefit pension plan, the remuneration of the Management Board and the Supervisory Board and the parent company's share-based compensation plans, see *Note 24*, *Note 31* and *Note 32*, respectively, to the consolidated financial statements.

The net pension liability and the net pension expense are calculated on the basis of the parent company's active employees only.

4 Auditor fees

Expenses for services provided by the parent company's independent auditor, PricewaterhouseCoopers Accountants N.V. (PwC) and its member firms and affiliates to Ahold Delhaize and its subsidiaries in 2020 and in 2019, are specified as follows:

2020

€ thousand	PwC	Member firms/ affiliates	Total 2020
Audit fees	**3,216**	**4,253**	**7,470**
Audit-related fees	**539**	**196**	**735**
Tax advisory fees	**—**	**—**	**—**
Total	**3,755**	**4,449**	**8,205**

2019

€ thousand	PwC	Member firms/ affiliates	Total 2019
Audit fees	2,250	4,147	6,397
Audit-related fees	399	159	558
Tax advisory fees	—	—	—
Total	2,649	4,306	6,955

The audit fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external independent auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties – Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These audit fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

Audit fees primarily relate to the audit of the consolidated financial statements as included in *Performance: Financial statements* as set out in this Annual Report, certain procedures on our quarterly results and services related to the statutory and regulatory filings of our subsidiaries. Other audit-related fees mainly relate to assurance services on non-financial information and other assurance services.

5 Income taxes

The following table specifies the current and deferred tax components of income taxes in the income statement:

€ million	2020	2019
Current income taxes – the Netherlands	**37**	28
Deferred income taxes – the Netherlands	**(2)**	(2)
Total income taxes	**35**	26

Effective income tax rate

The following table reconciles the statutory income tax rate with the effective income tax rate in the income statement:

	2020	
	€ million	**Tax rate**
Loss before income taxes	**(69)**	
Income tax (expense) benefit at statutory tax rate	**17**	**25.0%**
Adjustments to arrive at effective income tax rate:		
Reserves, (non-)deductibles and discrete items	**18**	**25.7%**
Total income taxes (expense) benefit	**35**	**50.7%**

	2019	
	€ million	Tax rate
Loss before income taxes	(96)	
Income tax (expense) benefit at statutory tax rate	24	25.0%
Adjustments to arrive at effective income tax rate:		
Reserves, (non-)deductibles and discrete items	2	2.1%
Total income taxes (expense) benefit	26	27.1%

5 Income taxes continued

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 3, 2021, and December 29, 2019, are as follows:

€ million	December 30, 2018	Recognized in income statement	Other	December 29, 2019	**Recognized in income statement**	**Other**	**January 3, 2021**
Derivatives and loans	12	(1)	—	11	**(3)**	—	**8**
Blended rate deferred tax fiscal unity	2	(2)	—	—	**1**	—	**1**
Total gross deductible temporary differences	14	(3)	—	11	**(2)**	—	**9**
Tax losses and tax credits	—	—	—	—	—	—	—
Total net deferred tax asset position	14	(3)	(1)	11	**(2)**	—	**9**
Total deferred tax liabilities	—	—	—	—	—	—	—
Net deferred tax assets	14	(2)	(1)	11	**(2)**	—	**9**

Income taxes in equity and comprehensive income

Current and deferred income taxes recognized in and transferred from equity and comprehensive income are as follows:

€ million	**2020**	2019
Cash flow hedges	—	1
Total	—	1

6 Intangible assets

€ million	Software
As of December 29, 2019	
At cost	70
Accumulated amortization and impairment losses	(20)
Carrying amount	**49**
Year ended January 3, 2021	
Additions	25
Transfers	(9)
Amortization	(8)
Closing carrying amount	**57**
As of January 3, 2021	
At cost	85
Accumulated amortization and impairment losses	(28)
Carrying amount	**57**

7 Financial assets

€ million	January 3, 2021	December 29, 2019
Investments in subsidiaries	**18,933**	19,943
Loans receivable from subsidiaries	**1,006**	1,066
Deferred financing cost	**—**	1
Total financial assets	**19,938**	21,009

The changes in the Investment in subsidiaries were as follows:

€ million	2020	2019
Beginning of year	**19,943**	24,620
Share in income	**1,431**	1,835
Dividends	**(1,438)**	(6,657)
Share of other comprehensive income (loss) and other changes in equity	**(4)**	(96)
Exchange rate differences	**(999)**	241
End of year	**18,933**	19,943

For a list of subsidiaries, joint ventures and associates, see *Note 35* to the consolidated financial statements.

Loans receivable

€ million	2020	2019
Beginning of year	**1,066**	1,232
Intercompany transfers	**(60)**	(165)
Transfers from / (to) investments	**—**	—
End of year	**1,006**	1,066
Current portion	**—**	—
Non-current portion of loans	**1,006**	1,066

The loans receivable are related to loans with subsidiaries.

8 Receivables

€ million	January 3, 2021	December 29, 2019
Receivables from subsidiaries	**41**	19
Receivables from joint ventures	**1**	1
Income tax receivable	**17**	7
Other receivables	**1**	1
Total receivables	**60**	28

9 Other current financial assets

€ million	January 3, 2021	December 29, 2019
Other derivatives external	**—**	12
Other	**—**	1
Total other current financial assets	**—**	12

For more information on derivatives, see *Note 14* to these parent company financial statements.

10 Shareholders' equity

The shareholders' equity in the parent company financial statements equals the equity attributable to common shareholders presented in the consolidated financial statements, except that legal reserve participations and accumulated earnings (deficit) are presented separately.

The currency translation reserve, cash flow hedging reserve and reserve participations are legal reserves that are required by Dutch law. The reserve participations include the increases in net asset value of joint ventures and associates since their first inclusion, less any amounts that can be distributed without legal or other restrictions.

If the currency translation reserve or the cash flow hedging reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance. Of the total equity as of January 3, 2021, €12,432 million, an amount of €431 million is non-distributable (December 29, 2019: €590 million out of total equity of €14,083 million). For more information on the dividends on common shares, see Note 21 to the consolidated financial statements.

The movements in equity can be specified as follows:

			Legal reserves				
€ million	Share capital	Additional paid-in capital	Currency translation reserve	Cash flow hedging reserve	Reserve participations	Other reserves including retained earnings[1]	Equity attributable to common shareholders
Balance as of December 30, 2018	**12**	**13,999**	**(80)**	**(2)**	**385**	**(109)**	**14,205**
Net income attributable to common shareholders	—	—	—	—	—	1,766	1,766
Other comprehensive income (loss)	—	—	239	(1)	—	(58)	180
Total comprehensive income (loss) attributable to common shareholders	—	—	239	(1)	—	1,708	1,945
Dividends	—	—	—	—	—	(1,114)	(1,114)
Share buyback	—	—	—	—	—	(1,002)	(1,002)
Cancellation of treasury shares	(1)	(1,753)	—	—	—	1,753	—
Share-based payments	—	—	—	—	—	47	47
Other items	—	—	—	—	—	1	1
Other changes in reserves	—	—	—	—	35	(35)	—
Balance as of December 29, 2019	**11**	**12,246**	**159**	**(3)**	**420**	**1,250**	**14,083**
Net income attributable to common shareholders	—	—	—	—	—	1,397	1,397
Other comprehensive income (loss)	—	—	(997)	1	—	(84)	(1,080)
Total comprehensive income (loss) attributable to common shareholders	—	—	(997)	1	—	1,313	316
Dividends	—	—	—	—	—	(1,026)	(1,026)
Share buyback	—	—	—	—	—	(1,001)	(1,001)
Cancellation of treasury shares	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	—	61	61
Other items	—	—	—	—	—	(1)	(1)
Other changes in reserves	—	—	—	—	—	—	—
Balance as of January 3, 2021	**11**	**12,246**	**(839)**	**(3)**	**420**	**597**	**12,432**

1 Other reserves include the remeasurements of defined benefit plans. Costs for internally developed software are also included in other reserves (nil as of January 3, 2021 and December 29, 2019).

11 Provisions

€ million	January 3, 2021	December 29, 2019
Provision for negative equity subsidiaries	—	—
Other provisions	2	1
Total provisions	**2**	1

As of January 3, 2021, €2 million is expected to be utilized within one year (December 29, 2019: nil).

12 Loans

	January 3, 2021	
€ million	Non-current portion	Current portion
EUR 300 notes EURIBOR + 18 bps, due 2021	—	300
EUR 750 notes 0.875%, due 2024	750	—
EUR 600 notes 0.250%, due 2025	600	—
EUR 500 notes 1.125%, due 2026	500	—
EUR 500 notes 1.75%, due 2027	500	—
USD 827 notes 5.70%, due 2040[1]	464	3
Long-term loans from subsidiaries	2,144	650
Deferred financing costs	(15)	(4)
Total loans	**4,944**	**949**

	December 29, 2019	
€ million	Non-current portion	Current portion
EUR 300 notes EURIBOR + 18 bps, due 2021	300	—
EUR 750 notes 0.875%, due 2024	750	—
EUR 600 notes 0.250%, due 2025	600	—
EUR 500 notes 1.125%, due 2026	500	—
USD 827 notes 5.70%, due 2040	510	3
Long-term loans from subsidiaries	2,794	—
Deferred financing costs	(14)	(3)
Total loans	5,440	—

The long-term loans from subsidiaries mature in 2022 (€596 million), 2026 (€391 million), 2028 (€700 million) and 2029 (€458 million). For more information on the external loans, see *Note 22* to the consolidated financial statements.

13 Current liabilities

€ million	January 3, 2021	December 29, 2019
Short-term borrowings from subsidiaries	1,512	1,493
Loans – current portion	949	—
Bank debt and lines of credit	182	186
Payables to subsidiaries	17	17
Interest payable	20	13
Other current liabilities	62	47
Total current liabilities	**2,742**	1,756

The current liabilities are liabilities that mature within one year.

14 Derivatives

The parent company regularly enters into derivative contracts with banks to hedge foreign currency and interest exposures of the parent company or its subsidiaries. Derivative contracts that are entered into to hedge exposures of subsidiaries are generally mirrored with intercompany derivative contracts with the subsidiaries that are exposed to the hedged risks on substantially identical terms as the external derivative contracts. In these parent company financial statements, the external derivative contracts and the intercompany derivative contracts are presented separately on the balance sheet. In situations where the external derivative contract qualifies for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as “Hedging derivatives external” and “Hedging derivatives intercompany,” respectively. In situations where the external derivative contract does not qualify for hedge accounting treatment in the consolidated financial statements, the external derivative contract and the intercompany derivative contract are presented as “Other derivatives external” and “Other derivatives intercompany,” respectively.

