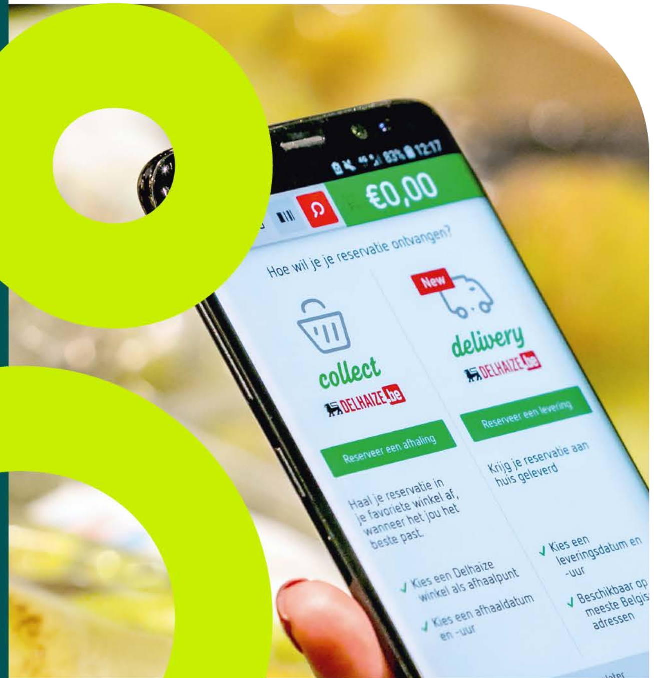
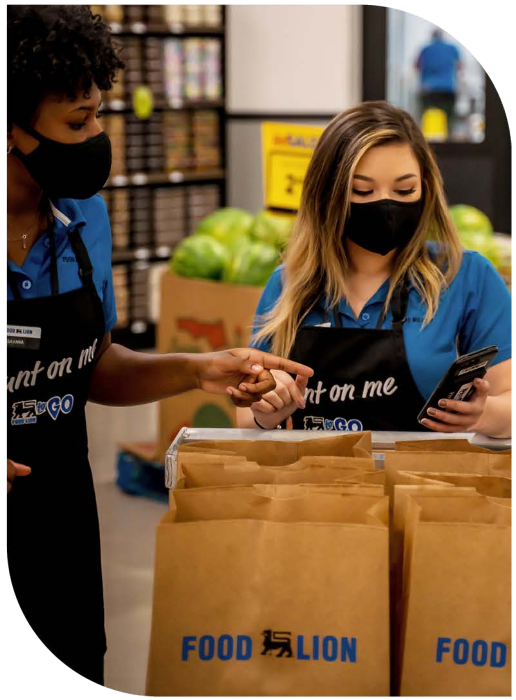
Ahold Delhaize

Annual Report

2020





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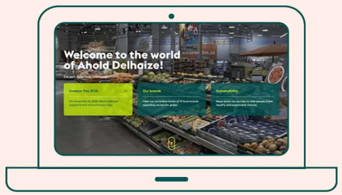
This document is the PDF/printed version of the 2021 Annual Report of Ahold Delhaize and has been prepared for ease of use. The 2021 Annual Report was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht), and was filed with the Netherlands Authority for the Financial Markets in European single electronic reporting format (the ESEF package). The ESEF package is available on the company's website at *www.aholddelhaize.com* and includes a human readable XHMTL version of the 2021 Annual Report. In any case of discrepancies between this PDF version and the ESEF package, the latter prevails.



More information is available at **www.aholddelhaize.com**

4. APPENDIX

STRATEGIC REPORT

GROUP HIGHLIGHTS

NET SALES[1]

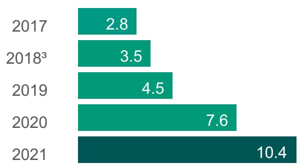
€75.6bn

2020: €74.7bn
+1.2% (+3.3% at constant rates)

NET CONSUMER ONLINE SALES

€10.4bn

2020: €7.6bn
+37.3% (38.2% at constant rates)



FREE CASH FLOW[2]

€1.6bn

2020: €2.2bn
-26.4%

DIVIDEND PER COMMON SHARE

€0.95

2020: €0.90
+5.6%

NET INCOME

€2.2bn

2020: €1.4bn
+60.8%

UNDERLYING OPERATING INCOME

€3.3bn

2020: €3.6bn
-7.3%

UNDERLYING OPERATING INCOME MARGIN

4.4%

2020: 4.8%
-0.4 pp

DILUTED INCOME PER SHARE FROM CONTINUING OPERATIONS

€2.17

2020: €1.30
+66.6%

DILUTED UNDERLYING INCOME PER SHARE FROM CONTINUING OPERATIONS

€2.19

2020: €2.26
-3.4%

OWN-BRAND FOOD SALES FROM HEALTHY PRODUCTS[4]

53.6%

2020: 49.8%

REDUCTION IN TONNES OF FOOD WASTE PER FOOD SALES (T/€ MILLION)[5]

18%

2021: 4.5t/€ million
2016 baseline: 5.48t/€ million

REDUCTION IN ABSOLUTE CO_2-EQUIVALENT EMISSIONS (SCOPE 1 AND 2)[6]

31%

2021: 2,827kt
2018 baseline: 4,073kt

ASSOCIATE ENGAGEMENT SCORE

79%

2020: 81%
Industry benchmark: 78%

MSCI INDEX

AA

2020: A

1 Ahold Delhaize's 2021 fiscal year consisted of 52 weeks, while 2020 consisted of 53 weeks.
2 In 2021, after €2.4 billion cash capital expenditure (2020: after €2.7 billion cash capital expenditure).
3 The 2018 figures have been restated for the change of accounting policies (IFRS 16 Leases).
4 Healthy sales percentage for 2021 is impacted by the transition to the Nutri-Score methodology instead of Choices in our European brands. See *ESG statements* for more information.
5 The reduction is measured against the 2016 baseline. 2020: 4.5 t/€ million, a reduction of 17% compared to the 2016 baseline. See *ESG statements* for more information.
6 The reduction is measured against the 2018 baseline. 2020: 3,148 ktonnes, a reduction of 23% compared to the 2018 baseline. Figures have been restated. See *ESG statements* for more information.

For the definitions of alternative performance measures, see *Glossary*.

Frans Muller, President and CEO Ahold Delhaize

Q&A WITH OUR CEO

Frans Muller looks back on the highlights and challenges of 2021 and reflects on our expectations for the year ahead.

Q. How would you characterize the year 2021 for Ahold Delhaize?

I am proud of our performance and what we have been able to achieve in 2021. Despite expectations around the world that this would be a more normal year, COVID-19 continued to have a major impact in our brands' markets – and kept our people very busy. I have enormous appreciation for associates in stores, distribution centers and support offices across Ahold Delhaize who worked so incredibly hard to serve the needs of customers and communities. As a result, from a business standpoint, we went from strength to strength on many fronts during the year. It proved to us that Leading Together is the right strategy for our company and our future.

In many ways, this second year of the pandemic has been more challenging for people across our brands' markets. In 2020, everyone rallied around the crisis, and associates were motivated by our essential role in giving customers access to products in the safest possible way. As the pandemic continued in 2021, people became fatigued and we saw more mental strain, not only among associates but throughout the communities our brands serve. We looked for ways to support mental health, both for associates and community members. For example, Hannaford donated $400,000 to support mental health resources in its regions. We ran a pilot at our Global Support Office providing tools to help associates recognize if they needed mental health support and train managers on the important role they play.

Many of the challenges we faced during the year strengthened our commitment to our strategic ambitions. We saw a strong connection between the health crisis, natural disasters in many of our brands' markets and the urgent climate crisis facing our world. As our brands helped communities deal with the pandemic and the aftermath of floods, fires, earthquakes and hurricanes, we doubled down on our commitment to our climate strategy. When the pandemic continued to increase inequality in many communities, we became even more convinced that

Q&A WITH OUR CEO

providing access to healthy food is a crucial part of our ambitions – and an important way to set people up for success in life. During the past two years, our values and purpose have become strong drivers, motivating people across our businesses.

An important milestone for us during the year was announcing our long-term strategy and key commitments during our Investor Day in November. This growth and investment plan has given the whole organization confidence and energy as we look to continue our strong momentum toward 2025.

Q. COVID-19 continued to have a significant impact – when you look back on it, what stands out the most?

We saw positive changes as the world started to open up again and people began to get vaccinated in all our markets – and then setbacks when more restrictive measures proved necessary again. Dealing with uncertainty around changing policies and absenteeism because of illness caused challenges in our brands, in local communities and for our people. I'm proud of how our teams adapted through all this change.

What also made me proud was seeing how associates learned from the lessons of the past two years around equity in society to double down on work towards our bold diversity and inclusion (D&I) aspiration to be 100% gender balanced, 100% reflective of our markets and 100% inclusive. While I believe we still have much more progress to make, I feel that D&I is embedded in our thinking and actions now in a way that it wasn't in the past.

During the year, we saw some consumer trends triggered by the pandemic persevere. For example, trends around cooking and eating at home, shopping online and healthy eating have remained and evolved, and convenience continues to grow in importance. As a result of these trends, we sold more groceries in 2021, but serving this demand took a lot of effort and drive by people across all our brands and businesses. We also spent over €360 million in 2021, on top of the nearly €680 million we spent in 2020, on COVID-19-related costs, including extra measures in stores, sanitation, uniforms, signage, paid quarantine leave for U.S. associates and additional donations to communities. Our brands donated another €20 million to support the Red Cross, food banks and other local initiatives.

We saw other COVID-19 related challenges, such as inflation, which we did our best to manage and keep prices affordable to customers, and supply chain issues, particularly in the U.S. Through it all, our brands continued to build market share by enabling customers to shop when and where they wanted through our omnichannel offering and providing them healthy and sustainable choices.

The GIANT Company associates volunteering at a food bank.

Q. In light of this, how would you characterize our financial results in 2021?

2021 was a strong year for us financially; but, of course, it was in the midst of circumstances we all wish had been different.

During the year, our brands worked to serve customers even better by gearing up their online propositions, delivery services and click-and-collect locations. In the U.S., at the end of 2021, almost 1,400 stores had click and collect and the brands made online shopping available to customers in around 95% of their geographies. We also grew our online offering in Europe by more than 25%. Bol.com had another stellar year, growing net consumer online sales by 27% and maintaining EBITDA at record levels as it served more households and grew its number of partners to nearly 49,000. At our Investor Day in November, we also disclosed, for the first time, several key metrics for the brand, such as customer and partner NPS and market penetration rates, and gave a snapshot of the growth levers we intend to pursue to double that business by 2025. In that context, we announced the exciting news that we would explore a subsidiary-IPO for bol.com in 2022. And Albert started offering online grocery shopping in the Czech Republic. I'm proud to say that we also closed several acquisitions this year, including FreshDirect, 71 stores from Southeastern Grocers at Food Lion and 38 DEEN stores at Albert Heijn.

We invested €2.4 billion in the business, to make sure that our brands' stores are well maintained, to enhance the digital and omnichannel offerings, to upgrade the supply chain and to increase our IT and digital capabilities to make sure our brands can provide even more personalized propositions for customers. In addition to investing in direct employment, our growth and capital investments also fueled indirect employment in our brand's markets through the work we provided to small- and medium-sized companies focused on areas like construction, digital and technology.

Q&A WITH OUR CEO

Q. Ahold Delhaize continued to invest in growing its omnichannel business. What were the key highlights for you?

As we accelerate on our journey to create a seamless omnichannel experience for customers, we invested proportionally more in technology in 2021 than we did in the years before. In both Europe and the U.S., we're developing strong intuitive and convenient omnichannel ecosystems. While working alongside support companies that provide scale, platforms, capabilities and services to help them drive the omnichannel customer experience, the brands tailor the experience to their local strategies and commercial plans to connect with customers in the most relevant way.

This is enabling our brands to bring new, unique customer experiences to their markets, such as the AH Premium subscription program – the first of its kind in the Netherlands – that lets customers save on both in-store and online orders. Another is the SuperPlus loyalty program at Delhaize in Belgium, that gives discounts on healthy products. In the U.S., Stop & Shop is offering customers an enhanced, more personalized offering through its GO Rewards program that lets customers earn points they can redeem for gas savings, dollars off at checkout or surprise deals.

And we are supporting all of this through the tech investments I mentioned, harmonizing behind the scenes so our brands can rapidly deploy new features and functionalities for customers. For example, the project to transform our U.S. supply chain remains on track. In 2021, The GIANT Company also opened an e-commerce fulfillment center in Philadelphia. Our brands in Europe have rolled out electronic shelf tags to 80% of stores. In the Netherlands, our brands rapidly grew their home shop centers in 2021 to a total of eight, providing extra capacity and employment in the market.

As we communicated at our Investor Day in November, in 2022 and beyond, we will step up our investments in digital, automation and state-of-the-art infrastructure to drive innovation and support our accelerated growth plans to 2025. And, rest assured, we will also continue to execute and time these investments with the same strict rules and discipline that you have come to expect from us in terms of achieving our hurdle rates and return on capital metrics.

Q. You announced more ambitious climate and healthier sales targets. Why was this important?

Over the past year, our associates, customers and shareholders have become even more aware of our global climate challenges and the need to accelerate the transition to a sustainable food system. As a leading food retailer, we are confident that we can make a big difference by working across our brands' supply chains. Our stakeholders are also increasingly interested in understanding how companies are reducing their impact on the planet – and have high expectations around transparency and traceability.

This year, we announced accelerated targets on climate. We committed to reach net-zero carbon emissions across our own operations, ten years earlier than originally planned, by 2040 (scope 1 and 2) and become net-zero businesses across our entire supply chain, products and services by 2050 (scope 3). This is on top of our previous commitment to reduce scope 1 and 2 emissions by 50% between 2018 and 2030. We also joined the Business Ambition for 1.5°C in order to collaborate with others who are committed to ambitious climate targets and further advocate for setting science-based targets to net zero.