Fair value movements of external derivative contracts that were entered into to hedge the exposures of subsidiaries are recorded directly in income, where they effectively offset the fair value movements of the mirroring intercompany derivatives that are also recorded directly in income. Details of these derivative contracts, other financial instruments and the parent company’s risk management strategies are included in *Note 30* to the consolidated financial statements and in the tables presented below.

Non-current derivatives – assets

€ million	2020	2019
Beginning of year	—	1
Fair value changes	—	(1)
End of year	—	—

Current derivatives – assets

€ million	2020	2019
Beginning of year	12	—
Unwinding of cross-currency swap	—	—
Fair value changes	(12)	12
End of year	—	12

14 Derivatives continued

Non-current derivatives – liabilities

€ million	2020	2019
Beginning of year	—	2
Fair value changes	**16**	(2)
End of year	**16**	—

Current derivatives – liabilities

There were no current derivative liabilities in 2020 and 2019.

15 Related party transactions

Koninklijke Ahold Delhaize N.V. has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and were conducted at market prices.

16 Commitments and contingencies

Koninklijke Ahold Delhaize N.V., as the parent company, is party to a cross-guarantee agreement dated May 21, 2007, as amended from time to time, with Delhaize Le Lion/De Leeuw Comm. VA, Delhaize US Holding, Inc. and certain of the subsidiaries of Delhaize US Holding, Inc., under which each party guarantees fully and unconditionally, jointly and severally, the financial indebtedness of the other parties to the agreement.

Notes and loans issued by certain subsidiaries are guaranteed by the parent company, as disclosed in *Note 22* to the consolidated financial statements.

The parent company also guarantees certain lease obligations and other obligations of subsidiaries. Guarantees issued by the parent company regarding the financial obligations of third parties and non-consolidated entities, other than under the cross guarantee mentioned above, amount to €486 million as of January 3, 2021, (December 29, 2019: €603 million).

In addition, the Company has provided a guarantee as of July 30, 2010, for Ahold Finance U.S.A., LLC's outstanding current obligations to third parties.

The parent company has also provided a guarantee as of December 31, 2020, for Giant Food relating to the FELRA and MAP settlement agreement. The parent company guarantees Giant Food's obligation to pay any amounts that are necessary to satisfy the funding commitment solely to the extent Giant fails to satisfy such liabilities when due. The guarantee will be limited to the present value of the PBGC insolvency benefits payable to eligible Giant participants and eligible non-Giant participants under the new single-employer plan as of December 31, 2020. For more information on FELRA and MAP plan, see *Note 24* to the consolidated financial statements.

As part of the divestment of U.S. Foodservice in 2007, Ahold Delhaize received an irrevocable standby letter of credit for $216 million (€163 million), which was reduced to $25 million (€20 million) as of January 3, 2021 (2019: $37 million (€33 million)).

The parent company has provided customary indemnifications, including for potential breach of representations and warranties made in agreements of asset disposals. Guarantees and legal proceedings are further disclosed in *Note 34* to the consolidated financial statements. Under its financing agreement with Stichting Ahold Delhaize Pensioen, Koninklijke Ahold Delhaize N.V. is liable for the pension contributions.

The parent company forms a fiscal unity with Ahold Delhaize's major Dutch subsidiaries for Dutch corporate income tax and Dutch VAT purposes and, for that reason, it is jointly and severally liable for the Dutch corporate income tax liabilities and Dutch VAT liabilities of the whole fiscal unity. Assumptions of liability pursuant to section 403, Book 2 of the Dutch Civil Code are disclosed in *Note 35* to the consolidated financial statements.

17 Distribution of profit

If approved by the General Meeting of Shareholders, a final dividend of €0.40 per common share will be paid on April 23, 2021. This is in addition to the interim dividend of €0.50 per share, which was paid on August 27, 2020. The total dividend payment for the full year 2020 would, therefore, total €0.90 per share (2019: €0.76).

18 Subsequent events

For information regarding subsequent events, see *Note 36* to the consolidated financial statements.

Zaandam, the Netherlands

March 2, 2021

Management Board
Frans Muller

Natalie Knight

Kevin Holt

Wouter Kolk

Supervisory Board
Peter Agnefjäll (Chair)

Bill McEwan (Vice Chair)

René Hooft Graafland

Ben Noteboom

Mary Anne Citrino

Dominique Leroy

Katie Doyle

Helen Weir

Frank van Zanten

ESG statements

ESG statements
Introduction

ESG performance is an important part of how we measure success. At Ahold Delhaize, we have a long history of reporting on our ESG performance and we find that stakeholders' interest in these topics is increasing.

At Ahold Delhaize, our "elevate healthy and sustainable" and "cultivate best talent" growth drivers cover a large part of our ESG performance. At the same time, we continue to embed ESG further in our organization and ensure everyone is aware of its importance.

Our ESG ambitions and strategy are shaped by our most *material ESG impacts*, the UN Sustainable Development Goals (SDGs), market knowledge from our great local brands and several ESG benchmarks, including the SAM Corporate Sustainability Assessment, MSCI, Sustainalytics and the Task Force on Climate-related Financial Disclosures (TCFD). We also consider trends in our markets and around the world, feedback from our stakeholders, and how we align with global frameworks such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB).

To reach our ambitions, we have committed to short- and long-term targets. We strive to further increase healthy sales of our own-brand products, eliminate food and plastic waste, aim for 100% diverse and inclusive workplaces and reach the science-based absolute reduction targets we have set for carbon emissions.

In addition to the focus areas outlined above, we have continued our journey to improve performance in associate development, product safety and sustainability, safety at work and local community connection. This section shows how we performed in 2020 against the ambitions and targets we set for our ESG performance.

How we manage our Healthy and Sustainable strategy
The Executive Committee, supervised and advised by the Supervisory Board (and its Sustainability and Innovation Committee) has accountability for setting strategy and driving performance. Brand leadership is responsible for establishing implementation plans, resourcing their plans and monitoring performance, The GSO Health & Sustainability function reports directly to the President and CEO at the global level. A global Healthy & Sustainable Steering Committee, consisting of two Executive Committee members, senior executives from the regions and the global VP Health & Sustainability, provides insights to steer the strategic direction. A Healthy & Sustainable Leadership Community, made up of regional, global and local Health & Sustainability leads and relevant global functional leaders, drives global coordination and collaboration to speed progress toward our ambitions.

Global Reporting Initiative
We report on our progress in accordance with the GRI Standards: Core option. GRI maintains very comprehensive sustainability reporting standards, which are set by an independent multi-stakeholder process. An overview of how we followed the GRI standards can be found on our *Reporting hub*.
For more information on the definitions used see *Definitions: performance measures.*

Scope
This year's Annual Report on fiscal year 2020 contains ESG data focusing on where we have the most material impact. All Ahold Delhaize brands except bol.com, Etos and Gall & Gall, unless otherwise noted, are included in the figures.

From an operational scope perspective, the data includes the following parts of the business, unless specifically noted otherwise:

- All stores (company-owned and franchise/affiliated stores)
- Offices
- Company-owned distribution centers, including all transportation from distribution centers to stores, regardless of whether the transportation companies are owned by Ahold Delhaize.

When we did not achieve full alignment in reporting on an indicator for 2020, we have explained it in the footnotes.

Non-financial alternative performance measures
In presenting and discussing Ahold Delhaize's ESG performance, management also uses own metrics. These own metrics should not be viewed in isolation and should be read in conjunction with the definitions included in *Definitions: performance measures*, as other companies might define these measures differently than Ahold Delhaize.

Wherever possible, indicators are based on elements of a total group, for example, own-brand products, food sales, associates, stock-keeping units and sales areas. Definitions of these topics are included in the *Definitions: performance measures* section, together with the definitions of other non-financial alternative performance measures used in the ESG statements and elsewhere in this report.

ESG statements

Environmental

Carbon emissions

The weather extremes and less predictable seasons brought on by climate change are increasingly disrupting global food production. As a food retailer, this could impact our future ability to bring customers the wide range of products they want and need. Because Ahold Delhaize is committed to supporting the well-being of the communities we serve, we want to play our role to enable a healthy, low-carbon food system that secures nutritious and sustainable diets for future generations.

In line with the latest climate science on limiting global warming, we are committed to reducing carbon emissions in our own operations and across our value chain.

Because we recognize the urgency of climate change, we signed up as supporter of the Task Force on Climate-related Financial Disclosures (TCFD). And in support of Sustainable Development Goal 13, Ahold Delhaize published a new *climate strategy* in 2020, including the following targets approved by the Science Based Targets initiative (SBTi) that are in line with the 1.5 degree scenario.

For more information on how we will reduce absolute CO_2-equivalent emissions in our own operations as well as in our supply chain, see the section *Climate change*.

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

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

1 Reduction is from a 2018 baseline of 3,658 thousand tonnes CO_2-equivalent emissions.

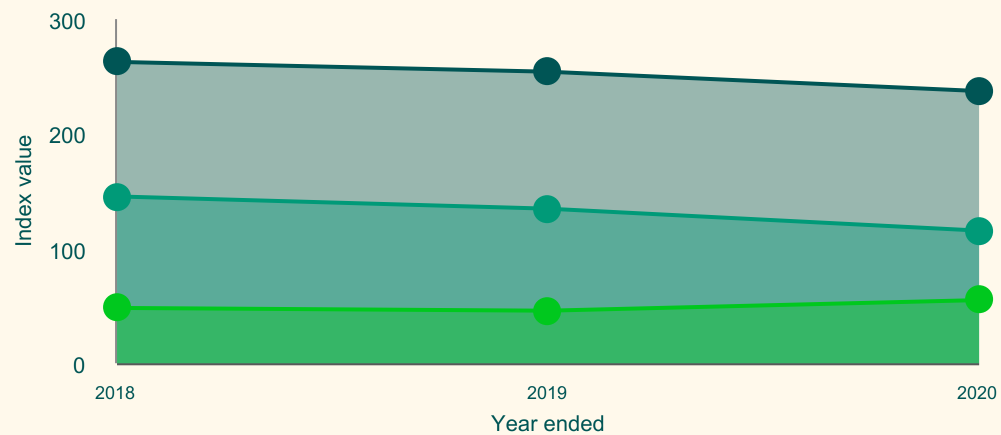
Prior to setting our science-based targets, we had targeted reducing CO_2-equivalent emissions per square meter by 30% by the end of 2020 compared to our 2008 baseline. We're proud to report that we exceeded that target and reached a 36% reduction.

For this year, we are focused on reporting scope 1 and 2 emissions and we are not extending our reporting to include all scope 3 emissions. We are working with our peer companies and suppliers to prepare for future reporting of the climate change impact we have throughout our value chain. Scope 3, as defined by the GHG Protocol, accounts for all the remaining emissions that result from our activities, such as emissions from growing and packaging the food we sell, transportation from suppliers to our facilities, and waste generated from our activities.

Following a 2019 exercise to map the impact of scope 3 categories from the GHG Protocol that apply for Ahold Delhaize, we estimated scope 3 greenhouse gas emissions to be 70,800 ktCO_2e. The following table is an overview of the scope 3 categories and their contribution to the estimated total we identified for Ahold Delhaize. We will refine this data in the coming years as we improve the accuracy of our value chain reporting. We aim to report progress on our scope 3 target in the coming years.

	share (%)
Scope 3 – Category 1 (Purchased goods and services)	90%
Scope 3 – Category 3 (Fuel and energy-related activities)	0.30%
Scope 3 – Category 4 (Upstream transportation and distribution)	0.40%
Scope 3 – Category 5 (Waste generated in operations)	0.20%
Scope 3 – Category 6 (Business travel)	—%
Scope 3 – Category 7 (Employee commuting)	0.6%
Scope 3 – Category 11 (Use of sold products)	5.5%
Scope 3 – Category 12 (End-of-life treatment of sold products)	2%
Scope 3 – Category 14 (Franchises)	0.20%
Scope 3 – Category 15 (Investments)	0.30%
Total scope 3 footprint	100%

Carbon emissions per m² of sales area

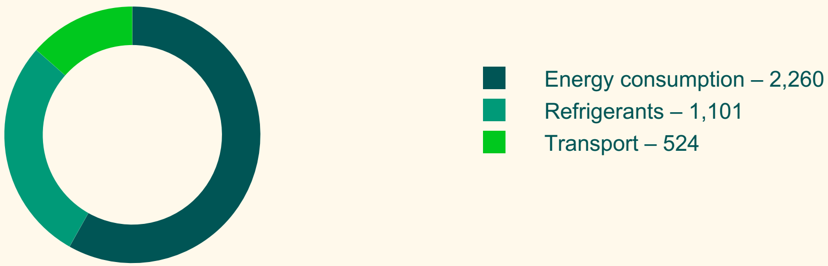


Facilities energy consumption equivalent emissions per m² sales area (2020: 237)
Refrigerants equivalent emissions per m² sales area (2020: 116)
Transport equivalent emissions per m² sales area (2020: 55)

ESG statements

Environmental continued

CO_2-equivalent emissions per type (in thousand tonnes)



Performance indicator description[1]	2020	2019	2020 target
% change in CO_2-equivalent emissions per m^2 of sales area (from 2008 baseline)	**(36)%**	(32)%	(30)%
Total CO_2-equivalent emissions per m^2 sales area – location-based approach (kg CO_2-eq/m^2)	**408**	435	445
Total CO_2-equivalent emissions (thousand tonnes) – location-based approach	**3,886**	4,056	—
Scope 1 (thousand tonnes)	**1,579**	1,699	—
Scope 2 location based (thousand tonnes)	**1,820**	1,926	—
Limited scope 3 (thousand tonnes)	**488**	431	—
Total CO_2-equivalent emissions per m^2 sales area – market-based approach (kg CO_2-eq/m^2)	**370**	418	—
Total CO_2-equivalent emissions (thousand tonnes) – market-based approach	**3,523**	3,902	—
Scope 2 market based (thousand tonnes)	**1,457**	1,772	—

1 2019 and 2020 figures include Etos and Gall & Gall. 2020 figures include bol.com for Scope 1 and Scope 2 emissions, Limited scope 3 emissions are excluding bol.com.

Energy consumption

Performance indicator description[1]	2020	2019	2020 target
Facilities energy consumption (million kWh)[4]	**6,561**	6,649	—
Facilities energy consumption per m^2 sales area (kWh/m^2)	**770**	797	—
Total renewable electricity produced on site (million kWh)[3]	**15**	23	—
% renewable electricity on total electricity consumed	**12%**	9%	—
Avoided grid electricity CO_2 emissions (thousand tonnes)[4]	**540**	173	—
% ozone-friendly refrigerants	**81%**	78%	85%
Average refrigerant Global Warming Potential (GWP)	**2,200**	2,242	2,230
Refrigerant leakage rate	**12.5%**	13.0%	—
Fuel consumption by trucks (million liters)	**158**	149	—
Total water consumption (thousand m^3)[2]	**7,237**	6,824	—
Total water consumption (m^3) per m^2 of sales area[2]	**0.76**	0.87	—

1 2019 and 2020 figures include Etos and Gall & Gall.
2 2019 and 2020 figures exclude Albert Heijn.
3 2019 figure has been restated as part of the data was incorrectly reported as renewable.
4 2020 figures include bol.com.

How we performed

CO_2-equivalent emissions per sales area were 408 kg/m^2, a 6.2% decrease from 2019 and a 36% reduction from Ahold Delhaize's 2008 baseline.

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

Of our total carbon equivalent emissions, 58% comes from energy consumption. During 2020, we further reduced energy consumption in kWh to a total of 6,561 million kWh. Our brands continued to install energy-efficiency measures in stores and distribution centers and generate their own energy. During 2020, several brands expanded their use of energy from low-carbon emission sources by procuring it directly from the energy companies supplying energy to their stores and distribution centers.

Refrigerant leakages account for 28% of our total carbon-equivalent emissions. As part of store remodeling, our brands implement more environmentally friendly refrigeration systems. We further increased the percentage of ozone-friendly refrigerants we use to 81%. Despite this positive development, we failed to achieve our 2020 target of 85%. This was largely driven by the fact that some brands were unable to conduct planned store remodelings due to restrictions from COVID-19. We decreased the Global Warming Potential (GWP) of the refrigerants used in stores further, to a total of 2,200, achieving our 2020 target of 2,230. The leak rate decreased to 12.5%, having a positive overall effect on total carbon-equivalent emissions in 2020.

Transport makes up 14% of our carbon-equivalent emissions. Fuel consumption increased to 158 million liters (+3%) in 2020. As sales increased significantly compared to 2019, more transport was needed to bring products from distribution centers to stores.

ESG statements

Environmental continued

Data considerations and estimates

Carbon emissions data and energy consumption data is collected on a quarterly basis on site level at each brand. The sources of input data are different, and include invoices, remote meter records, third-party service provider reports and internal reports. Owners of the input data sit in different departments: technical, maintenance, intellectual property, logistics, or outsourced service companies. Consolidation of each of these inputs is done manually. Data is not always available in real time or immediately after quarter close, and estimates may be calculated based on previously known consumption from comparable periods or sites that are comparable in size and format.

Carbon footprint methodology and emission factors

The carbon footprint methodology follows the guidelines of the World Business Council for Sustainable Development (WBCSD)/World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol regarding corporate greenhouse gas accounting and reporting. Our Ahold Delhaize carbon footprint reporting historically has covered scope 1, scope 2 and limited scope 3 emissions. In this Report, we separate scopes 1 and 2 and include estimates for full scope 3 for the first time.

We use the latest available emission factors in our reporting. We source location-based electricity emission factors from the International Energy Agency (IEA, 2020 edition; 2018 data) for European countries and from GHG Protocol 2014 (based on eGrid 2018 values, issued in February 2020 by the U.S. Environmental Protection Agency (EPA)) for the United States. The source we use for the market-based (residual mix) emission factors for our U.S. brands is *Green-e*, and for our European brands is the *European residual mix*.

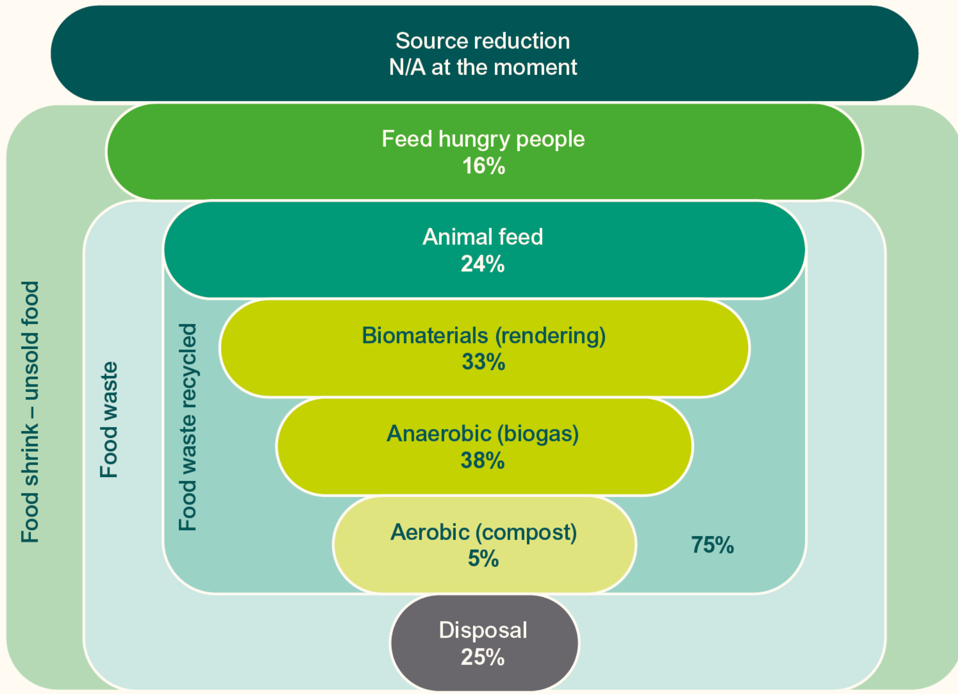
We source fuel emission factors from GHG Protocol 2014 wherever available, and otherwise from other appropriate sources. For refrigerant leakages, we apply the GWP for refrigerant blends used in Ahold Delhaize facilities based on Intergovernmental Panel for Climate Change Assessment Report data IPCC, AR5 (2014).