I also want to mention our efforts on waste reduction, another very important way we are striving towards a healthier planet. Like all food retailers, we underestimated the challenge of completely replacing our own-brand primary plastic packaging by 2025 with recyclable, reusable or compostable plastics. While we are committed to deliver a path of continuous improvement on this front, we also need to re-evaluate a more realistic go-forward ambition. Reducing plastic waste has proved to be challenging and complex, from the levels of recyclability of the multiple packaging elements themselves to the availability of a robust recycling infrastructure within some of our brands' markets. In 2021, we set our baseline and worked on improving visibility in our data gathering and reporting. We can now report that 36% of our own-brand primary plastic product packaging is recyclable, reusable and / or compostable, and our brands continue to improve this packaging.

We have reduced total food waste in our business by 18% since 2016 and aim to lower it by 50% in 2030. However, there are many trade-offs between delivering high-quality fresh products that differentiate our brands and reducing food waste. In addition, food bank infrastructure, which is critical for our donation activities, varies in maturity considerably across our markets. As a result, we know we must significantly accelerate our efforts to achieve our food waste ambitions.

We believe we are taking the right steps, and this is reinforced by the third-party recognition we've received. In 2021, we came in number one among food retailers in Europe and the U.S. and number two globally on the Dow Jones Sustainability World Index. In addition, we upped our MSCI grade from A to AA.

COVID-19 has proven how important our healthy food targets are and how strong our conviction is around this work – and also shown us that we can go even further. We believe that what is healthy for people is healthy for the planet. So, we raised our target for healthy own-brand food sales by three percentage points – to more than 55% by 2025. And these healthy sales are measured by our brands through the use of neutral, objective nutritional guidance systems and standards, including Guiding Stars in the U.S. and Nutri-Score in Europe.

With global climate summit COP26 behind us, the world is much more conscious about the immediate steps we all need to take to mitigate our impact on climate change, and we're committed to doing our part. Our targets are out – now it's up to us to deliver.

Q&A WITH OUR CEO

Q. What are the biggest challenges and dilemmas the business currently faces?

We are still facing challenges around product availability and finding enough new associates to support our growth that are partially related to COVID-19, but that we expect will remain in a post-COVID era, as well as heightened inflation.

As I mentioned, the impact of COVID-19 on people's mental health remains another priority for us. We are working to understand better how the pandemic has affected people's mental states and how we can support them. This includes recognizing signs of trouble earlier and supporting managers in seeing and addressing these signals. Working from home, along with the added stress of school closings and loved ones being ill, is putting pressure on families and will continue to make this more challenging.

Customers shopping with selfscan at Albert Heijn.

Q. What are your expectations for 2022?

I expect 2022 will be another year of relative uncertainty, as it's difficult to predict how the COVID-19 pandemic and geopolitical situation in Europe will develop. We'll do everything we can to help customers and communities stay safe and healthy, manage the impact of inflation on their wallets and keep our supply chain steady. We believe we can have a very positive influence on communities and make healthy food available and affordable to even more people.

We will keep looking for solutions to the continued labor shortages we expect to face. Digital and automation will play a role. At the same time, we need to make sure our businesses are great places to work and that people can relate to and rally around our purpose. We will focus on ensuring we have even more attractive workspaces, designed to meet associates' needs in the future of work, and continue to support health and well-being, both within our businesses and in our brands' communities.

We will work hard to make further progress on our ESG ambitions and identify the next steps towards becoming a net-zero retailer. We also want to do our part to address inequality in the communities our brands serve and reach our aspiration to make our own company more diverse and inclusive.

In the coming year, we will continue to be there for customers, offering them more opportunities to eat well, save time and live better. Our brands will work to provide even better propositions, further digitize and keep expanding their e-commerce businesses and making them more profitable. The planned sub-IPO of bol.com we are progressing towards in 2022 will be an important step. We will also work to further connect our brands across food and non-food in the Benelux, something that will help us become a true omnichannel company.

While events keep moving fast and we are sure to face challenges, I'm confident we will have a solid year ahead. We have a company of brands with loyal customers, with a strong financial base, and with the right strategy to lead us into the future and to keep on growing. But even more importantly, we have incredible, motivated people, who are purpose-driven and passionate about serving customers and communities, and who truly set us apart.

Albert now offers online grocery shopping with its Home Free delivery service.

Alfa Beta associate helping a customer.

Q&A WITH OUR CEO

YEAR IN REVIEW

2021 TIMELINE

JANUARY

Ahold Delhaize and Centerbridge Partners close the acquisition of New York City-based online grocer FreshDirect.

FEBRUARY

Peapod Digital Labs announces a new micro-fulfillment technology pilot with The GIANT Company in the Philadelphia market.

Ahold Delhaize announces that COVID-19 care in 2020 totaled nearly €680 million, including €21 million of charitable donations, and funded initiatives supporting associates, customers and local communities.

MARCH

Ahold Delhaize successfully prices its inaugural Sustainability-Linked Bond, amounting to

€600 MILLION

with a term of nine years.

APRIL

Food Lions's acquisition of 71 stores from Southeastern Grocers is completed.

JUNE

Mega Image becomes the first retailer in Romania to introduce the Nutri-Score nutritional navigation system across all own-**brand** ranges, as one more way to support customers in making balanced choices for healthy eating.

JULY

Ahold Delhaize is among the first signatories to the EU Code of Conduct on Responsible Food Business and Marketing Practices, and pledges 10 commitments.

TIMELINE CONTINUES ON NEXT PAGE

2021 TIMELINE

SEPTEMBER

The On Track foundation, an initiative of Ahold Delhaize and several partners, launches the free learning app On Track.

Albert Heijn completes the transaction to acquire 38 DEEN stores, including the brand's flower shop and distribution center.

MSCI

Ahold Delhaize achieves an MSCI ESG rating of AA, upgraded from A, measuring its resilience to long-term ESG risks.

Delhaize reaches the milestone of having two million customers signed up for its SuperPlus loyalty card, that makes healthy eating more affordable.

OCTOBER

Food Lion, the fastest-growing Ahold Delhaize brand in the U.S., achieves its 36th consecutive quarter of positive comparable-sales growth.

NOVEMBER

Ahold Delhaize and its brands commit to reach net-zero carbon emissions across their operations by no later than 2040 (scope 1 and 2) and to becoming net-zero businesses across the entire supply chain, products and services no later than 2050 (scope 3).

The 2021 Dow Jones Sustainability World Index (DJSI World) awards Ahold Delhaize a score of 83 out of 100, equal to the 2020 score and well above the industry average of 26 points, ranking the company highest in the Food and Staples Retailing sector in Europe and the U.S.

Ahold Delhaize presents its targets and strategy during its 2021 Investor Day, announcing it will explore a subsidiary IPO of bol.com and increase its focus on health and sustainability.

The GIANT Company officially opens a new, ultramodern 124,000 square-foot e-commerce fulfillment center in Philadelphia.

DECEMBER

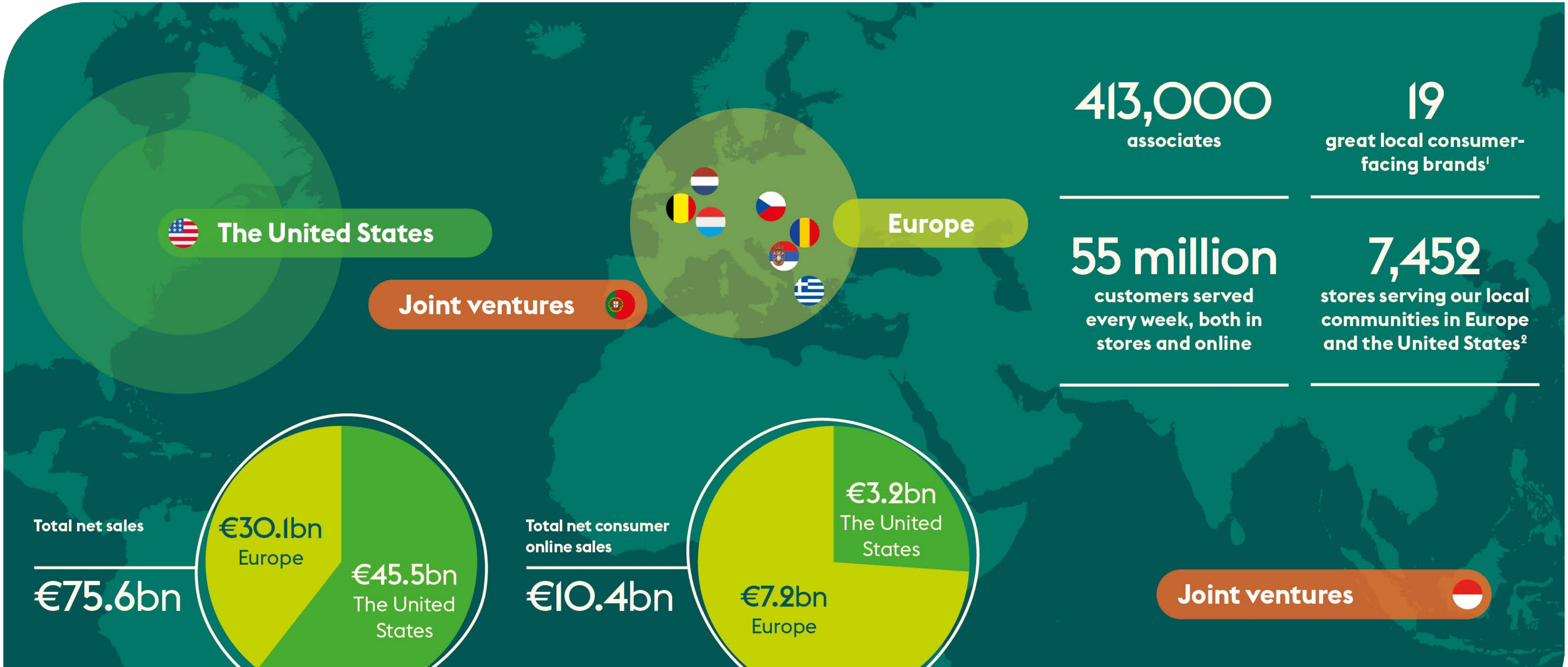
cycloon

bol.com

Bol.com announces the agreement to acquire a majority stake in green and social delivery expert Cycloon.

OUR GREAT LOCAL BRANDS

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



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

OUR GREAT LOCAL BRANDS

The United States

The United States is our biggest market. Our brands operate some of the country's most established, innovative and well-known supermarkets and online grocers, all along the East Coast.

2,048
stores
2020: 1,970
+78

1,389
pick-up points
2020: 1,121
+268

GREAT LOCAL BRANDS

Food Lion, Stop & Shop, The GIANT Company (GIANT, MARTIN'S, Heirloom Market, GIANT Direct, MARTIN'S Direct), Hannaford, Giant, FreshDirect, Peapod Digital Labs, Retail Business Services (A Company of Ahold Delhaize USA), ADUSA Supply Chain

Europe

Our leading brands in Europe serve customers through store formats tailored to their needs and innovative online businesses. While some have been household names for more than a century, they remain ground-breaking and forward-thinking retailers today.

5,404
stores
2020: 5,167
+237

253
pick-up points
2020: 298
-45

GREAT LOCAL BRANDS

ah, bol.com, Etos, Delhaize, Mega Image, albert, Gall & Gall (Sinds 1884), Βασιλόπουλος (...και του πουλιού το γάλα!), Delhaize Serbia, European Business Services

Joint ventures

Our joint ventures Super Indo in Indonesia and Pingo Doce in Portugal are among the leading supermarket brands in their respective countries.

GREAT LOCAL BRANDS

Super Indo, Pingo Doce

OUR GREAT LOCAL BRANDS

The United States

Food Lion

Market area: Delaware, Georgia, Kentucky, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia

Nourishing neighbors and setting them up for success in life is core to everything Food Lion does. The omnichannel retailer is committed to being a good neighbor and delivering an easy, fresh and affordable shopping experience.

Stores
1,104
(+75 net new in 2021)

Pick-up points
555
(+151 net new in 2021)

Read more online

Stop & Shop

Market area: Connecticut, Massachusetts, New Jersey, New York and Rhode Island

Stop & Shop offers a wide assortment focused on fresh, healthy options at a great value. Customers can shop in-store or online for delivery and same-day pickup. The brand prides itself on fighting hunger in its communities and other incredible acts of care.

Stores
406
(-2 net new in 2021)

Pick-up points
370
(+58 net new in 2021)

Read more online

The GIANT Company

Market area: Maryland, New Jersey, Pennsylvania, Virginia and West Virginia

The GIANT Company is an omnichannel retailer, serving customers through stores, pharmacies, fuel stations, online pick-up hubs and grocery delivery service. The brand is changing the customer experience, creating healthier communities and connecting families for a better future.

Stores
190
(+4 net new in 2021)

Pick-up points
173
(+14 net new in 2021)

Read more online

Hannaford

Market area: Maine, Massachusetts, New Hampshire, New York and Vermont

Hannaford makes it easy and convenient to shop for great fresh food and find healthy options, both online and in its stores. Hannaford is in the community, connected to local farmers and producers and a part of its customer's day.

Stores
184
(+1 net new in 2021)

Pick-up points
132
(+30 net new in 2021)

Read more online

Giant

Market area: Delaware, District of Columbia, Maryland and Virginia

Giant Food fits all the ways today's busy consumers want to shop – whether in-store, via Giant Pickup or through home delivery from Giant Delivers, with same-day speed. At Giant, local is a commitment, not just a label.