GRI Indicator

305-1 Direct (scope 1) GHG emissions, 305-2 Energy indirect (scope 2) GHG emissions, 305-3 Other indirect (scope 3) GHG emissions, 305-4 GHG emissions intensity, 305-5 Reduction of GHG emissions.

Food waste

Every year, around one-third of all food produced for human consumption globally is lost or wasted. Our ambitious target to reduce food waste by 50% by 2030 compared to our 2016 baseline contributes to lowering carbon emissions and has other benefits, including improving food security and conservation of natural resources. To achieve our target, we take a three-pronged approach: reduce food waste across all of our brands' operations, including stores, distribution centers and transport; divert surplus food to food banks and other charities or partner with innovative operations such as restaurants that cook with unsold food. Food no longer suitable for human consumption is counted as food waste and we focus on recycling this by sending it to be used to feed animals or make biogas. Food waste that we cannot recycle goes to landfill or incineration.



Performance indicator description	2020	2019	2020 target
Tonnes of food waste per food sales (t/€ million)	**4.5**	5.0	4.4
% reduction in food waste per food sales (t/€ million)[1]	**17%**	9%	20%
Tonnes of food waste sent to disposal per food sales (t/€ million)	**1.1**	1.1	—
% of total food waste recycled	**75%**	77%	90%
% food waste recycled for animal feed	**24%**	26%	—
% food waste recycled for biogas generation	**38%**	34%	—
% food waste recycled for compost	**5%**	7%	—
% food waste recycled by rendering	**33%**	33%	—
% of unsold food donated to feed people	**16%**	18%	—

1 Reduction is shown against a 2016 baseline of 5.48 t/€ million.

ESG statements

Environmental continued

How we performed

Ahold Delhaize brands were able to further reduce tonnes of food waste per one million euros of food sales to a total of 4.5, or -17% compared to 2016. This result was mainly driven by an increase in food sales. For more information on the sales increase, see *Performance review*.

Absolute food waste increased by 1.9% compared to 2019. When compared to the 2016 baseline, absolute tonnes of food waste decreased by 3.9%. Due to COVID-19, the brands faced numerous restrictions in the ways they could support food banks. For example, some food banks were closed for a period of time or fewer volunteers were available to run them. This increased absolute food waste and reduced the percentage of unsold food donated to feed people.

With the international Food Loss & Waste (FLW) Standard as our framework for reporting, we quantify both food and associated inedible parts removed from the supply chain. For example, this means that orange peels leftover from making freshly squeezed orange juice sold in our Albert Heijn stores in the Netherlands are included in the data for food waste recycled (as rendering). Albert Heijn sends part of these orange peels to Seepje, a third-party manufacturer that processes them further, extracting the essential oil from the peels to give a citrus scent and extra cleaning power to their liquid dishwashing detergent.

We did not meet our 2020 target to reduce food waste (t/€ million) by 20% based on our 2016 baseline. In 2019, we revised this target with our longer-term target of reducing food waste per food sales by 50% by 2030 compared to our 2016 baseline, in line with SDG 12.3. We are on track to meet the 2030 targets and will keep implementing measures to further decrease food waste.

Food waste generated by salad bars and take-away counters in our brands' stores typically goes to animal feed or composting. As a result of COVID-19, several brands were required to close these areas of their stores for a period of time. As a result, they generated less food waste, meaning the overall percentage of food waste recycled for animal feed and composting decreased slightly compared to 2019.

We missed our 2020 target to recycle 90% of food waste, instead recycling 75% of food waste. While many of the Ahold Delhaize brands achieved a 90% or higher recycling rate, several brands missed this target. In the U.S., the biggest improvement opportunity is at the Food Lion brand, which had a relatively high negative impact on food waste recycling numbers during 2020 because of the reduction in food bank donations due to COVID-19. In Europe, our brands in Greece, the Czech Republic, Romania and Serbia face challenges in recycling food waste.

Data considerations and estimates

Food waste figures are reported on a quarterly basis through a combination of internal measurements and reports from external partners. Waste in stores and distribution centers is separated into food waste, cardboard, plastic, glass and trash. We provide training for associates to ensure waste separation is done as accurately as possible and we perform audits to check the quality of waste separation. However, given the variety of circumstances under which the data is collected, it may have small inaccuracies, as our audits show that some food waste ends up in trash bins.

To recycle and dispose of food waste, Ahold Delhaize brands work with a number of external partners who have varying degrees of maturity in how they collect data. In some cases, weights are estimated based on average bin weight and frequency of service.

GRI Indicator

306-2 Waste generated, 306-2 Management of significant waste-related impacts.

Total waste

Ahold Delhaize uses a broad definition of waste to increase transparency on all waste streams, including both recycling and disposal.

Performance indicator description	2020	2019	2020 target
Total waste generated (thousand tonnes)	**1,090**	1,039	—
% of waste sent to landfill	**13%**	14%	—
% of waste incinerated and transformed into energy	**8%**	9%	—
% of waste recycled	**79%**	77%	80%
Number of non-reusable plastic carrier bags distributed (million bags)[1]	**3,416**	3,257	—

1 2019 figures include Peapod.

How we performed

In 2020, we generated 1,090 thousand tonnes of waste, of which 79% was recycled, 8% was incinerated and transformed into energy and 13% was sent to landfill facilities. We just missed our 2020 target of 80% of total waste recycled. This is mainly the result of the challenges our brands in the Czech Republic, Romania, Serbia and Greece faced in recycling waste.

The total number of reusable bags distributed by our brands increased to 3,416 million. The majority of the non-reusable plastic carrier bags our brands distributed were used at the Ahold Delhaize USA brands, due to COVID-19-related bans on reusable bags. The Ahold Delhaize USA brands were able to use paper carrier bags for their click-and-collect operations, which enabled them to limit the increase in non-reusable plastic carrier bags.

Data considerations and estimates

Total waste generated includes food waste, cardboard, plastic, glass, metal and wood, and figures are reported on a quarterly basis through a combination of internal measurements and reports from external partners. This data captures food waste and non-food waste from all stores (excluding affiliated stores) including franchise stores, distribution centers, and offices where Ahold Delhaize manages the waste stream. Ahold Delhaize brands work with a number of external partners to recycle cardboard, paper, plastic, metal, glass, wood, electronics, cooking oil and food waste, resulting in varying degrees of data maturity. In some cases, estimates are made by weight and number of bins picked up by third parties.

GRI Indicator

306-2 Management of significant waste-related impacts, 306-3 Waste generated, 306-4 Waste diverted from disposal, 306-5 Waste directed to disposal.

ESG statements
Environmental continued

Plastic waste

Across the globe, millions of tonnes of plastic ends up in landfills, is burned or leaks into the environment – and that amount is rising every year. At the current pace, there will be more plastic than fish in the ocean by *2050*. That is why, at Ahold Delhaize, we're working hard to eliminate plastic waste.

We are a signatory of the New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in collaboration with the UN Environment Programme, to address plastic waste and pollution at its source. The commitment calls on companies and governments to eliminate the plastic we do not need; innovate so that all plastic we do use is 100% reusable, recyclable, or compostable; and circulate all the plastic we use to keep it in the economy and out of the environment. By joining the commitment, we aim to deliver on these objectives related to our own-brand packaging by 2025.

We have found it challenging to collect accurate packaging data, including the total tonnes of own-brand plastic packaging, the plastic types used and the recyclability of plastics. So far, we have calculated the tonnes of own-brand product plastic packaging and the percentage that is recyclable, reusable and/or compostable for approximately 60% of our total business. For the remaining 40%, we will continue to collect information with the goal to share quantitative progress on plastics in our 2021 annual report. This data collection effort is complex, as many products have packaging made from multiple materials and the type of product packaging needs to be reviewed on an individual-layer basis.

In the meantime, our brands continue to improve their own-brand product packaging by switching to more environmentally friendly materials. For example, Albert Heijn and Delhaize improved recyclability of their mushroom packaging by changing the packaging from the commonly used blue plastic into a transparent tray that can be more easily recycled. In Greece, Alfa Beta switched the packaging of own-brand eggs from plastic to cardboard.

Our brands also continue to work on reducing the total amount of packaging used. For example, Delhaize removed the plastic bag from oatmeal packaging and The GIANT Company introduced a new peel-and-seal technology for two sizes of Nature's Promise clamshell salad packaging, reducing the amount of plastic used.

Critical commodities

We take responsibility for improving the environmental and social footprints of our products. For seven critical commodities – seafood, palm oil, coffee, tea, cocoa, soy and wood fibers – Ahold Delhaize brands have made significant steps toward the challenging targets of 100% sustainable sourcing by 2020. We did not reach the full 100% for all commodities, but are proud of the work accomplished and will continue on the path to 100% sustainable sourcing for the remaining commodities.

Seafood is the daily source of protein for three billion people worldwide, making it an important part of our business. Destructive fishing methods and climate change are heavily damaging ocean environments, while the industry experiences pressure from illegal, unreported and unregulated fishing.

Palm oil is a highly versatile and key ingredient in our food and non-food products, but production of this commodity is associated with deforestation and serious human rights violations, including forced labor, child labor, and overall bad working and living conditions.

Coffee and tea production are both vulnerable to the changing climate, which is causing erratic droughts and rainfall that can lead to lower yields. At times, this results in worker exploitation and poor living conditions in the sector.

Soy is one of the most widely used ingredients in our food products and is deeply embedded in our animal protein supply chains. Widespread cultivation of soy comes with a number of serious challenges. Soy is considered to be one of the major drivers of deforestation globally. Certification standards ensure that our supply chains do not result in deforestation and include requirements on fertilizer and pesticide use to protect soils and water. Certification also ensures that good labor practices are met, and communities and workers have a voice.

Over 70% of the world's cocoa production occurs in West Africa, where the majority is produced by hundreds of thousands of small farmers. These farmers face a number of problems, including depleted soils, aging farms and farmers, pests and diseases, and low global cocoa prices. These circumstances are driving deforestation and forest degradation.

A large number of products in grocery retail contain wood fibers, whether they are used in non-food products or as cardboard packaging. Wood fiber production faces sustainability challenges; illegal logging of natural forests can result in forest and habitat loss but also in major economic losses for production countries and communities.

Before the merger in 2016, both Ahold and Delhaize committed to the Consumer Goods Forum's deforestation resolution to help achieve zero net deforestation by 2020. We continue to strive to achieve zero net deforestation by ensuring that we have 100% certification for those commodities that can be linked to deforestation or land conversion in high-risk areas.