Stores
164
(0 net new in 2021)

Pick-up points
159
(+15 net new in 2021)

Read more online

FreshDirect

Market area: New York, Philadelphia and Washington, D.C. metropolitan areas

New York City-based FreshDirect makes online grocery shopping fast and easy. FreshDirect works directly with farmers and fishermen to deliver the freshest produce, meat and seafood, plus chef-prepared meal solutions, great local finds and brand favorites.

Grocery items delivered to customers every week
3 million

Read more online

OUR GREAT LOCAL BRANDS

The United States continued

Peapod Digital Labs powers digital and commercial solutions and capabilities to accelerate the omnichannel experience for the local brands of Ahold Delhaize USA, helping fast-track new products, understand market trends, and develop solutions that meet the changing needs of customers.

Support organization

Retail Business Services, LLC, is the services company of Ahold Delhaize USA, providing services to the U.S. brands. It leverages the scale of the local brands to drive synergies and provides industry-leading expertise, insights and analytics to support their strategies through a variety of services including Information Technology, Retail Innovation Center of Excellence and Indirect Sourcing, among many others.

Support organization

ADUSA Supply Chain is a family of supply chain companies that together support one of the largest supply chains on the East Coast, serving the omnichannel grocery brands of Ahold Delhaize USA through a self-distribution model for the future.

Support organization

OUR GREAT LOCAL BRANDS

Europe

Albert Heijn

The Netherlands and Belgium: Albert Heijn has evolved from a single family-owned grocery store 135 years ago to a leading food tech company today. Filling more than six million plates daily comes with a responsibility. That's why Albert Heijn works every day to deliver on its mission: "Together, we make eating better the easy choice – for everyone."

Stores
1,122
(+72 net new in 2021)

Pick-up points
59
(-5 net new in 2021)

Read more online

bol.com

The Netherlands and Belgium: With 47 million unique products offered, bol.com customers have a wide range of choices. That's why 13 million Dutch and Belgians shop on its online retail platform. Bol.com also works with over 48,500 local entrepreneurs who sell through its platform.

Number of Plaza partners
More than 48,500

Read more online

Etos

The Netherlands: Etos, the largest health and wellness platform in the Netherlands, has been customers' trusted drugstore for over a hundred years. With stores throughout the Netherlands, there is always an Etos nearby where qualified druggists can offer expert advice. Etos helps its customers to feel good – both in-store and online.

Stores
527
(-9 net new in 2021)

Read more online

Gall & Gall

The Netherlands: Gall & Gall has been selling liquor since 1884 and is the largest specialist in the Netherlands. Founder Maria Gall had a motto: "No order too large, no order too small, no order too far." Although times have changed, Gall & Gall's passion to help and inspire customers has remained.

Stores
609
(+27 net new in 2021)

Read more online

Delhaize

Belgium and Luxembourg: Delhaize's store formats – Delhaize, AD Delhaize, Proxy Delhaize and Shop & Go – offer a wide range, unique experience and quality service, including online shopping via pick-up points and home delivery. Delhaize's commercial proposition focuses on health and quality with respect for the environment.

Stores
834
(+14 net new in 2021)

Pick-up points
120
(-5 net new in 2021)

Read more online

albert

Czech Republic: Albert offers a great omnichannel shopping experience, with a new Fresh urban format, supermarkets and hypers, and the recent launch of grocery delivery in selected cities. Customers enjoy the My Albert loyalty program and healthy inspiration through popular own brands. And Albert provides community support through the Albert Foundation.

Stores
334
(+6 net new in 2021)

Read more online

OUR GREAT LOCAL BRANDS

Europe continued

Greece: Alfa Beta Vassilopoulos ("Alfa Beta") makes the shopping experience unique because each customer is unique. Through five different formats, the brand is here for customers, associates and communities, offering the finest products and protecting the environment.

Stores	Pick-up points
592 (+49 net new in 2021)	70 (+1 net new in 2021)

Read more online

Romania: Mega Image serves customers under the Mega Image, Shop & Go and Gusturi Românești brands, offering fresh food, quality, healthy products and advice and a unique assortment of own brands. The team is passionate about a healthy lifestyle, social causes and the environment.

Stores	Pick-up points
920 (+66 net new in 2021)	0 (-36 net new in 2021)

Read more online

Serbia: Delhaize Serbia is the largest store chain in Serbia. With five formats – Maxi, Mega Maxi, Tempo, Shop&Go and Maxi online – it operates supermarkets known for their wide range, high-quality fresh products and great prices and promotions; modern neighborhood stores for everyday and on-the-go shopping; and hypermarkets for family shopping.

Stores	Pick-up points
466 (+12 net new in 2021)	4 (0 net new in 2021)

Read more online on Maxi and *Tempo*

European Business Services (EBS): The services company of Ahold Delhaize Europe, EBS provides professional services in Human Resources, Finance and Not-for-resale Sourcing. It leverages scale and volume to drive synergies and provides industry-leading expertise, insights and analytics to help the European brands achieve their strategic goals.

Support organization

Joint venture

Indonesia: Super Indo is Indonesia's leading supermarket chain. It goes the extra mile to maintain the freshness and quality of its products, making healthy food accessible and affordable anywhere and anytime. Super Indo is the right choice for shopping that is always fresher, affordable and closer.

Established

1997

Read more online

Portugal: Pingo Doce brings quality and innovation, and a unique shopping experience, because the best families deserve the best supermarket. Its products guarantee excellent value for money, which strengthens the brand's commitment to customers.

Established

1992

Read more online

EVOLVING MARKET TRENDS

Our Leading Together strategy helps Ahold Delhaize and our brands successfully address evolving market trends. For details on how we are responding to these trends, see *Our growth drivers*.

In 2021, the COVID-19 pandemic continued to create uncertainty and impact consumer behavior across our markets. We also felt the pandemic's impact, once again, on the supply chain and in the form of heightened inflation during the year. For more information on this topic, see *COVID-19: Impact and our response*.

LONG-TERM SHIFT TO AT-HOME CONSUMPTION

Higher demand for food at home, which started during the early days of the COVID-19 pandemic, appears to be here to stay. This is partly because the trend towards working from home, or hybrid working, seems likely to continue. Slightly more than half of customers surveyed, in both the U.S. and Europe, said they expect to work from home more in the future. It is also impacted by the further development of new consumer habits that have emerged over the past two years, with more people cooking, entertaining and socializing at home.

As some COVID-19 related trends prove long-lasting, we expect the baseline for food at home demand to readjust to a higher level.

CONTINUED E-COMMERCE GROWTH

The COVID-19 pandemic led to a higher demand for online shopping that we believe will persist and continue to accelerate in the longer term. A total of 60% of U.S. consumers expect to continue to shop online at the same frequency, or even more often, in the future. Across all retail categories, including grocery, 60-70% of adults are now omnichannel consumers, buying with retailers through multiple channels. New forms of omnichannel shopping – such as "live commerce" which lets consumers watch an online livestream broadcast and shop at the same time – are becoming commonplace, especially among Generation Z (Gen Z) and Millennial consumers. Live commerce has the potential to account for as much as 10–20% of all e-commerce by 2026.

NEW BUSINESS MODELS AND CUSTOMER EXPECTATIONS

New (grocery) retail business models are emerging at an increasing speed, fueled by technological developments and the high adoption rates of e-commerce in recent years. Instant grocery players have grown across the U.S. and Europe, often supported by venture capital funding. These players promise rapid delivery in as little as ten minutes, enabled by "dark stores" that serve relatively small catchment areas in strategic urban locations. Many companies that used to specialize in the delivery of prepared meals are now also entering the grocery space. As a result, customer expectations regarding availability, assortment and fulfillment speed are increasing continuously.

ONGOING EMPHASIS ON HEALTH AND WELL-BEING

COVID-19 has led to an overall shift in consumers' priorities. Particularly in the U.S., we've seen a trend towards people placing more value on family and health, and less on career and work. We believe that consumers will remain focused on health and well-being. Two-thirds of U.S. consumers surveyed said they are trying to eat healthier, and 63% of American customers want to buy healthier food – but either don't know how or can't afford to, opening up significant opportunities for retailers to step in to make it easier and more affordable to make healthy choices.

VALUE REMAINS PARAMOUNT – BUT GOES BEYOND PRICE

Value remains the most important consideration for consumers in our markets. In most countries, consumers intend to continue shifting their spending to essentials, while cutting back on most discretionary categories. Value remains the primary reason for customers to try new brands as well as new places to shop. Two-out-of-three customers said they will try new brands if they offer better value. This presents an opportunity for retailers to shift customers towards own-brand products and redefine value beyond price to include benefits such as health, sustainability and experience.

After value, convenience and availability are most often cited by consumers as top drivers when deciding where to shop, while quality and purpose – for example, a desire to support local businesses – are the more important considerations when choosing new brands.

INCREASED IMPACT OF CLIMATE CHANGE

The climate crisis is expected to have an increasing impact on society, changing the way companies are run across all industries. We're seeing increasing societal pressure on governments and businesses to decarbonize operations, with the expectation of reaching global net zero by mid-century and limiting globing warming to 1.5°C. Consumers, employees, regulators and shareholders are not only expecting companies to reduce carbon emissions but also tackle issues such as biodiversity, circularity, deforestation and water usage – and be transparent about their progress. This mindset shift is expected to continue over the next decades as climate change is especially relevant to the younger generations: among members of Gen Z, 55% said they were very or extremely interested in environmental issues.

CHALLENGING MACROECONOMIC ENVIRONMENT

Inflation, labor issues and supply chain challenges continue to create economic headwinds for the food retail industry. We're seeing sharp spikes and increased volatility in commodity prices.

At the same time, COVID-19 has led to workforce changes, with a record number of Americans quitting their jobs in late 2021 and 44% of employees planning to change jobs in the next 12 months, citing the desire for a better work-life balance as a top reason.

The entrance of Gen Z – sustainability-minded digital natives who embrace work-life balance – into the workforce is also driving a cultural shift. Millennials and members of Gen Z view flexibility and adaptability as the employee characteristics most important to the success of their organizations by a large margin. Since 41% of our brands' associates are part of Gen Z, this trend is a priority for Ahold Delhaize.

Finally, we are still grappling with ongoing global supply chain disruptions – initially caused by COVID-19 and the resulting volatility in demand and continuing to cause a ripple effect through the system.

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

LOCAL HEROES

THE NETWORK BEHIND U.S. OMNICHANNEL GROWTH

The future of retail is omnichannel – and the right supply chain is essential.

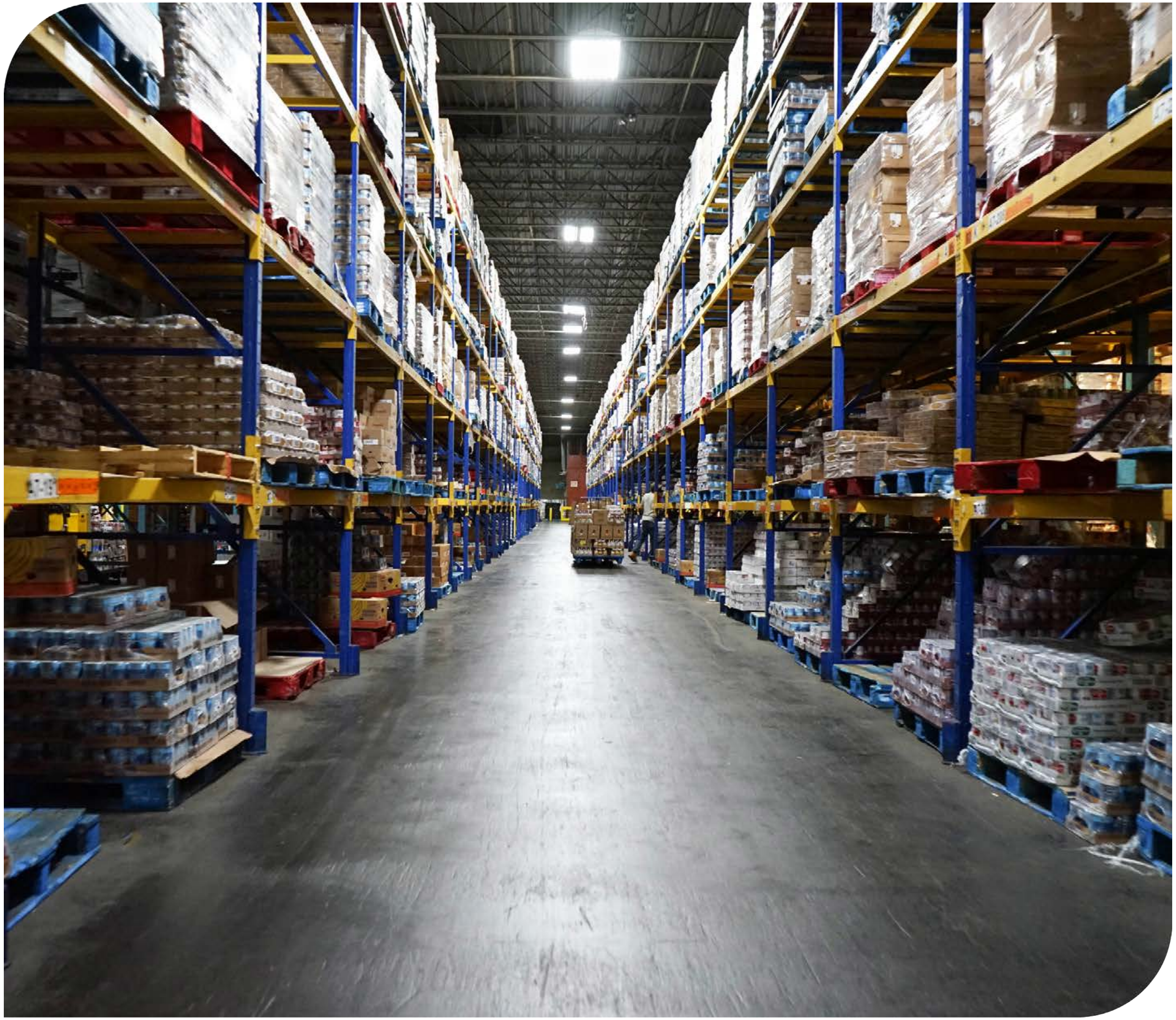
To meet customers' individual needs online, in-store and everywhere in between, Ahold Delhaize USA businesses are creating a more durable omnichannel supply chain.