ESG statements

Environmental continued

Performance indicator description	2020	2019	2020 target
% of own-brand products containing tea certified against an acceptable standard	**99%**	97%	100%
% of own-brand coffee products certified against an acceptable standard	**98%**	96%	100%
% of own-brand products containing cocoa certified against an acceptable standard	**97%**	84%	100%
% of own-brand products containing over 25% cocoa certified against an acceptable standard	**95%**	82%	100%
% of own-brand products containing under 25% cocoa certified against an acceptable standard	**93%**	69%	75%
% of palm oil volume in own-brand products certified to an acceptable standard or to RSPO Book & Claim	**100%**	100%	100%
% of palm oil volume in own-brand products certified against an acceptable standard (Mass Balance or Segregated supply chain option)	**78%**	87%	75%
% of palm oil volume in own-brand products offset by purchase of Roundtable on Sustainable Palm Oil (RSPO) Book & Claim	**22%**	13%	25%
% of own-brand wood fiber products certified sustainable against an acceptable standard, low risk, or recycled	**95%**	84%	100%
% of own-brand paper and wood packaging (as defined, and per SKU) certified sustainable against an acceptable standard, low risk, or recycled	**54%**	46%	—
% of high priority (South American) direct and embedded soy volumes in the supply chain of own-brand products certified against an acceptable standard[1]	**100%**	95%	100%
% of own-brand seafood product sales certified against an acceptable standard, from sustainable sources assessed by a credible third party, or from credible FIPs/AIPs	**98%**	98%	100%
% of own-brand seafood product sales with an identified farm/fishery of origin	**100%**	100%	100%

1 Soy credits are purchased through the Roundtable on Responsible Soy.

How we performed

In 2020, we continued our progress towards 100% certification on tea, coffee, cocoa, wood fiber and seafood products. The greatest improvements were delivered in cocoa, as the buying departments at many of our brands continued their focus on having certification as a requirement for purchase.

Despite progress, we fell just short of six out of 12 of our 2020 critical commodity targets due to a small number of SKUs at certain brands in Europe. For example, Delhaize Serbia faces local barriers to certification for tea, coffee and cocoa and plans to import certified products in 2021.

In 2020, the Ahold Delhaize USA brands, Albert Heijn, and Albert in the Czech Republic reached 100% certification for tea, coffee and cocoa. Delhaize Belgium and Mega Image achieved 100% certification for tea and coffee and Alfa Beta achieved 100% certification for tea.

The brands that did not achieve 100% certification for one of these categories are all close to achieving the targets, with only a few products remaining to be certified.

Cocoa certifications are more difficult to track because they may only make up a small percentage of the ingredients for many products. For all commodities, the brands continue to work towards 100% certification.

Wood fiber products and packaging were also more difficult to achieve certification on because the category contains many seasonal products. This year, each brand has continued to improve data collection and review methods for wood fiber metrics, improving overall data quality and moving towards a higher percentage of certified products.

During 2020, palm oil certifications expired for several suppliers. Due to COVID-19, these suppliers had difficulties extending their certifications, since audits could not always be performed in time. As a result, the suppliers' palm oil consumption could not be reported as certified, so we covered this with Book & Claim credits instead. Our brands continue working with these suppliers during 2021 to make sure their certifications are extended again.

Data considerations and estimates

Information on critical commodities are collected from suppliers and reviewed by internal teams to ensure all certifications are valid and up to date. We continuously make investments to improve data systems and accuracy of reporting. In 2020, Ahold Delhaize USA transitioned to a new product information system to improve the controls and monitoring of product sustainability data.

For soy offset by Roundtable on Responsible Soy (RTRS) credits and palm oil offset by RSPO Book & Claim, credits were purchased in the fourth quarter to cover usage over the entire year. Our footprint is calculated based on conversion tables and is, therefore, an estimate.

GRI Indicator

Own indicator – 100% of our seven critical commodities certified with acceptable standards by 2020.

ESG statements
Environmental continued

Organics

Performance indicator description	2020	2019
% total food sales from certified organic products	**3%**	3%
Total sales from free-from or organic own-brand lines (€ millions)	**1,927**	1,727

How we performed

Organic products are an important part of the local brands' assortments. In 2020, the brands worked to optimize their organic product offerings to meet customer demand. For example, in October 2020, Mega Image launched the certified organic food own brand, Nature's Promise, in the Romanian market. As a result, Mega Image increased total organic sales by €5 million compared to 2019.

Our total sales from free-from or organic own-brand lines increased by 11.6% to a total of €1,927 million. Even with increases in organic product sales at each brand, the percentage of total food sales from certified organic products in 2020 did not increase from 2019.

Data considerations and estimates

Data on sales from free-from or organic own-brand lines and national brand organic sales are collected on a quarterly basis through product information systems. At some brands, manual processes are required to filter for organic labels.

GRI Indicator

Own indicator – % total food sales from certified organic products.

ESG statements

Social

Promote healthier eating

Healthy food leads to healthy communities by reducing the risk of chronic diseases and contributing to a community's overall resilience and vitality. Our customers look to us for fresh, healthy inspiration for delicious, nutritious family meals, every day. To support them, Ahold Delhaize brands continuously reformulate own-brand products to improve the nutritional value, launch campaigns to incentivize healthy product purchases, and provide customer-focused nutritional navigation systems, which we aim to have in place at all brands by 2025.

Performance indicator description	2020	2019	2020 target
% of healthy own-brand food sales as a proportion of total own-brand food sales[1]	**49.8%**	47.9%	50%
% of own-brand products with front-of-pack nutritional labeling	**96%**	95%	100%

1 2019 and 2020 data includes Peapod.

How we performed

In 2020, we continued to increase the sale of healthy own-brand products as a portion of total own-brand food sales to almost achieve our target of 50%.

This increase in healthy own-brand sales was driven by customers' heightened focus on healthy foods during the COVID-19 pandemic, marketing campaigns, and increased sales. In the U.S. brands, part of the increase in own-brand healthy sales comes from bottled water, which was previously unrated by Guiding Stars, and is now included in the nutritional navigation system's ratings since 2020, helping to increase overall healthy sales.

We continued to make our products healthier through reformulation. For example, Delhaize reformulated products to reach a B score on the Nutri-Score rating scale during the year by reducing salt, fat and sugar levels. Albert Heijn reformulated its full range of fruit drinks and jams, reducing sugar levels in these products.

Additionally, our brands have increased the transparency of healthy products in store and online. In Serbia, Maxi, Tempo and Shop & Go stores officially launched Nutri-Score in stores and online in June 2020. Along with the launch, nutritionists and influencers provided education about the nutritional navigation system and the importance of a balanced diet to customers.

The percentage of our own-brand products with front-of-pack nutritional labeling increased by one percentage point to 96%. We were unable to meet the 100% target due to some local challenges. At Alfa Beta, for example, only 19 SKUs remain without a front-of-pack nutritional label: seasonal cheeses imported from small farmers once a year during the holidays.

Data considerations and estimates

Healthier eating data is collected on a quarterly basis through product information system platforms at each brand. Since there are some manual steps to the process, to monitor accuracy, our U.S. brands have additional controls in place and our European brands perform a verification on processed products each quarter. The healthy sales standards we used in 2016-2020 follow the Choices criteria for European brands and Guiding Stars ratings for U.S. brands.

For the measurement of products with front-of-pack nutritional labeling, we exclude products where nutritional labeling is not required, and where packaging size is too small to include front-of-pack labels.

GRI Indicator

Own indicator – % of healthy own-brand food sales as a proportion of total own-brand food sales.

Product safety

We take responsibility for maintaining the highest levels of safety for our products, with a primary focus on own-brand products. We work to ensure they are safe, produced in clean, efficient facilities, and clearly and accurately labeled.

Performance indicator description	2020	2019	2020 target
% of production sites of own-brand food products that are Global Food Safety Initiative (GFSI)-certified or comply with an acceptable level of assurance standard	**96%**	94%	100%
% of production sites for own-brand food products that are certified according to a GFSI-recognized standard	**92%**	90%	93%
% of production sites for own-brand food products that comply with an acceptable level of assurance standard (other than GFSI)	**4%**	4%	7%
% of production sites of high-risk non-food own-brand products audited by an independent third party against acceptable standards for the relevant product category	**69%**	71%	—

How we performed

The percentage of own-brand production locations that are GFSI-certified or comply with an acceptable level of assurance increased slightly to 96%, but we were unable to reach our 100% target. In 2020, we experienced a number of delayed audits related to COVID-19. Some auditors were unable to travel and perform procedures to recertify suppliers whose certifications had expired, while in other cases, smaller local suppliers remained uncertified. With increased consumption of locally produced products and a supply chain that constantly shifted to adjust to COVID-19, the certification process remained complex in 2020.

The percentage of production sites of high-risk, non-food, own-brand products that were certified for safety decreased by two percentage points to 69%. The issues experienced for non-food safety certification were the same as for food safety.

Data considerations and estimates

Audits are performed by third-party verification bodies and information on this is collected from suppliers and reviewed by internal teams to ensure all certifications are valid and up to date. We are continuously making investments to improve data systems and accuracy of reporting. During 2020, it was more difficult to get auditors on supplier locations due to COVID-19-related travel restrictions. As a result, some GFSI certifications audits were delayed.

ESG statements
Social continued

GRI Indicator
Own indicator – % of production sites of own-brand food products that are Global Food Safety Initiative (GFSI)-certified or comply with an acceptable level of assurance standard and % of production sites of high-risk non-food own-brand products audited by an independent third party against acceptable standards for the relevant product category.

Social compliance
We take responsibility for minimizing the risk of poor working conditions in the production of our own-brand products. Our Standards of Engagement set minimum standards for suppliers that are designed to ensure that Ahold Delhaize has visibility into all aspects of its supply chain and meets these objectives.

Performance indicator description	2020	2019	2020 target
% of production sites of own-brand products in high-risk countries audited against an acceptable standard with a valid audit report or certificate and no non-compliances on deal-breakers	**74%**	71%	80%

How we performed
The percentage of own-brand production sites in high-risk countries that were audited by a third party against social compliance increased by three percentage points to 74%. However, we missed our target of 80%. This was partially caused by our brands experiencing a number of delays in audits due to the pandemic. When audits expired, it was difficult for some suppliers to get re-certified due to COVID-19 restrictions.