Now at the mid-point of a three-year transformation, the U.S. businesses are bringing new facilities into their self-managed network in key areas to support the retail brands. They are deploying innovative technology, using artificial intelligence to more precisely predict demand for fresher products with less waste, automation to enhance efficiency, wearable robotics to reduce fatigue and injuries, and even virtual reality training to make distribution centers a safer place to work.

And they're doing it with care for communities and the planet, investing in associate development, increasing energy efficiency and leveraging technology to operate more sustainably. Despite the COVID-19 pandemic and unprecedented supply chain challenges, the team continues to deliver on schedule.

"The transformation of the U.S. supply chain is a strategic investment at the core of accelerating omnichannel growth. We're excited for what the future holds."

Roger Wheeler, President of Retail Business Services



COVID-19: IMPACT AND OUR RESPONSE

COVID-19 continued to have a significant impact on our lives in 2021, as infection rates fluctuated and societies in our brands' markets opened and then closed again. Our approach to the pandemic was, as always, driven by our commitment to maintain a stable food supply chain, provide a safe shopping environment for customers and associates and support our communities.

Despite the challenges we faced, our brands were able to provide customers with healthy and affordable food options, operating in compliance with rapidly changing local regulations and managing global supply chain disruptions.

Our strategy kept us well positioned to address changing circumstances, and our associates continued to do a fantastic job in keeping local stores open, deliveries running and shelves well stocked, to help us fulfill our pivotal role in society.

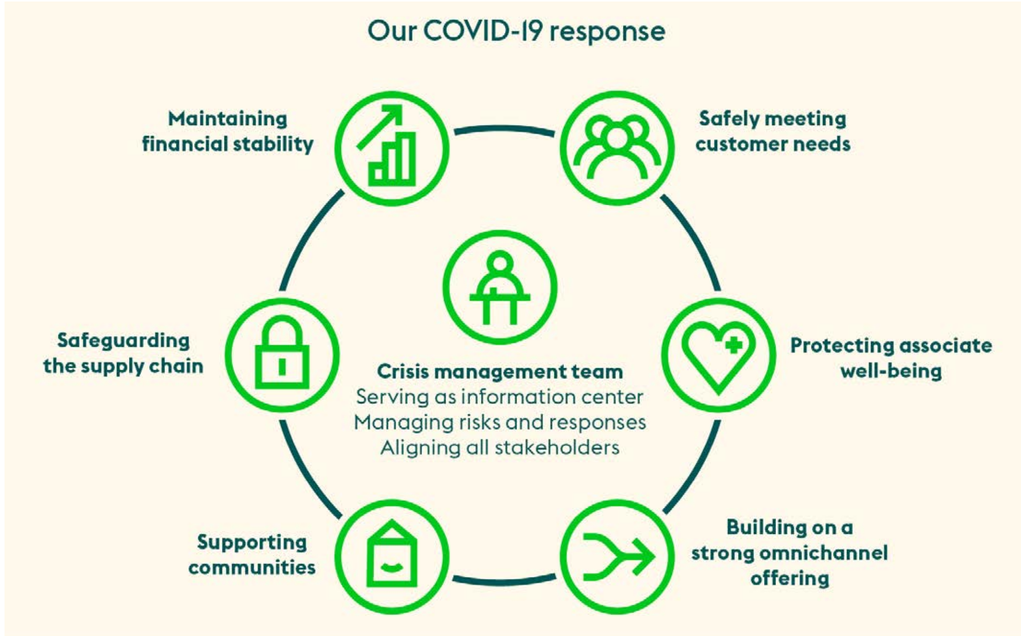
Please note that in this section and the rest of the report, we also refer to the COVID-19 pandemic as "COVID-19" or "the pandemic."

OVERALL CRISIS RESPONSE

Over the past year, our global, regional and local crisis management teams continued to monitor the development of the pandemic, oversee activities, engage with relevant functions within the company, connect with local governments, and advise senior management on policy questions, risks and actions to be taken to mitigate its impact on our overall operations. We evaluated and updated our mitigation activities on a bi-weekly basis.

Since the start, our pandemic response has been based on six main principles: safely meeting customer needs, protecting associate well-being; supporting communities; safeguarding supply chains; building on a strong omnichannel offering; and maintaining financial stability (see infographic to the right). The actions we took across the brands and businesses were aimed at living up to these principles. In 2021, we invested an additional €364 million into safety and preventative measures (including sanitation and protective equipment) in stores and distribution centers, and donations to communities.

Safety measures in place at a Delhaize store.



Safely meeting customer needs

As essential businesses, even in the midst of rapidly changing circumstances our local brands were able to keep stores open, provide safe shopping experiences, ensure products were available to customers and communities and deliver food safely. The brands continued to utilize safety measures in the stores that were put in place in 2020, including disinfection practices, face masks, personal protective equipment for associates and social distancing protocols – all in line with and continuously adapted to local regulatory requirements.

INFORMATION SECURITY

In 2021, we continued to see cyber attacks leveraging the COVID-19 pandemic, as part of an overall increase in malicious activity across all our brands. We blocked 10 billion attacks worldwide, a fivefold increase compared to 2020. We also prevented 16 million suspicious emails from entering our IT environment. During the year, we worked to keep data safe by further improving our tools and processes. In addition, we took gamification to a new level, for example, by offering a cyber-escape room exercise to associates with the goal of reinforcing key security concepts and strengthening the guidance we provide to help them play a key role in defending the company against cyber attacks.

COVID-19: IMPACT AND OUR RESPONSE

Protecting associate well-being

Associates across the brands and businesses worked tirelessly, through shifting pandemic conditions and rapid public policy changes, to ensure that people in local communities had the food and products they needed. Safety staff, for example, continued to take on additional work from the pandemic alongside their regular responsibilities, to ensure the health and safety of customers and associates. These efforts to provide safe places to shop and work were well appreciated by our brands' communities. For example, Giant Food was named one of the top places to work in the Washington D.C. area by the *Washington Post*.

Our brands also continued to perform regular health assessments and temperature taking, and virus tracking if any associates became ill. They helped make it easier for associates to get tested and vaccinated. For example, Albert Heijn and bol.com collaborated with local health authorities to put mobile vaccination stations at distribution centers. Super Indo engaged in a retail sector initiative that enabled them to achieve a 98% vaccination level among associates. The U.S. brand pharmacies played an important role in ensuring not only customers, but also associates could get vaccinated.

U.S. Vice President Kamala Harris visits a Giant Food Pharmacy.

This second pandemic year continued to be a challenging time for people in all our markets, faced with constant change and the need to find ways to live and work safely – while experiencing fear, grief and loss. We have continued to focus on opening up the topic of associate mental health and providing help where needed.

HYBRID WAYS OF WORKING

All of the brands maintained flexible work guidelines, or a hybrid way of working, for office-based associates, in line with their local cultures and government guidelines. Some brands kept offices open but did not require associates to go in. Other brands asked associates to come to the office for a few days during the week. For example, associates in the Dutch support office could decide how often and which days to go to the office, as long as they did between one and three days per week. Our brands also used this time to ask for input on how associates would like to work in the future. The majority of support office associates indicated they would like to continue working from home for at least part of the work week. Our local brands took this input into account and some followed trends in the market towards redesigning offices to fit the new hybrid ways of working – for example, by replacing assigned desks with flexible work spaces combined with desk reservation tools, and designing creative collaboration spaces equipped with technology. When the first associates made their return back into the office, the brands put in place safe distancing measures, signing, routing and desk reservation to keep people healthy. FreshDirect permanently updated its main office entrance to emphasize safety and hygiene. Anyone entering the office has their temperature measured electronically and is asked to wash their hands in adjacent sinks before heading further into the building.

In a world where distance and hybrid working are now widespread, our brands also worked to find new ways for associates to connect with each other, learn more about each other and feel part of the team. For example, Peapod Digital Labs published an associate spotlight video series to engage potential applicants and inform fellow associates about the various job roles it offers.

In 2021, 76% (2020: 76%) of associates, in aggregate, said they found their brand or support office to be a healthy workplace. We believe this stable result was a good achievement in a second pandemic year when associates would naturally have more concerns about safety and wellness.

Building on a strong omnichannel offering

While brick-and-mortar stores still account for the vast majority of our sales and profits, we continued to accelerate our expansion into home delivery and pickup to meet COVID-19-driven demand. We believe that online purchasing will continue to grow; see *Evolving market trends* for more information. To serve this need, the U.S. brands opened 270 click-and-collect points, including converted pick-up points, in 2021. See *Drive omnichannel growth* for more examples of how we built our offering in 2021.

Supporting communities

In 2021, we continued to support our communities and live up to the trust our brands have built over the years, and particularly during the pandemic crisis. During 2021, the Ahold Delhaize brands collectively contributed nearly €200 million in charitable donations to local food banks, national and private health systems, the Red Cross, medical facilities to further research on COVID-19, and to feed first responders in critically hard-hit areas.

Our pharmacies in the U.S. were major distribution points for the COVID-19 vaccine in their markets. They administered approximately 1.8 million COVID-19 vaccines in a broad effort across Giant Food, Stop & Shop, The GIANT Company, Hannaford and Food Lion.

Super Indo associates wearing protective face masks.

COVID-19: IMPACT AND OUR RESPONSE

Safeguarding supply chains

COVID-19 continued to put incredible stress on the supply chain, requiring us to collaborate much closer across the chain than ever to meet customers' needs; this was greatly facilitated by the close partnerships our businesses have developed with suppliers over the years.

While our European brands managed to ensure high levels of product availability to customers, our U.S. brands continued to have challenges in some product categories. This was mainly because some manufacturers were not able to meet customer demand due to workforce absenteeism. In addition, shortages of some raw materials used to produce products – both for sale and not-for-resale – resulted from increased demand due to the economic recovery in addition to the continued impact of COVID-19 on national and international supply chains.

Maintaining financial stability

Our results and free cash flow continued to be favorably impacted by the COVID-19 pandemic. See *Performance review* for more information about our financial performance in the context of the pandemic.

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

ADAPTING TO CHANGING CIRCUMSTANCES

Across our brands' markets, as governmental measures eased and tightened in line with infection rates, our brands continued to comply with local measures to keep associates and communities safe. The continued shifts created challenges for teams across the brands. For example, the U.S. brands prepared to comply with potential government vaccine and testing mandates around employers with 100 or more employees, the OSHA Emergency Temporary Standard to minimize the risk of COVID-19 transmission in the workplace. This was a time-consuming process, filled with uncertainty and challenges, including the risk of losing associates to smaller companies that would not have to comply with the mandate. FreshDirect has been an industry front-runner in this area and was one of the first companies to have vaccination and testing mandates in place.

The brands continued to face higher rates of absenteeism during the year but were able to hire new associates and avoid business interruptions. For the second year, our associates did an incredible job adapting to change and uncertainty so that we could be there for customers and communities.

COVID-19 is proving to have a long-term impact on consumer habits across all areas of life. Our strategy has prepared us well to adapt to this and we are accelerating in certain key areas so we can keep helping our customers eat well, save time and live better. For more information on long-term market trends and our strategic response, see *Evolving market trends* and *Our strategy*.

Alfa Beta associate wearing protective face mask.

Through various initiatives, Food Lion Feeds donated a total of 152 million meals in 2021.

Stop & Shop providing meals to healthcare first responders.

FreshDirect grocery delivery driver on his route.

LOCAL HEROES

ONE YEAR, A DOZEN WAYS TO CARE

Mega Image's "12 Acts of Kindness" program offers different opportunities each month for associates to engage in their communities and help causes that matter to them and their customers.

In its second year, the brand's community of #Megavolunteers grew each month. As the pandemic persisted, associates felt an even stronger need to give back to society. Over 300 #Megavolunteers supported a total of 20 causes during the year, in partnership with 14 NGOs. Their work benefited 700 people directly and over 5,000 people indirectly through projects that included donating gifts to victims of domestic violence; raising funds and donating school supplies to underprivileged children; supporting the construction of the first hospital in Romania for children with cancer, trauma and other severe diseases; and taking part in a workshop on reducing food waste.

"12 Acts of Kindness reminds us how lucky we are. You can prove to yourself through every action that you can be a better person and that nothing in this world is random."

Elisabeta Popescu, Customer Advisor

STRATEGIC REPORT

OUR LEADING TOGETHER STRATEGY

OUR LEADING TOGETHER STRATEGY

Our Leading Together strategy has served us well for the past three years. Even through the challenges of COVID-19, it has helped us to stay resilient and continue to achieve strong results.

OUR PURPOSE

Eat well. Save time. Live better.

Read more

OUR VALUES

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

Integrity
We do the right thing and earn customers' trust

Teamwork
Together, we take ownership, collaborate and win

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

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

Read more

OUR VISION

Create the leading local food shopping experience

Read more

OUR GROWTH DRIVERS

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

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

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

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

Read more

OUR PURPOSE

EAT WELL

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

SAVE TIME

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

LIVE BETTER

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

OUR VISION

LEADING

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

LOCAL

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

FOOD

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

SHOPPING

We serve our customers' needs from the time they start planning what they want to buy and eat, during their shopping trips and all the way through to the moment they enjoy their meal.