Alfa Beta, Mega Image and Delhaize Serbia are the only three Ahold Delhaize brands that remain below 80% social compliance. In those countries, it is common for smaller local suppliers and suppliers of imported products to be audited against stepping-stone audits. Those audits cover the major issues, but do not always meet the level of an officially accepted standard. In Serbia, a number of local suppliers have not been audited and have been unable to pursue these audits during the pandemic.

Data considerations and estimates
In scope for reporting are all production units active at the end of the reporting period. Information on product social compliance is collected from suppliers and reviewed by internal teams to ensure all audits and certifications are valid and up to date. We continuously make investments to improve data systems and accuracy of reporting.

GRI Indicator
Own indicator – % of production sites of own-brand products in high-risk countries audited against an acceptable standard with a valid audit report or certificate and no non-compliances on deal-breakers.

Associate engagement
Our associate engagement survey is important to our strategy because it helps us gain insights into how associates view the work they do and their work environments. The purpose of the survey is to gather feedback from associates so we can address their most important concerns. The results help us to measure our progress and determine concrete actions as we seek to achieve our Leading Together Strategy and become a better place to shop and work, and a better neighbor in the communities we serve.

Performance indicator description[1]	2020	2019	Change	2020 target
Associate engagement score (%)	**81%**	80%	1pp	
Healthy workplace score	**76%**	76%	—	75%
Inclusive workplace score	**79%**	78%	1pp	79%
Associate development score	**73%**	72%	1pp	73%

1 2019 and 2020 figures include Peapod, Gall & Gall and Etos.

How we performed
Associates from across all our businesses participated in Ahold Delhaize's annual associate engagement survey (AES) this year, with good results. We grew overall engagement to 81% – a one-percentage-point increase over last year.

In 2020, we focused on improving our teamwork and collaboration after feedback from last year's survey. This immediately became even more important due to the pandemic. Work dynamics altered for everyone. Our brands' front line associates had to collaborate with each other in different ways, in line with social distancing policies. Many office associates had to work full time from home, and missed face-to-face contact with colleagues. Associates told us that establishing clear and continuous communications was important to them. Despite the fact that it was a unique year, associates were more satisfied than last year, as indicated by a score of +1 on the AES compared to last year. For more information, see *Associates*.

We also scored a 76% rating for being a healthy workplace, equal to 2019. The other two key index scores on the survey were 79% for being an inclusive workplace and 73% for development. These each showed a one-point improvement on last year's results. Associates also said they have clear objectives and feel they work in a safe environment (89%). For more information see *Our growth drivers: Cultivate best talent*.

Data considerations and estimates
While we offer our associate engagement survey online and do our best to reach all associates and encourage them to complete the survey, it remains challenging to achieve 100% participation. Nevertheless, in 2020, we had a participation rate of 79% of our total headcount.

ESG statements
Social continued

GRI Indicator
N/A

Safety at work
A serious workplace injury or death changes life forever – for families, friends, communities and coworkers. Ensuring that associates return home safe and sound to their loved ones is the most important reason to create a secure and healthy work environment. A safe workplace also boosts morale, resulting in more productivity and lower associate turnover.

Our commitment to workplace safety is non-negotiable; all our associates should feel safe and comfortable, both physically and mentally. By providing a workplace that meets that need, our brands enhance goodwill and our brand value. More importantly, we remain true to our values of integrity and care.

Performance indicator description[1]	2020	2019
Number of injuries that result in lost days per 100 full-time equivalents[2]	**2.0**	2.1
Occupational illness frequency rate[3]	**0.04**	0.17

1 Safety at work data excludes offices.
2 2019 and 2020 data includes bol.com, Etos, Gall & Gall and Peapod.
3 2019 data excludes Alfa Beta, Delhaize Belgium. 2020 data excludes Alfa Beta, Delhaize Belgium and Delhaize Serbia. 2019 and 2020 data includes Etos and Gall & Gall.

How we performed
In 2020, the number of injuries that resulted in lost days decreased by 6% to 2.0 injuries per 100 full-time equivalents. While COVID-19 put additional pressure on our brands, associate health and safety remained a top priority and we were able to decrease both the rate of lost days due to accidents and the occupational illness frequency rate.

The safety metric was positively impacted by increased working hours as well as additional measures put in place to help front-line associates stay healthy. The retail locations reduced the rate of lost work days due to a strong safety focus and operational changes through the year, including reduced operating hours (based on local mandates) and temporary closure of some store production departments. Increased activity and product volume in distribution centers resulted in increased injuries in some facilities. COVID-19 cases are not included in the reported data and, therefore, did not impact performance on these metrics.

Our brands continue to prioritize integrating everyday health and safety measures into the workplace. For example, at Delhaize Belgium, a performance management dashboard has enabled the brand to take a proactive rather than reactive approach to associate safety.

Occupational illness frequency rate decreased significantly by 0.13 points to 0.04 illnesses per one million hours worked. The basis for the decline in occupational illnesses is consistent with more personal protective equipment usage. Many occupational illness exposures can be reduced with the use of personal protective equipment such as masks and gloves.

Data considerations and estimates
Associate injury data is collected on a quarterly basis through information systems at each brand. There are manual steps to the injury reporting process in each country, such as relying on facility managers to produce detailed and timely reports. All U.S. brands use a consistent process to report injury events and all data resides in the same system. Each European brand has protocols to report injury events and maintains its data in a secure and consistent method.

GRI Indicator
403-9 Work-related injuries.

ESG statements
Governance

Diversity
As we continue to prioritize diversity and inclusion, we leverage data to track improvement and drive accountability for achieving our ambition. Assessing the overall workforce diversity enables us to identify strengths and opportunities by location, function and level and develop strategies to increase diverse representation and inclusion across our local brands. Analyzing year-over-year trends provides data-driven insights about our diversity and inclusion KPIs: balanced candidate and succession slates for Director+ positions; diverse hiring and promotion rates by level; turnover and retention by demographic group; and an inclusive workplace index as measured by various demographics. We report the results on a quarterly basis through our internal HR scorecard.

Performance indicator description[1]	2020	2019
Number of associates (thousands)	**414**	380
% of female associates	**54%**	54%
% of female Executive Committee members	**25%**	13%
% of female Supervisory Board members	**40%**	33%
% of male associates	**46%**	46%
% of full-time associates	**35%**	33%
% of female full-time associates	**48%**	47%
% of male full-time associates	**52%**	53%
% of part-time associates	**65%**	67%
% of female part-time associates	**57%**	57%
% of male part-time associates	**43%**	43%
% Greatest Generation (1900-1945)	**1%**	1%
% Baby Boomers (1946-1964)	**14%**	15%
% Generation X (1965-1979)	**21%**	22%
% Generation Y (millennials) (1980-1995)	**25%**	26%
% Generation Z (1996+)	**40%**	36%
% associates covered by collective bargaining	**53%**	55%

1 2020 and 2019 data includes all brands including Gall & Gall, Etos and bol.com. Joint Ventures are not included.

How we performed
Although the number of associates increased during 2020 as more associates were hired due to COVID-19, gender and age diversity remained stable.

In our top leadership, the percentage of female Executive Committee members increased to 25% when Natalie Knight started as Chief Financial Officer (CFO) in early 2020.

The percentage of female Supervisory Board members increased to 40% when Helen Weir joined. Frank van Zanten also joined the Supervisory Board in 2020 and Jacques de Vaucleroy stepped down. After Jan Hommen stepped down at the end of 2020, the percentage of female Supervisory Board members further increased to 44%. For more information on our commitments and targets on diversity and inclusion please see *Our growth drivers: Cultivate best talent.*

Data considerations and estimates.
In 2020, our brands hired more associates compared to 2019. The associates hired reflected the markets we serve, and our overall gender representation remained balanced, in line with our diversity and inclusion ambition. We also saw a positive trend increase in gender diversity in the top management levels. In terms of generations, we saw a minor shift towards Generation Z, which aligns with overall demographic shifts in our brands' markets.

GRI Indicator
405-1 Diversity of governance bodies and employees.

Local community connection
Individuals and society benefit from strong and healthy communities. When communities struggle with economic hardship and food insecurity, food retailers can bring relief.

Ahold Delhaize's brands have a great legacy of supporting local customer and supplier communities. Our brands strengthen their connections with communities through programs that help parents and children build a healthier relationship with wholesome food; through food and financial donations; and through partnerships with local organizations to support community well-being.

Performance indicator description	2020	2019
Total monetary value of our Company's corporate citizenship/philanthropic contributions (€ millions)	**181.3**	196.4
Cash contributions (€ millions)	**34.4**	17.5
In kind and volunteer hours cash-equivalent contributions (€ millions)	**146.9**	178.9
% total Ahold Delhaize contributions as charitable donations	**17%**	91%
% total Ahold Delhaize contributions as community investments	**77%**	3%
% total Ahold Delhaize contributions as commercial initiatives	**6%**	6%
% of cash and cash-equivalent donations to charities by the Company on pre-tax profit	**11%**	9%
Tonnes of food donated	**51,042**	56,681

ESG statements
Governance continued

How we performed
During 2020, our brands continued to support their communities through in-kind and cash donations. Social distancing measures reduced the number of community and volunteer events that could be held, sell-through of products coupled with transportation barriers caused a reduction in in-kind donations. Our local brands offset much of this decrease by donating money to food banks and increasing the amount of corporate contributions they made. For more information on how we supported our communities during 2020, see *COVID-19: impact and our response*.

Overall, our contributions and charitable donations are mainly driven by the U.S. brands. In 2020, the total monetary value of Ahold Delhaize's contributions was €181.3 million, compared to €196.4 million in 2019. We contributed €34.4 million in direct cash contributions to community projects and the equivalent of €146.9 million through in-kind donations and volunteer hours.

For 2020, we shifted several donations, including food bank donations, to community investments instead of charitable donations, which caused the significant change in the percentage of donations per category. We made the shift because these investments help us contribute to improving the communities where our brands operate through long-term commitments instead of more short-term donations or contributions.

Data considerations and estimates
Local community connection data is collected once per year in the fourth quarter. Exact figures are reported for monetary contributions. Monetary value of volunteer hours is calculated based on average hourly rate of employee cost to the Company. Food donations also involve estimations from third parties based on weight. The monetary value of food donated is estimated based on an average value applied per weight of food donated.

GRI Indicator
N/A.