EXPERIENCE

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

OUR GROWTH DRIVERS

Drive omnichannel growth

96%

2021 net sales from markets where our brands have a #1 or #2 position

38.2%

2021 net online consumer sales growth (at constant rates)

1,642

pick-up points by the end of 2021

15.0 mln

monthly active mobile app users (2021)

OUR AMBITION

Customers interact with our brands at many touchpoints throughout their busy lives – we call this the customer journey. Through our omnichannel offering, our brands are working to provide a seamless experience in all phases of the journey – one that is relevant for local customers and enables them to shop on their terms: when and how they want. It's part of how our brands help customers navigate the choices they encounter, from planning to shopping to enjoying their meals, and fulfill our purpose of helping people eat well, save time and live better.

Our Omnichannel Customer Value Proposition to the right outlines the seven areas our brands focus on that impact this customer journey. Among these are three where our brands really excel and differentiate themselves: fresh and healthy, local and trusted and personalization.

A typical customer journey....

When planning for the weekly shopping trip, a customer adds previous purchases to their in-app shopping basket and notices a personal offer for veggie burgers.

The app suggests a homemade coleslaw recipe as a side dish and the customer adds the ingredients to their basket – planning a healthy family dinner with a few clicks.

To save even more time on a busy workday, the customer places a click-and-collect order via mobile phone, which will be ready for pickup when they get to the store.

On a day off, the customer comes back into the store to explore the new assortment of local cheeses and fresh bread from the bakery, checking out quickly and seamlessly with self scan.

Our Omnichannel Customer Value Proposition outlines the seven areas our brands focus on:

STRATEGIC CHOICES AND CHALLENGES

Unlocking new revenue streams while protecting the customer experience

Data is becoming an increasingly important part of our business; it powers everything we do. Our brands use data to improve the customer experience, make operations more efficient and fuel complementary revenue streams. We are uniquely positioned to collect valuable data across our channels on a wide range of shopping behavior. This data can be used to provide digital and in-store services to customers and also generate revenue through advertising and insights to help us power our omnichannel offering; in fact, we announced our ambition to grow towards €1 billion in complementary revenue streams by 2025.

With these revenue opportunities, however, comes the responsibility to carefully consider both how our brands protect customer data and how the customer experience is impacted. Advertising, either in-store or online, can distract and put customers off if the content is not relevant. Our brands need to carefully balance paid and organic experiences to provide a great customer journey. Data privacy is another key consideration – and a priority for us. Our brands are committed to processing and using customers' data ethically and responsibly.

OUR GROWTH DRIVERS

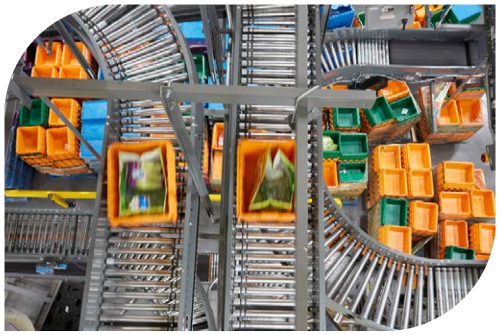
OUR PROGRESS AND FUTURE PLANS

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

Grow e-commerce and profitability

Every month, millions of customers use our brands' websites and apps to do their shopping – and we continue to invest in e-commerce growth and profitability. Our brands have more than doubled their online capacity since 2018. In the U.S., the brands now operate almost 1,400 click-and-collect and pick-up points. Our bol.com and FreshDirect brands have both grown their customer and partner bases; bol.com now has over 48,500 Plaza partners. And we've more than doubled net consumer online sales since 2018 – one year ahead of our target.

In years to come, we will scale Albert Heijn's premium subscription model and compact e-commerce models to select markets in Europe, starting with Albert in the Czech Republic. Not only is this compact model environmentally sustainable, but the brands will be able to share its efficiencies with customers through lower delivery fees.



FreshDirect's state-of-the-art fulfillment center in the Bronx.

We expect at least half of Ahold Delhaize's growth between now and 2025 to come from online sales and project that net consumer online sales will double by 2025.

Drive seamless omnichannel engagement

Customers expect a completely easy, seamless and omnichannel shopping experience, from ordering on their phones to moving through the store, while getting value at every step and every click. We can offer this in a unique way by combining the best of our brands' local expertise with the scale benefits of our global footprint.

We have announced our plans for winning in the greater New York City area through a cooperative effort by Stop & Shop and FreshDirect. Bringing together the best of both brands and linking their digital and physical presences together will enable them to provide a unique and seamless omnichannel offering to more customers, delivering fresh and healthy food wherever, however and whenever they wish to shop. We believe the combined efforts will generate significant opportunity for synergies and customer experiences that will allow these brands to grow their combined market share in the area.

In Europe, we have a truly unique opportunity to win in the Benelux, with the leading number one and number two food retail brands in the region, Delhaize and Albert Heijn, and the number one online marketplace, bol.com. Combined, the brands support all types of shopping journeys from single item to full shopping baskets.

We have decided to leverage this unique footprint in the Dutch and Belgian markets to further connect the three brands' omnichannel customer journeys so they can fulfill almost every food and non-food need customers have. This will significantly enhance the customer experience, creating more convenience, more value and more relevance.

Optimize our brick-and-mortar footprint

Our brands will continue to deliver new, vibrant, modern store formats and experiences that are powered by technology and feature tangible sustainability improvements.

We are expanding our footprint strategically, for example, through the acquisition of 38 DEEN stores in the Netherlands. Albert Heijn was able to finalize the conversion of stores and expand its reach before the important December 2021 sales period.

With our model of running urban stores in Europe proving successful, we now have the unique opportunity to leverage these learnings in the United States as our brands continue to focus on urban markets. One example is the expansion of the GIANT Heirloom Market format in Philadelphia, serving city center residents with a focus on fresh products, local partnerships, digital tools, and a curated range within unique architecture. While the offering at each GIANT Heirloom Market is uniquely selected for its neighborhood, the learnings are universal and helped the brand grow with the opening of the first full-sized GIANT supermarket in Center City Philadelphia.

Drive price, value and assortment

One way our brands are driving price, value and assortment is by improving the fresh and healthy proposition. For instance, our European brands have upgraded the bakery and deli departments, which drive more frequent customer visits. Albert alone improved 330 delis and bakeries across all its supermarkets and hypermarkets in recent years.

Customers also value products that have a strong local connection. Our brands have significantly increased the number of local delicacies in their assortments. For example, Mega Image's Gusturi Românesti line of own-brand products are made with ingredients according to the tradition of original Romanian recipes.

As part of our customer value proposition, our brands are investing in price. Our European brands will introduce around 1,500 "price favorites" – high quality products that are always priced competitively – to improve both price reality and price perception.

Mega Image's Gusturi Românești line of own-brand products.

OUR GROWTH DRIVERS

Elevate healthy and sustainable

53.6%

of total own-brand food sales from healthy products in 2021[1]

18%

food waste reduction in 2021 compared to our 2016 baseline

31%

reduction in absolute CO_2-equivalent emissions in 2021 compared to our 2018 baseline[2]

36%

of own-brand primary plastic product packaging that is recyclable, re-usable and / or compostable in 2021

OUR AMBITION

We believe that what's healthy and sustainable should be accessible and available to all. We are working towards this through our "Grounded in Goodness" strategy, that focuses on healthier people and a healthier planet. Grounded in Goodness, officially launched in 2021, is based on the idea that the world's health crisis and climate crisis are intrinsically linked. We believe that if we get it right for ourselves, we usually also get it right for the planet. And acting responsibly today is imperative to securing a better tomorrow for generations to come.

Our approach ensures the decisions we make are grounded in doing the right thing for people and planet. We collaborate closely with our partners and our brands to empower customers to join this journey with us.

Our brands' marketing, reward programs and store designs ensure that what's healthy and sustainable is affordable, accessible and inclusive for all. Teams across the brands innovate to make products even healthier, more interesting and more varied. The brands source locally, help farmers get a fair deal and work with suppliers to improve the food supply chain. Through it all, we are transparent in highlighting our progress and making better choices clear.

All of this helps us to make healthy and sustainable choices into easy choices, for everyone.

1 Figure is impacted by the transition to the Nutri-Score methodology instead of Choices in our European brands. See *ESG statements* for more information.
2 Figures restated, see *ESG statements* for more information.

STRATEGIC CHOICES AND CHALLENGES

Climate change

There is increasing consensus around the globe that what we do to slow climate change over the next decade is critical to ensuring a healthy future for all of us. As a company of mainstream retail brands, we have an important role to play in helping people make healthy and sustainable choices. But we can't do this alone – we need to work together with the other players in our complex value chain to ensure positive changes can be maintained in the long term.

Our challenge is to make sure we drive improvements in our own operations and, at the same time, partner across the value chain to create markets with the right supply and demand to support and sustain the growth of healthier and more sustainable diets. And as grocery retailers, we need to do this while staying focused on pricing, assortment and quality, all of which are of paramount importance to our brands' customers. See also *In focus: Climate change* for more information.

We make healthy and sustainable choices easy for everyone

OUR GROWTH DRIVERS

OUR PROGRESS AND FUTURE PLANS

Our elevate healthy and sustainable growth driver centers around healthier people and a healthier planet:

Healthier people

Our commitment to healthier people begins with empowering customers and associates and working to develop healthier and more sustainable product assortments. But it also has to do with supporting resilient communities, everywhere the brands operate.

CUSTOMERS AND ASSOCIATES

Our brands are focused on making healthy and sustainable choices easier for both customers and associates by providing relevant information and rewarding people for making better choices. For example, through SuperPlus, Delhaize in Belgium was the first of our European brands to integrate healthier choices into its loyalty program. SuperPlus gives additional discounts on products that receive a healthy score from the nutritional navigation system, Nutri-Score. More than two million customers have already signed up for the program.

Our brands continue to drive transparency about nutritional value through Nutri-Score in Europe and Guiding Stars in the U.S. They will expand these programs to cover the social and environmental impacts of the products they sell.

In the U.S., the brands have already started this work with the HowGood program. An independent research company, HowGood brings customers an easy-to-use environmental and social impact rating system based on criteria in areas that include farming practices, treatment of animals, labor conditions and chemical use.

PRODUCTS

Our brands are making healthy and sustainable choices more accessible through product assortment. They are reformulating a healthier and more sustainable average shopping basket with less sugar, salt and fats and developing and offering own-brand products that are kinder to both people and planet.

Our aim is to nudge people towards a planetary diet that includes many of the same elements – but all better, with more vegetables, more sustainably produced meat and products that are produced in a healthy and sustainable way.

Albert Heijn associate restocking fresh produce.

COMMUNITIES

As we have seen during the COVID-19 pandemic, our brand's stores are more than just stores. They are meeting places that are central to the neighborhoods they inhabit. Over the next ten years, we want to develop that even further, making them more welcoming, more resilient and more local.

Our brands already support many causes that are important to local communities, for example, fighting hunger in communities by diverting surplus food to food banks and charities.

Healthier planet

We will achieve our goal of a healthier planet by focusing both on our operations and the overall food supply chain. We are committing to reaching net-zero carbon emissions across our own operations by 2040 and to becoming a net-zero business across our entire supply chain, products and services by 2050. See *ESG – Environmental* for more on our more on our net-zero ambition.

OWN OPERATIONS

We see the greatest planetary impacts in our own operations through food and plastic waste and through carbon emissions from energy consumption, refrigerant leakage and transport emissions in our brands' operations.

Food and plastic waste

In 2021, Ahold Delhaize produced 258,528 tonnes of food waste. This is both an environmental problem and a business problem – and one we are working to solve.

Plastic waste is another environmental issue that is very visible to our customers. However, while plastic product packaging can end up in landfills, it also improves product safety and extends shelf life, which helps to reduce food waste.

We are committed to addressing both of these challenges. As we look ahead, we will continue to work on our ambition to reduce food waste by 50% by 2030 compared to our 2016 baseline. We also aim to achieve 100% recyclable, reusable or compostable primary plastic packaging from our own-brand products. We are reporting our progress for the first time in this year's Annual Report. See the *ESG statements* for details of our performance on food waste and own-brand plastic product packaging.

Energy consumption

Our brands build and remodel stores in the most energy efficient way by installing LED lighting and retrofitting refrigeration systems with doors and seals that save energy.

They also implement lower carbon heating by switching to more efficient heat pumps and district heating. This is not only good for reducing carbon emissions, but will also lead to financial savings as we use less energy.

All of these efforts have enabled our brands to reduce energy consumption per square meter sales area by 17% compared to 2020.

For the electricity we still need to consume, we can abate this simply and effectively through power purchase agreements (PPAs).

Refrigerants

Since 2018, our brands have reduced the global warming potential of refrigeration systems, leading to a 25% decrease in refrigerant emissions – and they will continue to bring this number down. When our brands remodel stores, they use refrigeration systems with a lower global warming potential or, where possible, use natural refrigerants. To minimize costs, our brands phase replacement with planned store remodels, using an approach that is tailored to the refrigerant system installed and coolant currently used.

Transport

As much as possible, our brands will make use of low-energy transportation methods, such as electric vehicles or vehicles that use fuels with low carbon emissions.

Our brands also utilize technology to improve route optimization and reduce last-mile costs. For example, in the U.S., the brands are working on a new last-mile enterprise routing solution and automated route planning.

And in Europe, our brands are working to improve the fill mechanism of vans to allow for more orders per trip.

OUR GROWTH DRIVERS

FARMERS AND SUPPLIERS

Our brands work with thousands of farmers and suppliers who create hundreds of thousands of products. Leveraging the strong relationships they've built over the years, our brands can work for positive change across the entire supply chain. They drive supplier engagement and cooperate with farmers and producers to protect, restore and sustain forests and other eco-systems.

An example of the power of long-term relationships is Albert Heijn's "Better For" program. Our Dutch brand partners exclusively with more than 1,000 suppliers and farmers to ensure production is better for animals, farmers, and the environment. The program includes a premium for the farmer and a guarantee of sales (for example, five cents more per liter for carbon-neutral milk). The results are decreased carbon emissions in the value chain, improved biodiversity and more transparency around how products are produced.