ESG ratings

	2020	2019	change
DJSI score	**83**	69	14
MSCI ESG rating	A	A	—

How we performed
The 2020 Dow Jones Sustainability Index (DJSI) ranked Ahold Delhaize second in the Food and Staples industry with a score of 83 points, well above the industry average of 31 points. This is an increase of 14 points compared to our 2019 score and is the highest score Ahold Delhaize has ever received. Based on these results, Ahold Delhaize is a member of the Dow Jones Sustainability World Index as well as the DJSI Europe. The company also received an S&P Global Silver Class distinction in The Sustainability Yearbook 2021. In all three dimensions (economic, environmental and social), Ahold Delhaize was ranked in the top three of best-performing companies globally.

In 2020, Ahold Delhaize continued to show a constant solid A performance from the MSCI ESG rating. With this performance, according to MSCI, we fall into one of the higher scoring ranges for all the companies assessed, relative to global peers, indicating that the Company's corporate governance practices are generally well-aligned with shareholder interests.

ESG statements

ESG targets overview

This section provides an overview of the most important ESG targets that will drive our Healthy and Sustainable strategy and represent the areas where we want to make a difference in years to come.

Performance indicator description	2021 target	2022 target	2025 target	2030 target
% of healthy own-brand food sales as a proportion of total own-brand food sales	50.5%	51%		
Reduction in tonnes of food waste per food sales (t/€ million) against 2016 baseline	16%		32%	50%
% plastic packaging that can be easily and safely reused, recycled, or composted			100%	
Absolute CO_2-equivalent emissions from own operations (scope 1 and 2) (thousand tonnes) against 2018 baseline	17%			50%
% reduction in absolute CO_2-equivalent emissions from our value chain (scope 3) against 2018 baseline				15%

We presented performance against 2020 targets for several other metrics in the ESG statements. While we did not achieve all of these targets, we experienced challenges on several KPIs due to COVID-19 and made significant progress on most metrics. In the coming years, we will continue to monitor progress on our performance in these areas – food safety, social compliance, critical commodities, food waste, general waste recycling and the Global Warming Potential (GWP) and ozone friendly refrigerants of our refrigeration systems – with the aim to improve performance wherever we have not yet reached our goals.

Other information

Assurance report on the financial statements

Independent auditor's report

To: the General Meeting and the Supervisory Board of Koninklijke Ahold Delhaize N.V.

Report on the financial statements for the period December 30, 2019 to January 3, 2021

Our opinion

In our opinion:

- The Consolidated financial statements of Koninklijke Ahold Delhaize N.V. ('the company') give a true and fair view of the financial position of the Group (the company together with its subsidiaries) as at January 3, 2021 and of its result and cash flows for the period from December 30, 2019 to January 3, 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- The parent company financial statements of Koninklijke Ahold Delhaize N.V. give a true and fair view of the financial position of the company as at January 3, 2021 and of its result for the period from December 30, 2019 to January 3, 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements for the period December 30, 2019 to January 3, 2021 of Koninklijke Ahold Delhaize N.V., Zaandam, the Netherlands. The financial statements include the consolidated financial statements of the Group and the parent company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at January 3, 2021;
- the following statements for the period from December 30, 2019 to January 3, 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The parent company financial statements comprise:

- the parent company balance sheet as at January 3, 2021;
- the parent company income statement for the period from December 30, 2019 to January 3, 2021; and
- the notes, comprising a summary of accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the parent company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Koninklijke Ahold Delhaize N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

Koninklijke Ahold Delhaize N.V. is an international food retail group, operating supermarkets and e-commerce platforms in Belgium, the Czech Republic, Greece, Luxembourg, the Netherlands, Romania, Serbia and the United States and through participating in joint ventures in Indonesia and Portugal. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

COVID-19 is reflected in the 2020 financial statements by an increase in net sales, cost of sales as well as increases in selling expenses, profitability and cash flows. Additionally, the withdrawals from the United Food & Commercial Workers International Union (UFCW) Industry Pension Fund (the "National Plan"), the UFCW Local 1500 pension fund (the "1500 Plan") and the settlement agreement for Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund ("FELRA") and the Mid-Atlantic UFCW and Participating Employers Pension Fund ("MAP") significantly increased the 2020 pension expense. Both the impact of COVID-19 and the employee benefit plan transactions were considered in the determination of materiality as described in the section 'Materiality'.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we considered where the Management Board made important judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In Note 2 of the financial statements, the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty.

As in 2019, we considered the impairment testing of goodwill and brand names, and the recognition of vendor allowance income as key audit matters, in view of the significant estimation uncertainty and the related higher inherent risk of material misstatement. Furthermore, we continue to consider the employee benefit plan measurement and disclosures as a key audit matter because of the complexity and judgment required in auditing the defined benefit obligation estimates as well as the extensive disclosures required, specifically in the area of the group's participation in US multi-employer plans. Each of these key audit matters have been set out in the section 'Key audit matters' of this report.

Last year, we considered the recognition of a right of use asset and a lease liability as part of first-year adoption of the lease standard (IFRS 16) as a key audit matter. As this was completed in 2019, we no longer consider this a key audit matter.

Other information

Assurance report on the financial statements continued

Another area of focus, that was not considered a key audit matter, was the risk of fraud in revenue recognition. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Management Board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component level included the appropriate skills and competences which are needed for the audit of a retail company. The Group's operations utilize a wide range of different IT systems. The adequacy and effective operation of controls over these systems is an important element of the integrity of financial reporting within the Group. We utilized IT specialists in our audit to evaluate the adequacy and effective operation of these controls considered relevant to our audit. Furthermore, we included specialists with expertise in the areas of financial instruments and taxes, and experts in the areas of share based payments, actuarial calculations (including pension accounting) and valuations in our team.

The outline of our audit approach was as follows:

Materiality
- Overall materiality: €150 million.

Audit scope
- We conducted audit work at eight components. In 2020, our components subject to a full scope audit remained consistent, except for rotating Czech Republic in full scope and Greece out of full scope.
- As a result of COVID-19, no physical site visits were conducted. We held frequent virtual meetings with our component auditors, as well as virtual meetings with local management.
- Audit coverage: 87% of consolidated net sales, 83% of consolidated total assets and 80% of consolidated income before income taxes.

Key audit matters
- Impairment testing of goodwill and brand names
- Recognition of vendor allowance income
- Employee benefit plan measurement and disclosures

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgment we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€150 million (2019: €106 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 5% of income before income taxes, after excluding the expenses associated with the one-off pension transactions.
Rationale for benchmark applied	We used income before income taxes as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that income before income taxes is an important metric for the financial performance of the company.
Component materiality	To each component in our audit scope we, based on our judgment, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between €10 million and €140 million.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €7.25 million (2019: €5.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. Where misstatements have no income statement impact, we agreed with the Supervisory Board that we would report those above €25 million.

The scope of our group audit

Koninklijke Ahold Delhaize N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Koninklijke Ahold Delhaize N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focussed on the significant components; these components include the retail operations in the United States and the Netherlands as well as the Global Support Office activities in the Netherlands (which includes financing activities in Switzerland).

Other information

Assurance report on the financial statements continued

We subjected five components to audits of their complete financial information, of which three components are individually financially significant to the Group. The other two components, the Belgian and Czech Republic retail operations, are selected to achieve appropriate audit coverage over the consolidated financial statements. For rotational reasons, we changed the audit scope from the Greece component to the Czech Republic component for this year's audit. Additionally, we selected three components for specific audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements or to build an element of unpredictability in our audit.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Consolidated net sales	87%
Consolidated total assets	83%
Consolidated income before income taxes	80%

None of the remaining components represented more than 6% of consolidated net sales, consolidated income before income taxes nor consolidated total assets. For those remaining components, we attended internal quarterly closing meetings with local and Group management and performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work on the Global Support Office activities in the Netherlands, which includes financing activities in Switzerland, the Group consolidation, the financial statement disclosures and a number of complex items. This included procedures performed over financial instruments such as loans and derivatives, goodwill impairment testing, board remuneration including share based payments and compliance of accounting positions taken by the Group in accordance with EU-IFRS, including the pension withdrawals and settlement.

For all other components, we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

Normally, the group engagement team visits the component teams and local management on a rotational basis. In the current year, the group audit team was unable to physically visit component teams and local management due to COVID-19. We maintained frequent contact with our component teams through virtual meetings. Virtual meetings were also scheduled with local management. For the United States, the Netherlands, Belgium, Switzerland and Czech Republic, we reviewed relevant parts of the component auditor's audit files virtually.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Other information

Assurance report on the financial statements continued

Key audit matter	Our audit work and observations
Impairment testing of goodwill and brand names *Note 14 Intangible Assets* As at January 3, 2021, the Group's goodwill and brand names are valued at €9.9 billion. The majority of this balance (€6.5 billion) relates to the former Delhaize business acquired in 2016. As disclosed in *Note 14* to the consolidated financial statements, the Group tests its CGUs containing goodwill and brand names for impairment annually and if there is a triggering event, at an earlier or later reporting date. This is done by comparing the recoverable amounts of the individual CGUs, being the higher of fair value less costs of disposal, to the carrying amounts. The Management Board performed its annual goodwill and brand names impairment test in accordance with IAS 36 - Impairment of Assets and concluded that no impairment of goodwill or brand names was necessary. We considered this to be a key audit matter, because the assessment process is complex, involves significant management judgments and is based on key assumptions on expected future market and economic conditions, revenue growth, margin developments, the discount rates and (terminal) growth rates.	We evaluated management's process and design effectiveness of controls over the impairment assessment including the appropriateness of management's identification of the Group's CGUs, indicators of impairment, discount rates and forecasts. We have challenged management, primarily on their assumptions applied to which the outcome of the impairment test is the most sensitive, in particular, the projected revenue growth, operating margin developments, discount rates and (terminal) growth rates. We benchmarked key assumptions (as disclosed in *Note 14*) against external data and challenged management by comparing the assumptions to historic performance of the company and local economic developments, taking into account the sensitivity test of the goodwill balances for any changes in the respective assumptions. We involved our valuation experts to assist us in evaluating the appropriateness of the impairment model, the discount rates applied and to assess the overall reasonableness of the assumptions. We compared the sum of the future cash flow forecasts of all CGUs to the market capitalization. We verified that the models were prepared in line with the fair value less cost of disposal methodology. We also verified the mathematical accuracy of management's valuation models and agreed relevant data, including assumptions on timing of future capital and operating expenditures to the five-year plan as approved by the Management Board. Based on our procedures we did not identify material exceptions and we found management's assumptions to be supported by available evidence.
Recognition of vendor allowance income *Note 8 Expenses by nature* The Group receives various types of vendor allowances from its suppliers, as further disclosed in Note 8 to the consolidated financial statements. These allowances are a significant component of cost of sales. The vendor allowance receivable at January 3, 2021, amounts to €616 million (Note 18 Receivables). The vendor allowance agreements with suppliers contain volume-related allowances, promotional and marketing allowances and various other fees and discounts received in connection with the purchase of goods for resale from those suppliers. The Group recognizes vendor allowances as a reduction in cost of sales when the performance obligations associated with the allowances have been met, for example when the product has been sold, placed or when the marketing campaign has been held. We considered this to be a key audit matter because of the magnitude of amounts involved and the judgment required from management to determine the nature and level of fulfilment of the Company's obligations under the vendor agreements and to recognize the amounts in the correct period. This requires a detailed understanding of the contractual arrangements in addition to complete and accurate data to estimate purchase and sales volumes and fulfilment of promotional programs.	Our procedures included evaluating the design and testing the operating effectiveness of management's controls around the completeness and accuracy of the contractual agreements recognized in the accounting system. Furthermore, we challenged management's assumptions used in determining the recognized vendor allowances through discussions with management and performing specific substantive audit procedures. For example, on a sample basis we agreed the recorded amounts to the vendor contracts and confirmed the related positions and terms with the vendors. To determine the quality of the estimates made by management, we performed a retrospective review of management judgments by testing subsequent collections on prior period vendor allowance receivables. These procedures showed us that the vendor allowances collected versus management's estimates were reasonable. We also tested material write-offs (if any) and evaluated the nature to identify possible management bias. Finally, we tested whether the allowances were recorded in the correct period through assessing the obligation fulfilment of vendor allowances recorded during a period before and after year-end. Based on our procedures, we did not identify material exceptions and we found management's recognition of vendor allowances to be supported by available evidence.