Another example is The GIANT Company's partnership with Rodale Institute, the leading voice in developing solutions for the regenerative organic movement. The GIANT Company supports three key Rodale initiatives that are centered on farm consulting, farmer training and research. Through this program, farmers will be supported in the transition to organic farming and receive training in regenerative organic agriculture.

Our elevate healthy and sustainable growth driver is helping us address ESG topics including: healthy products, food waste, carbon emissions and climate impact, sustainable packaging, sustainable agriculture and fair labor practices in the supply chain. For more information, see *Introduction to ESG*.

Maxi associate helping a customer make healthy food choices.

Local produce in Hannaford store.

Remodeled Stop & Shop store with new refrigerant system.

OUR GROWTH DRIVERS

Cultivate best talent

79%

Associate engagement score (2021)

73%

Associate development score (2021)

79%

Inclusive workplace score (2021)

OUR AMBITION

Everything we do to create the leading local food shopping experience is enabled by our people. The 413 thousand associates working in our brands' stores and support offices create relationships with customers and communities – the trust our business is built on.

We are passionate about creating healthy, engaged and inclusive workplaces. We strive to reflect the markets we serve and make sure associates' voices are heard and valued. We want everyone who works for our brands and support offices to find purpose in what they do, have equitable access to opportunities and be able to grow and contribute to their fullest.

We aspire to a workforce that is 100% gender balanced, 100% reflective of our markets and 100% inclusive.

Food Lion associate helping a customer at the checkout.

STRATEGIC CHOICES AND CHALLENGES

Showing we care

Care is not just one of our values – it's in our DNA. Well-being matters to us and people look to our brands to be their partners in living better. As employers, our brands and businesses support associates in making healthier lifestyle choices, help them find balance in their work and personal lives and encourage them to be purpose-driven.

The challenge is to do all this in a way that is relevant to our brands' diverse workforces, which include people from multiple generations and backgrounds, each with different needs. So, our brands strive to offer benefits, programs and initiatives to support well-being in a way that is locally appropriate, because they understand the needs of their associates best. This extends to helping the communities where associates live and work to overcome challenges, such as the COVID-19 pandemic and extreme weather disasters that struck many markets this year. Our brands' associates showed their commitment to serving communities during these difficult times, converting anxiety into productive energy.

For example, when a tornado tore through Kentucky, the local Food Lion store did not sustain damage, but the surrounding community did – including several associates' homes. Food Lion teams helped unload water donated by the brand and provided food boxes and Food Lion gift cards to help those impacted.

Our approach to caring for associates and communities has led to positive results – associates tell us through our annual engagement survey that they are happy with the support they receive from the brands.

Doing business in a challenging labor market

In 2021, as the pandemic situation stabilized in some markets, the labor environment became tighter and more volatile. Associates were presented with external job opportunities and talent poaching became more prevalent. In the competitive U.S. labor market, it has been particularly challenging to find, and keep, talent. As a company that is successfully navigating the pandemic, we have had to guard against losing valuable team members. We saw an overall associate turnover of 62%.

So, we focused on what counts most: meeting associates' changing expectations and increasing engagement. Our local brands invested in refreshing their cultures and branding, increasing wages and highlighting their long-term employment benefits. For example, Peapod Digital Labs is creating new higher-level software engineering roles to lengthen the career path and retain associates.

On the positive side, we welcomed many talents with diverse backgrounds into the organization in 2021. To make sure our diverse associates feel welcome and want to stay, we've made inclusion a top priority. See *In focus: Diversity and inclusion* for details.

OUR PROGRESS AND FUTURE PLANS

Our cultivate best talent growth driver centers around four priorities:

Create the future of work

Across our businesses, teams are accelerating our work to bring to life our vision of the future of work in customer-centric ways that support our omnichannel and digital ambitions. For example, in 2021, Albert Heijn restructured its store organization for the first time in 15 years to address changing customer needs, shifts in assortment and technological innovations.

OUR GROWTH DRIVERS

The new organization emphasizes powerful teams – with specialized managers in key areas of fresh produce, operations and service – craftsmanship and good cooperation, to help them get even closer to the customer. Albert Heijn has carefully prepared for the change in recent years, involving associates in the process and conducting pilots to fine-tune the approach.

The pandemic encouraged experimentation in preparing for the future of work. For example, The GIANT Company rolled out the Kronos scheduling application to all facilities in 2021, creating a gig-style approach to how team members can both engage in normal scheduling and also choose shifts that are available. Some of the brands are remodeling their offices to meet associates' changing needs. For example, Hannaford is designing a new office that encourages social connection and wellness. Alfa Beta is taking the first steps to become a more flexible organization by establishing the brand's first "Agile" teams.

While all our great local brands are addressing the future of work in their long-term plans, they are at varying levels of development, because every country and market has its own opportunities and challenges. We created a toolkit last year to help the brands efficiently define critical roles, capabilities and gaps for the future; as they start to put it into use, we believe it is giving them a competitive advantage.

We are becoming more analytical, as an HR function and an organization, to help us to pinpoint trends, make better predictions and navigate topics that will matter in the future, such as diversity and inclusion. To support these efforts, the brands are building the right capabilities through hiring and development; for example, Etos organized a special week during which merchandising associates received training in data and digital processes and skills.

Meeting the challenges of the future of work requires robust systems, good strategic workforce planning, and the ability to use technology to support collaboration and even associate well-being. For example, ADUSA Supply Chain uses wearable robotics to help grocery distribution center workers with lifting.

Pivot our culture

People today want to find purpose in their work – a development that intensified during the pandemic. Our brands are helping associates understand our company purpose and define how their own unique contributions can align with it. We are building a culture of continuous growth and lifelong learning so that associates can maximize their potential. Our shared values – courage, humor, integrity, care and teamwork – guide this process. We are working to articulate our employee value proposition, highlighting the strengths of our family of brands to help attract, retain and engage talent. In 2021, we developed a "Dare to care" campaign, sharing stories that show the benefits of working for Ahold Delhaize and the brands.

To support the development of a workplace where everyone is valued and can reach their full potential, we developed an inclusive leadership curriculum, that enlightens both leaders and associates about how they impact the feeling of inclusiveness on their teams. See *Development* for more details. Our Business Resource Groups (BRGs) also help us create an inclusive culture. See *In focus: Diversity and inclusion* for details.

In a virtual world, we've had to learn to create a connection to our culture from a distance. We assigned a project team to identify new ways to onboard associates and make them feel welcome. For example, Peapod Digital Labs sent welcome kits to new associates' homes and developed a 90-day onboarding process that included group introduction meetings with leaders.

We launched a virtual HR symposium in June to connect and inspire HR leaders within and outside the company around topics that influence our business today and in the future.

SAFETY AND WELL-BEING

Our brands continued to prioritize keeping associates safe and healthy, a focus that not only includes workplace safety, but overall physical and mental health and wellness. As the pandemic continued in 2021, our brands maintained and reinforced the tools and measures they put in place in 2020 to keep associates healthy and increased their focus on supporting mental health. Our Global Support Office in the Netherlands offered a confidential online mental health self-screener for associates that provides guidance on steps to take and where to go for help. Retail Business Services supported associates through its health advocate program, which provides personalized support on health and well-being, and Employee Assistance Program, which offers self-care services and resources.

Ahold Delhaize scored 76% again in the healthy workplace category of our associate engagement survey in 2021, a score that has remained stable through the pandemic. See *COVID-19: Impact and our response* for more on our response to the safety and well-being challenges of the pandemic.

Our brands also have programs in place to identify and reduce serious injury and fatality risks, and have developed a comprehensive risk register for dangerous tasks, such as working at heights. Since 2017, safety leads in all brands and businesses have held global monthly meetings to share knowledge and learn from each other.

A great success story in 2021 was a pilot offering virtual reality training to help associates in the U.S. brands and an Albert Heijn distribution center gain insight about serious risks in a safe but realistic way before they start working. As the training is helping us reduce risks and ensure a safer workplace, we will expand it in the future.

The overall workplace injury rate increased slightly by 2.15% in 2021. We also saw a small increase of 3.78% in the overall workplace absence rate related to work injuries. The rate of serious work injuries stayed the same despite increased business and challenging work situations.

Associate from The GIANT Company wearing a face mask while assisting a customer.

In the 2021 Dow Jones Sustainability Index, Ahold Delhaize scored 76 points on Occupational Health and Safety, a score well above the average score in the industry.

Connecting with communities

Associates connect the brands to their neighborhoods and communities – after all, this is where they live and work and where our great local brands and support offices have their roots. Our brands' associates support their communities through countless initiatives.

For example, the Make it Count platform lets associates see volunteer initiatives taking place across the Dutch brands, inspiring them to join and make the world around them a better place. Many of our brands, especially in the U.S., are deeply committed to fighting hunger. Giant Food associates volunteer at Feeding America food

OUR GROWTH DRIVERS

bank partners. Albert organized its first-ever food collection in 2021, providing 1,362,000 meals for people in need.

Transform our capabilities

In a changing world, it's critical that our brands understand what capabilities they will need in years to come, to deliver on customer expectations and build deeper – digital – relationships. Our brands are working to proactively upskill their workforces and compete for the best talent especially in key skills like digital and technology. We have implemented new, scalable assessment tools to support associates in getting insights into their capabilities and developing along the leadership journey that can be adapted to each local brand.

SUPPORTING ASSOCIATE DEVELOPMENT

Our brands offer robust developmental programs across all levels and encourage all associates to create their own personal Individual Development Plans (IDPs). Each year, more associates are doing so. At Vice President level and above, we have seen a 2% increase over the past year, with 78% of associates creating IDPs. By outlining an 18-24-month roadmap, associates can build capabilities towards their long-term aspirations and be prepared for the next opportunity.

TAILORING LEARNING TO INDIVIDUAL NEEDS

During 2021, our brands focused on making sure the overall learning offer is engaging, convenient and tailored to associates' needs – a challenge, as most programs remained virtual. For example, The GIANT Company launched GIANT University, a dynamic learning platform that provides associates with innovative learning opportunities that fit their needs and busy schedules. Through the "I am Mega" initiative, our Romanian brand offered a series of programs for capability development in its stores. Hannaford's management associates received a toolkit to help with remote working and learn how to manage from a distance.

In 2021, associates completed over 4.5 million learning modules, resulting in more than 7.4 million total training hours, or more than 29 training and development hours per full-time employee (FTE). As we look to the future, we are working on a capability-based Academy, where associates will be able to measure their skills and engage in development opportunities aligned to the areas in which they would like to grow. So far, we have rolled out the HR portion of the Academy across the Global Support Office and European brands.

Giant Food associate in the seafood department.

We measure the effectiveness of learning programs by analyzing the increase in engagement and eNPS they deliver and are working to further automate our approach and leverage data to accelerate development. We report on the results – including learners' experience, knowledge gained, learnings applied and the impact on the business – through an internal quarterly scorecard that enables us to benchmark the programs, track results and revise and improve them.

ACCELERATING LEADERSHIP DEVELOPMENT

We also offer internships, co-op programs, management traineeships and accelerated development and leadership development programs tailored to the needs of associates.

Gearing Up for Growth engages top talents in a personalized virtual learning journey to prepare them to lead a function. Leading with Purpose helps associates at Director level to dive into their personal purpose and find the connection with the company purpose. Because inclusive leadership is critical to delivering on our diversity and inclusion strategy, we delivered a virtual training to help leaders and associates learn what it means to lead inclusively and develop practical skills to put it into practice. We held 300 sessions in different languages, attended by more than 4,529 associates. Participants were very positive about the course, with 82% indicating they felt it was very good or excellent and 89% stating that they would recommend it to others.

We are using technology to help us work, share knowledge and collaborate more effectively.

We added another 131,000 associates in the U.S. to our new HR and payroll platform based on SAP SuccessFactors and will continue to onboard the rest of the brands in 2022.

In the 2021 Dow Jones Sustainability Index, Ahold Delhaize scored 88 points on Human Capital Development, a decrease compared to 2021, but still well above the average score in the industry. We have improved our results in the category of Talent Attraction and Retention by 15 points (at 63 points) compared to 2020 (48 points).

Cultivate talent

We are proud to be a company with people who are incredibly resilient and can rise to any challenge – something they have done time and time again during the pandemic. Having the right associates and leaders for the future helps our brands be best positioned to drive growth. It's important they can develop and retain associates and build robust, diverse talent pipelines.

In recent years, we have found that people want work to be more flexible – in aspects like work-life balance, personalized solutions, and when and where they work – and fit their lifestyles. Flexibility can be more important than pay and financial incentives in retaining associates. Creating a culture of inclusion, prioritizing associate well-being, and helping leaders create a supportive work environment are critical for keeping up with people's changing expectations around work.

Despite the challenges of 2021, we continued to prioritize strategic HR initiatives while running the everyday business in parallel. For example, we launched a new Ahold Delhaize international trainee program, that attracted a great deal of interest from candidates across our brands' markets. More than 350 candidates applied and were considered in the selection process.

MAKING SURE ASSOCIATES HAVE A VOICE

We offer an annual associate engagement survey in October that assesses progress toward the cultures that Ahold Delhaize and our local brands aspire to build. For example, the survey evaluates strengths and areas of opportunity around our goal to amp up our values of courage, care and teamwork. In 2021, we saw a participation rate of 76% on the survey and an overall engagement score of 79%. We reported an associate development score of 73%, inclusive workplace score of 79%, and a healthy workplace score of 76%, all equal to our 2020 scores.

Compared to the Global Retail benchmark, we outperformed the Global Retail Benchmark by +1 point on Engagement, +4 points on Inclusive Workplace and +1 point on Development. For more information about benchmarks used for the associate engagement survey, see *Glossary*.