Other information

Assurance report on the financial statements continued

Key audit matter	Our audit work and observations
Employee benefit plan measurement and disclosures *Note 24 Pensions and other post-employment benefits* The Group has defined benefit plans, primarily in the Netherlands and in the United States, giving rise to defined benefit obligations of €6.5 billion and €1.7 billion, respectively. The Group also has a number of union employees in the United States whose pension benefits are covered by multi-employer plans (we also refer to the risk factor on pension plan funding within Note 24 of the financial statements). A number of these plans are accounted for as defined contribution plans, as there is insufficient information to account for these plans as defined benefit plans. In Note 24, management has disclosed certain facts and a calculation, which is based on assumptions, and leads to an estimate of the Group's participation in these plans, including, for certain plans, the possible proportionate share of the total net deficit. As disclosed, this estimate does not necessarily reflect the Company's liability in case of withdrawal or insolvency of such plans. We considered this to be a key audit matter because of the magnitude of the amounts involved, management's significant judgment applied in estimating the actuarial and demographic assumptions (the most relevant being around salary increases, inflation, discount rates and mortality rates) and the technical expertise required to measure the defined benefit pension obligation for the Group. In addition, the US multi-employer plan rules are complex and certain plans are in endangered or critical status for which relevant material facts require adequate disclosure in the financial statements.	Our procedures included understanding and evaluating the design and testing the operating effectiveness of controls related to key inputs (such as payroll data) and key outputs of the Group's pension process. We tested the actuarial and demographic assumptions and valuation methodologies used by management to determine the Group's various defined benefit pension obligations. We evaluated whether the key actuarial assumptions are reasonable (for example by comparing to the published actuarial tables) and consistently applied. We tested payroll data, through a combination of controls testing and test of details and reconciled the membership census data used in the actuarial models to the payroll data. With the support from our valuation experts, we also tested the valuation of the pension assets. Depending on the type of asset, we either reconciled the value to publicly available information or challenged the assumptions used in determining the value by benchmarking assumptions to own expectations. Alongside our experts, we assessed the measurement, accounting and disclosures regarding the withdrawals from the United Food & Commercial Workers International Union (UFCW) Industry Pension Fund (the "National Plan"), UFCW Local 1500 pension fund (the "1500 Plan") and the settlement agreement for the Food Employers Labor Relations Association and United Food and Commercial Workers Pension Fund ("FELRA") and the Mid-Atlantic UFCW and Participating Employers Pension Fund ("MAP") and considered it to be appropriate. Finally, we assessed the adequacy of disclosures related to the employee defined benefit plans. We evaluated management's disclosures and calculations in relation to the US multi-employer plans. For this purpose, we reconciled the disclosed facts and the related inputs used by management for the calculation to supporting documentation such as the latest available plan information and actuarial calculations. Our procedures did not identify material exceptions, we considered management's key assumptions to be within a reasonable range of our own expectations and we did not identify material exceptions in management's disclosures or accounting conclusions.

Other information

Assurance report on the financial statements continued

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management report as defined within the governance section, subsection declarations of the annual report;
- the other information included in strategic report, governance section and performance: Environmental, Social and Governance (ESG) statements; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the management report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Koninklijke Ahold Delhaize N.V. on April 16, 2013 by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on April 16, 2013. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of eight years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in Note 4 of the notes to the parent company financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going-concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, March 2, 2021
PricewaterhouseCoopers Accountants N.V.

S. Laurie de Hernandez RA

Other information

Assurance report on the financial statements continued

Appendix to our auditor's report on the financial statements for the period December 30, 2019 to January 3, 2021 of Koninklijke Ahold Delhaize N.V.
In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the Audit and Finance Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Other information

Assurance report on the ESG information 2020

Assurance report of the independent auditor

To: the Management Board and the Supervisory Board of Koninklijke Ahold Delhaize N.V.
Assurance report on the environmental, social and governance information 2020

Our conclusion

Based on our procedures performed, nothing has come to our attention that causes us to believe that the environmental, social and governance information included in the Annual Report 2020 of Koninklijke Ahold Delhaize N.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the thereto related events and achievements for the period from December 30, 2019 to January 3, 2021

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as included in the section "reporting criteria".

What we have reviewed

We have reviewed the environmental, social and governance information as included in the Annual Report for the period from December 30, 2019 to January 3, 2021, as included in the following sections in the Annual Report (hereafter: "the ESG information"):

- Our business, excluding section "Risks and material ESG impacts";
- Paragraph "Material ESG impacts" of section Risks and material ESG impacts;
- Environmental, Social and Governance ("ESG") statements.

This review is aimed at obtaining a limited level of assurance.

The ESG information comprises a representation of the policy and business operations of Koninklijke Ahold Delhaize N.V., Zaandam, the Netherlands (hereafter: "Ahold Delhaize") with regard to sustainability and the thereto related business operations, events and achievements for the period from December 30, 2019 to January 3, 2021.

The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N "Assurance-opdrachten inzake maatschappelijke verslagen" ("Assurance engagements on corporate social responsibility reports"), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information". Our responsibilities under this standard are further described in the section "Our responsibilities for the review of the ESG information" of this assurance report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Ahold Delhaize in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten" (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA – "Dutch Code of Ethics").

We apply the "Nadere voorschriften kwaliteitssystemen" (NVKS – "Regulations for quality systems") and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The ESG information needs to be read and understood in conjunction with the reporting criteria. The Management Board of Ahold Delhaize is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the ESG information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria, as disclosed in sections "Definitions: performance measures" and "ESG statements" of the Annual Report. The absence of an established practice on which to draw, to evaluate and measure ESG information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The ESG information includes prospective information such as expectations on ambitions, strategy, plans, estimates and risk assessments. Inherently, the actual results are likely to differ from these expectations and these differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the ESG information.

The links to external sources or websites in the ESG information are not part of the ESG information reviewed by us. We do not provide assurance over information outside of the Annual Report.

Responsibilities for the ESG information and the review

Responsibilities of the Management Board and the Supervisory Board

The Management Board of Ahold Delhaize is responsible for the preparation of reliable and adequate ESG information in accordance with the reporting criteria as included in sections "Definitions: performance measures" and "ESG statements", including the identification of stakeholders and the definition of material matters. The choices made by the Management Board regarding the scope of the ESG information and the reporting policies are summarized in sections "Definitions: performance measures" and "ESG Statements" of the Annual Report. The Management Board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Management Board is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of the ESG information that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the company's reporting process on the ESG information.

Other information
Assurance report on the ESG information 2020 continued

Our responsibilities for the review of the ESG information
Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Procedures performed
We have exercised professional judgment and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the ESG information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Management Board.
- Obtaining an understanding of the reporting processes for the ESG information, including obtaining a general understanding of the internal control environment relevant to our review.
- Identifying areas of the ESG information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the ESG information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management (and/or relevant staff) at corporate and local level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the ESG information.
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and locations to visit. The (digital) visits to entities in the Netherlands, Belgium, the United States of America and Czech Republic are aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures;
  - Obtaining assurance evidence that the ESG information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.
- Reconciling the financial information, as included in the sections we reviewed, with the financial statements.
- Evaluating the consistency of the ESG information with the information in the Annual Report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the ESG information.
- To consider whether the ESG information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board on the planned scope and timing of the engagement and on the significant findings that result from our procedures.

Amsterdam, March 2, 2021
PricewaterhouseCoopers Accountants N.V.

S. Laurie de Hernandez RA

Other information
Other

Distribution of profit

Articles of Association provisions governing the distribution of profit
The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to section 39 of the Articles of Association, a dividend will first be declared out of net income on cumulative preferred shares and cumulative preferred financing shares. Any net income remaining after reservations deemed necessary by the Supervisory Board, in consultation with the Management Board, will then be at the disposal of the General Meeting of Shareholders, who may resolve to distribute it among the common shareholders. The Management Board, with the approval of the Supervisory Board, may propose that the General Meeting of Shareholders make distributions wholly or partly in the form of common shares. Amounts of net income not paid in the form of dividends will be added to the accumulated deficit. In the financial statements, the dividend on cumulative preferred financing shares is included in the income statement. Consequently, net income according to the parent company income statement is fully attributable to common shareholders.

See *Note 21* to the consolidated financial statements and *Note 17* to the parent company financial statements for more information on the dividend on common shares.

Details of special shareholder rights

Ahold Delhaize shareholders have no special rights, see *Corporate governance* for more information about voting rights.

Details of shares without profit rights and non-voting shares

Ahold Delhaize has no common shares without profit rights and no non-voting shares.