Our cultivate best talent growth driver is helping us address ESG topics that include: diversity and inclusion and associate safety, health and well-being. For more information, see *Introduction to ESG.*

OUR GROWTH DRIVERS

Strengthen operational excellence

€967mln

Save for Our Customers savings in 2021

3.1%

Total cash capital expenditures as a percentage of net sales in 2021

2,315

Number of stores offering self-scanning solutions in 2021

OUR AMBITION

Powered by our continuously turning business wheel, Ahold Delhaize and its great local brands create value through a relentless focus on saving for our customers, driving same-store sales and investing to fund growth. Our operational excellence growth driver is focused on making this wheel turn faster and better all the time.

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

This work is underpinned by our strong operating model: our network of leading local brands supported by service companies that operate at scale and leverage their best capabilities regionally and globally. This is an important part of our competitive advantage, and the key to how we bring our omnichannel customer value proposition to life.

Our operating model enables us to transform quickly and use our scale in a way that balances with the brands' need to consistently meet the unique demands of customers across our local markets. Through it, we believe that we have developed a repeatable formula for growth in the U.S., Europe and Indonesia.

We support our omnichannel growth ambitions by saving for our customers, improving our supply chain, enhancing store operations, strengthening internal operations across all functions and leaving no stone unturned as we leverage our scale in sourcing. In 2021, we increased these savings to €967 million, allowing us to re-invest in an improved omnichannel customer experience.

To further lower product costs, increase product availability and enhance freshness, we are in the midst of transforming our Ahold Delhaize USA logistics network to full self-distribution. By late 2021, the network was 65% self-managed – up from about 40% at the outset of the transformation – and we're on schedule to have 85% of the network in-house by the end of 2022.

As we continue to execute our proven savings programs, we are also working to innovate in three key areas that are critical to achieving our ambitions:

Delivering a relevant digital and in-store experience: We are creating e-commerce platforms in both Europe and the U.S. to take advantage of our scale on the backend, while delivering a truly local experience for customers.

Optimizing our supply chain, operations and merchandising: This will help to further lower product costs, increase product availability and enhance freshness.

Unlocking the power of data: All capability enhancements are underpinned by unlocking the power of data with on-demand, real-time intelligence. This will enable our brands to continue to take advantage of opportunities for additional income streams such as media, insights, digital services and in-store services.

Our business wheel

STRATEGIC CHOICES AND CHALLENGES

E-commerce profitability

As growth of e-commerce continues to outpace brick-and-mortar, sustaining and growing profitability is a challenge for grocery retailers like Ahold Delhaize. The complexity of the operations necessary to pick and deliver grocery orders leads to a challenging cost structure.

But at the same time, we believe e-commerce will be one of the most important contributors to Ahold Delhaize's overall profitability going forward.

OUR GROWTH DRIVERS

Alfa Beta joins Mega Image in the sequel to Albert Heijn's dry misting success story.

So, we have clear plans to make e-commerce profitable on a fully allocated channel basis by 2025 by maximizing performance on four levers:

1. Delivering sales density and ultimately scale – which is just as essential in e-commerce as it is everywhere else in food retail.
2. Ensuring our brands stay in tune with the rapidly changing demands of local customers to maintain a competitive or leading customer value proposition everywhere they operate.
3. Optimizing operations, fulfillment and last-mile delivery – which are time intensive, complex and require a customized approach. It's just like our great local brand philosophy, where a tailored approach to each marketplace – its specific characteristics, culture and catchment area – makes all the difference.
4. And building complementary revenue streams using the rich data the brands collect on shopping behavior. This can significantly enhance the customer journey while providing a direct boost to our profitability and creating insights that can be shared across our brands.

OUR PROGRESS AND FUTURE PLANS

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

Save for Our Customers

Our mindset of cost consciousness, continuous improvement and scaling best practices has allowed us to consistently exceed and expand our Save for Our Customers initiatives and deliver industry-leading margins.

In Europe, our brands have increased their joint sourcing initiatives in the Benelux and Central and Southeastern Europe, across national-brand and own-brand products as well as goods not-for-resale. They actively use the AMS and Coopernic buying cooperatives in Europe to secure better costs.

In 2021, we committed to gear up our ambitious Save-for-Our-Customers targets, aiming to save €4 billion by 2025.

Improve our supply chain

We are investing in our supply chain to support our omnichannel offering and fulfill the increasing demand for online shopping.

While the U.S. business is on track to transition to a fully self-distributed supply chain network by 2023, our brands are working to improve shrink with smart merchandising and inventory management. And they're now introducing additional technology, including forecasting and replenishment capabilities and dynamic markdowns that help sell more product before it expires.

Enhance store operations

Our brands are digitally enhancing their stores to make them easier to shop and more efficient to operate. Over 80% of our brands' stores in Europe have electronic shelf labelling and, in the U.S., over 70% have self-checkout. These do double duty as both customer benefits and improvements to operational efficiency.

Our brands are also leveraging their success running urban store formats in Europe by sharing experiences with our U.S. brands – for example, to help The GIANT Company win in the Philadelphia market.

Strengthen internal operations across all functions

Our brands develop and execute local strategies and commercial plans that connect with customers. Regional support businesses provide the brands with scale, platforms, capabilities and services that enable the local brands to drive the omnichannel customer experience and win in their marketplaces. Our U.S. support businesses include Peapod Digital Labs, Retail Business Services and ADUSA Supply Chain. In Europe, European Business Services drives synergies across brands and provides expertise in human resources, finance and not-for-resale sourcing.

In the U.S., our regional platforms are helping us leverage scale in e-commerce, digital and supply chain and key practices like commercial services, retail media, indirect sourcing and retail innovation. The newest support brand, ADUSA Supply Chain, is expanding the U.S. network. By the end of 2022, it will include 25 traditional distribution centers and food processing facilities and 28 e-commerce fulfillment centers.

The GIANT Company opens state-of-the-art e-commerce fulfillment center.

In Europe, we are improving operational excellence by sourcing own brands together. We're aiming for €1 billion in joint sourcing by 2025. We also continuously seek automated solutions, such as chatbots or virtual assistants, to decrease our costs. Finally, we are optimizing our merchandising capabilities by improving pricing, promotions and assortment management with one shared tool.

Our strengthen operational excellence growth driver is helping us address the ESG topic available and affordable products. For more information, see *Introduction to ESG.*

Albert rolls out over half a million electronic shelf labels in stores.

LOCAL HEROES

WORKING TOGETHER TO KEEP SHELVES STOCKED

Teams from our brands in Greece, Serbia and Romania worked across their organizations, with inspiration from other Ahold Delhaize brands, to develop a single new automated system to replenish stocks in their stores.

Store managers in these brands used to do the stock taking and ordering themselves – wasting valuable time and leading to errors and inefficiencies. So, they set out to build a system to replenish stocks using algorithms that forecast what the store needs, based on sales, sending orders directly to the distribution centers. In line with our vision to create the leading local shopping experience, the project was implemented by a team of representatives from each brand IT and other experts from the regional organization. This enabled us to combine a deep understanding of local requirements with IT expertise and the knowledge-sharing power of the entire company.

In 2021, the team finished rolling out the system to 1,700 stores, covering about 70% of the assortment. Next up are the distribution centers and the remaining 30% of the assortment, fully enabling the data-based creation of orders to suppliers.

“Less time needed to order means more time to serve our customers. In the end that is what matters most!”

Fotis Koutras, Forecasting & Replenishment Director Alfa Beta

OUR BUSINESS MODEL

Across Ahold Delhaize, each of our great local brands works hard to save for customers, drive same-store sales and fund growth. Our impact goes beyond what happens in stores and distribution centers: from farming to consumption, our brands work with suppliers and partners to make the value chain more sustainable and provide customers with more of the meals they enjoy each day, and healthier choices to help them live better. We have recently committed to reaching net-zero carbon emissions across our own operations by 2040 and to becoming a net-zero business across our entire supply chain, products and services by 2050.

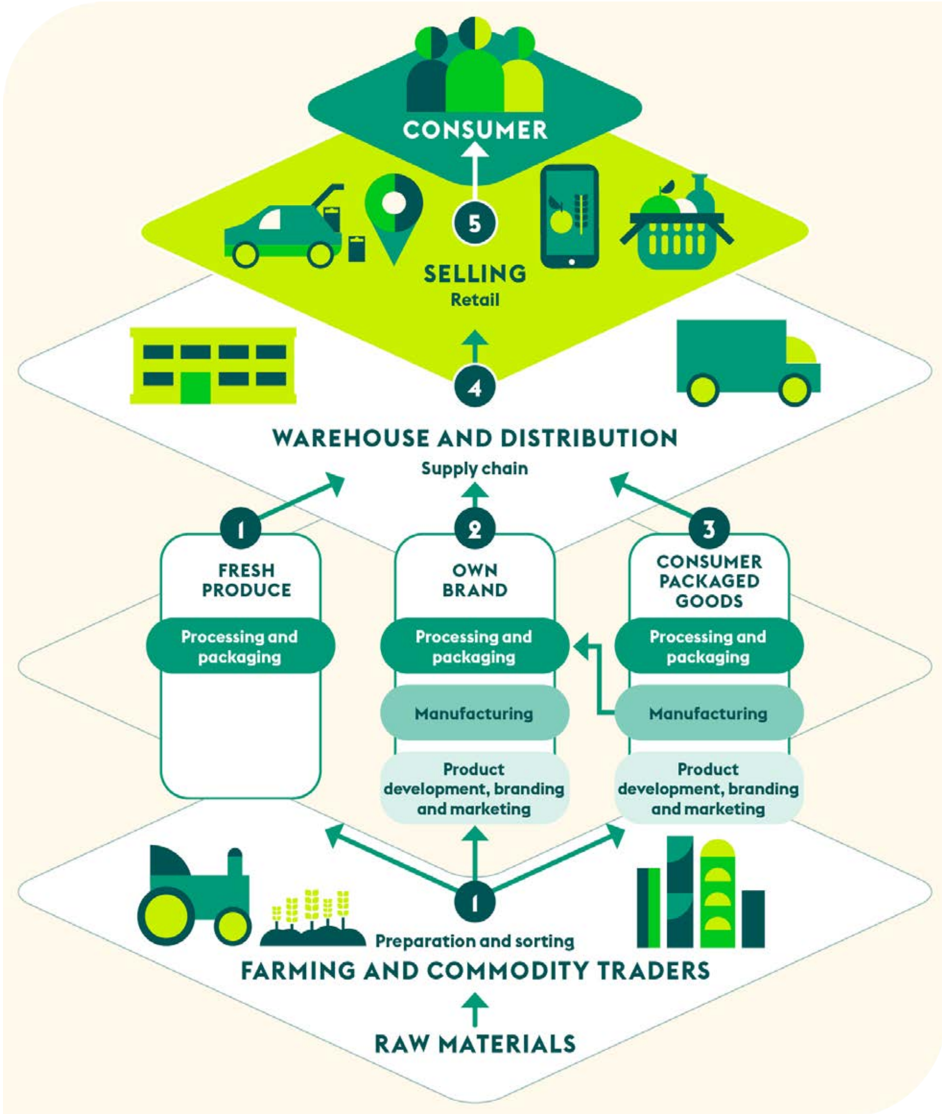
1 RAW MATERIALS AND FRESH PRODUCE

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

Our brands work with farmers and suppliers to drive down carbon emissions across the value chain and to protect, restore and sustain forests and other ecosystems.

2 OWN BRAND

Our brands' products are made from raw materials and packaged for sale. The brands' assortments include own-brand ranges that offer great value across different price points and the most relevant local assortment. Our brands develop them in-house, including branding and marketing, and actively work to reduce plastic and increase the use of recyclable materials in packaging. They are re-formulating many own-brand product recipes to reduce sugar, salt, colorants and additives, and achieved 54% of own-brand sales from healthy products in 2021. All own-brand products adhere to high standards that support Ahold Delhaize's ESG ambitions.



3 CONSUMER PACKAGED GOODS (CPG)

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

4 SUPPLY CHAIN

Products are delivered to our brands' warehouses and prepared for transport to stores, pick-up points and customers' homes. We are continuously adapting our supply chain to serve customers better. Our brands' automated warehouses and fulfillment centers enable faster distribution to stores and delivery to customers' homes.

5 RETAIL

Customers can shop with our brands in stores and online. Ahold Delhaize is known for our great local brands, that serve 55 million customers each week.

Our brands create the leading local food shopping experience in more than 7,000 local grocery, small-format and specialty stores and through online shopping. And our brands sell more than just food – they include the top online retailer in the Benelux, bol.com.

While the majority of our revenue is generated by selling products to customers, growing complementary revenue streams allows us to save and reinvest across the value chain. Complementary revenue streams are driven by digital and in-store media, retail media services and data insights.

OUR VALUE CREATION MODEL

Ahold Delhaize has a long and proud tradition of serving local communities and associates with care, building customer trust and developing strong brands. Our brands' deep connections with local communities underpin our consistent results. We are committed to creating sustainable, long-term value for our stakeholders. This value may be economic, social or environmental.

Our brands invest in the local customer proposition to provide a great shopping experience that meets consumers' changing needs and builds loyalty. Through the growth drivers, we seek to drive growth so our brands can be there wherever and however people shop, providing more of the meals they enjoy each day, and healthier choices to help them live better.

As a company, we also want to embrace the concept of broad welfare, where businesses make it a priority to support the creation of a more inclusive society – with equal work opportunities – and a sustainable environment to live in, alongside their focus on economic growth. To this end, we have embarked on an initial exercise with SEO Amsterdam Economics to apply the concept of broad welfare to our activities. This is fairly unexplored territory, and there is still much debate among scientists and economists about how broad prosperity can be measured. We believe this exercise is a first step in better assessing and defining our integrated impact in the future.

The value creation model on the following page summarizes all the ways we used capital over the past year to create value for our stakeholders.

This model outlines the most important resources or "capitals" that Ahold Delhaize and the brands utilize in our businesses, explains how we create value, and lists the main outputs and outcomes that describe the economic, social or environmental value created through our activities for our four main stakeholder groups.

This model is based on the framework developed by the International Integrated Reporting Council (IIRC), including its definition of six capitals an organization depends on for success.

We work together with all our brands to have a meaningful impact on the world around us, create long-term value and do it in a sustainable way through the support of the Sustainable Development Goals (SDGs). See also our *Introduction to ESG* for more information and the link to the SDGs supported by our business.

OUR VALUE CREATION MODEL

CAPITAL

Growth drivers

OUR FINANCIAL FRAMEWORK – FINANCIAL CAPITAL

We maintain a sustainable mix of debt and equity investments and a sound financial position.

- Net sales: €75.6 billion
- Free cash flow: €1.6 billion

OMNICHANNEL NETWORK – TANGIBLE CAPITAL

Our brands' network of stores, pick-up points and delivery services are supported by state-of-the-art distribution and logistics networks.

- Our brands operate 7,452 stores and 1,642 pick-up points
- Online grocery penetration of 6.8%
- Net consumer online sales growth (at constant rates) of 38.2%

TECHNOLOGY – INTELLECTUAL CAPITAL

Our knowledge, experience, thought leadership and strong brands ensure that customers and associates can count on the highest quality retail offerings and concepts.

- We ensure we have processes in place to safeguard data privacy, product integrity and product safety.
- Our brands and hubs develop and maintain innovative proprietary technology solutions.

ASSOCIATES – HUMAN CAPITAL

Our brands' motivated and talented associates are the key to their success.

- Our brands and businesses employ in aggregate 413 thousand associates worldwide, with 55% under collective labor agreements.

COMMUNITIES – SOCIAL AND RELATIONSHIP CAPITAL

We support the communities our brands operate in by providing information on healthy living and well-being, making donations, funding sponsorships and through partnerships that contribute to better living.

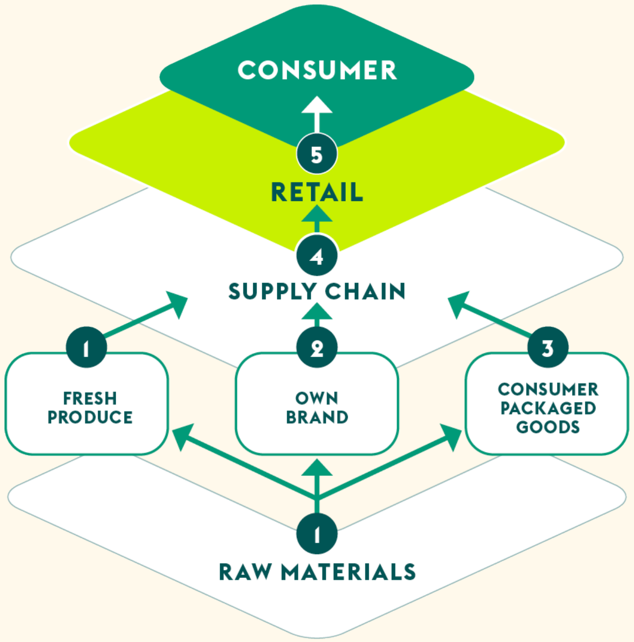
- 98% of production sites of own-brand food products are Global Food Safety Initiative (GFSI)-certified or comply with an acceptable level of assurance standard
- 69% of net sales are generated by loyalty card members
- €199.4 million in philanthropic contributions were made

PRODUCTS AND OPERATIONS – NATURAL CAPITAL

The products our brands sell and the operation of our businesses rely on natural resources. How products are grown and produced impacts soil, water resources, and biodiversity. Our brands aim to make it easier for customers to shop for sustainably-sourced products while we continue to build a more sustainable business.

- Use of fossil and renewable energies
- Use of different materials, such as plastic and cardboard
- Use of natural resources from oceans, forests, land and other ecosystems

HOW WE CREATE VALUE



Read more on page 36

WHAT WE DO

WHAT?	Create the leading local food shopping experience.
WHY?	Eat well. Save time. Live better.
HOW?	By implementing our Leading Together strategy and living our values.

OUR GROWTH DRIVERS

Read more on page 25

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

VALUE CREATED

CUSTOMERS

Output:
- 96% of net sales from markets where our brands have a #1 or #2 position
- Net consumer online sales growth of 38.2% in 2021

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

ASSOCIATES

Output:
- 2021 associate engagement score of 79% (2020: 81%)
- €11.2 billion labor costs in 2021
- 53% women in the workforce
- 2.9% reduction of serious injuries compared to 2020
- More than 7.4 million training hours in 2021

Outcome:
- Diverse and skilled workforce
- Safe place to work

COMMUNITIES

Output:
- 2,827 thousand tonnes total CO_2-equivalent emissions (scope 1 and 2); reduction of 321 thousand tonnes compared to 2020
- Food waste of 259 thousand tonnes; 0.3% decrease compared to 2020
- 73% 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

Outcome:
- It is local communities that provide our brands with a license to operate. In return, our brands play an active role in these communities, contributing to charitable activities, paying their fair share of taxes, providing healthy food choices and acting to reduce their environmental footprint and waste.

SHAREHOLDERS

Output:
- €0.95 per share dividend for 2021
- €1 billion returned to shareholders via share buyback program in 2021

Outcome:
- Strong balance sheet with attractive returns to shareholders through a sustainably growing dividend and the return of excess liquidity to shareholders
- Funding of growth in key retail and e-commerce channels – inorganic and organic
- Improved internal digital capabilities

ENGAGING WITH OUR STAKEHOLDERS

As leading global retailers, Ahold Delhaize and the brands take into account the needs of many different stakeholder groups in our day-to-day business. But the four groups we impact the most are customers, associates, shareholders and communities.

The value we create for them depends not only on our own efforts at Ahold Delhaize and the brands, but also by factors in the external environment, market developments (see *Evolving market trends*) and the relationships we build with our stakeholders.

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

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

CUSTOMERS

EXPECTATIONS

- Seamless and easy shopping experience, enabled by technology.
- High-quality products that are healthier while still tasty and affordable.
- Safe shopping experiences during COVID-19, e.g., through in-store plexiglass screens and one-way aisles and contactless delivery and pickup.

HOW WE ENGAGE WITH THEM

- Customer service in-store, on the phone and online.
- Direct feedback to our brands' associates, websites and social media.
- Customer surveys, studies and focus groups.
- Communications campaigns to support customers in areas such as making healthy and sustainable choices. For example, Alfa Beta launched a new "Your personalized dietician is here for you" service, providing personalized meal plans and nutritional tips for customers.

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Customers value products that are made with respect for people, animals and the planet, and they share our concerns about food and plastic waste. Key social and climate topics that customers talk to us about include human rights, animal welfare and deforestation.
- Convenient online shopping with pick-up or delivery options became even more important to customers due to the pandemic.
- Affordability and value for money are key concerns for our brands' customers as inflation is rising.

ASSOCIATES

EXPECTATIONS

- Inclusive, engaging and healthy workplaces where all associates have equitable access to opportunities.
- Opportunities to make a difference, learn and grow to reach their full potential.
- A safe working environment and additional support and connection points in COVID times.

HOW WE ENGAGE WITH THEM

- Annual associate engagement surveys and pulse surveys (see *Cultivate best talent* for high-level results in 2021).
- Informal communication in local stores, warehouses and support offices.
- Regular touchpoints, including performance review processes, recognitions, reward and benefit programs and interactive training.
- Virtual town halls, expert sessions and other meetings to facilitate connections.
- Associate mental health initiatives.
- Business Resource Groups that promote diversity and inclusion and bring together associates with similar interests.

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Associates take pride in working for Ahold Delhaize and its brands and say they receive the necessary support and care to perform their jobs well.
- The majority of our brands' associates (81%) feel that they work in a diverse team that fully reflects the community and customers they serve.

ENGAGING WITH OUR STAKEHOLDERS

SHAREHOLDERS

EXPECTATIONS

- Steady performance, strong free cash flow, dividends and share repurchase programs.
- Increasing ESG expectations.

HOW WE ENGAGE WITH THEM

- Quarterly disclosures and financial and non-financial performance briefings.
- Presentations and exchanges with analysts and investors, e.g., annual General Meeting of Shareholders and Investor/Capital Markets Day. For example, at our Investor Day in November 2021, we announced our long-term ambitions and key strategic moves across our business. For more information on the Investor Day, see our website *www.aholddelhaize.com.*

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Our disclosures to shareholders cover both financial and ESG-related performance.
- We aim to be transparent about our progress on our Leading Together strategy, including performance against our targets to build a more sustainable business.
- We engage with our shareholders on numerous topics impacting the food retail industry, including the growth of the online food channel, competitive market dynamics and the role of sustainability within our business model.

COMMUNITIES

CHARITIES AND CIVIC ORGANIZATIONS

EXPECTATIONS

- The Ahold Delhaize brands are expected to be integral parts of the communities they serve and help address broader societal challenges.

HOW WE ENGAGE WITH THEM

- Partnerships with local community organizations and charities. For example, to support its commitment to double donations to food banks this year, Albert donated two new refrigerated vans to help food banks deliver unsold fresh food to those in need. Vulnerable groups, such as single mothers, the elderly or families in crisis will receive more fruit, vegetables and dairy products, thanks to the new trucks.
- Brand-owned foundations. For example, the Albert Heijn Foundation invests in housing, education, health and personal development projects in suppliers' communities, particularly in Africa and South America.
- The GIANT Company launched its Healing the Planet grant program, which will give out $250,000 in grants to support projects that build on environmental stewardship by connecting families with community green spaces.

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Community stakeholders provide valuable feedback, for example, on how our brands can be stronger partners in creating healthier communities.

GOVERNMENTS

EXPECTATIONS

- Ahold Delhaize and its brands are expected to respect regulations and adopt a stakeholder approach where society and the environment are taken into account.

HOW WE ENGAGE WITH THEM

- Engaging with public policy makers through industry associations or directly via face-to-face meetings, written contacts and input, information on our website and participation in public hearings or conferences.
- For example, in June 2021, Ahold Delhaize was among the first signatories of the Code of Conduct for Responsible Food Business and Marketing Practices, an initiative under the EU's Farm to Fork Strategy. Frans Muller spoke at the Code's launch event about how the Farm to Fork Strategy aligns with Ahold Delhaize's healthy and sustainable ambitions.
- In December 2021, Food Lion President Meg Ham joined U.S. President Joe Biden at the White House for a round table discussion on Food Lion's work to nourish neighbors during the holiday season. She discussed the strength of Food Lion's supply chain, the sourcing of more local products and COVID-19-driven shifts in consumer behavior.

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Ahold Delhaize and its brands engage with public policy makers to protect and strengthen the reputation of the company and its brands and to create a favorable policy and regulatory framework for the company and its brands and for our sector in the long term.

ENGAGING WITH OUR STAKEHOLDERS

COMMUNITIES CONTINUED

NON-GOVERNMENTAL ORGANIZATIONS (NGOS)

EXPECTATIONS

- As a major global grocery retailer, Ahold Delhaize is expected to help resolve global challenges related to climate, health, human rights and other topics.

HOW WE ENGAGE WITH THEM

- Responding to NGO requests in a timely manner.
- Individual meetings.
- Being a founding partner and member of various ESG-related networks and institutions, for example:
  - Founding partner of the LEAD network
  - Member of Network for Executive Women (NEW) / board membership (pending)
  - Founding partner of the World Resources Institute
  - Member of the Ellen McArthur Foundation to mitigate the impact of plastics
  - Signatory of the UN Global Compact
- Providing input for and discussing results of benchmarks on ESG-related topics.

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Opportunities to improve our performance and transparency on topics including human rights, climate change, deforestation and animal welfare.
- In some cases, NGOs expect us to change policies or work with our brands' suppliers to improve their ESG performance.

SUPPLIERS

EXPECTATIONS

- Long-term relationships that are fair and mutually beneficial.
- Cooperation on important topics such as health and climate.

HOW WE ENGAGE WITH THEM

- Individual meetings and online communication.
- Supplier events. For example, the European Not-for-Resale team hosted its second annual Supplier Innovation Days event, during which 35 suppliers presented the latest market innovations and concepts to stakeholders in Europe and the U.S.
- Partnerships, including:
  - "Better For," Albert Heijn's cooperation with more than 1,000 suppliers and farmers to provide products that are climate-friendly, circular and better for animals and farmers.
  - Peapod Digital Labs launched an Accelerator for diverse-owned suppliers in 2021, to help empower them to grow their businesses.
  - Retail Business Services funded scholarships for 20 Black-owned suppliers.
  - Ahold Delhaize was a founding member of the Sustainable Wine Roundtable, joining forces with more than 40 key actors in the production and marketing of wine around the world to accelerate action on sustainability.

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Input on how our brands can create better products for customers.
- Finding new ways to reduce food waste and increase economic, social and environmental value for the communities our brands' suppliers source from throughout the supply chain.
- Discussing the impact of climate change on the supply chain and ways to mitigate the risks.

FRANCHISEES AND AFFILIATES

EXPECTATIONS

- The opportunity to build a profitable business.
- Reliable supply of high-quality products, relevant to local customers and at a competitive price.
- Sustainable business practices.
- Community support.

HOW WE ENGAGE WITH THEM

- Individual meetings. For example, in Belgium, store visits are made on a weekly basis by a Delhaize consultant and regularly by a representative of the Delhaize Affiliate Partnership department.
- Strategic business reviews.
- Joint meetings, including training sessions and product discovery days.

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Input on operating stores and engaging with local communities.
- Strategy around healthy products and sustainability.
- Competition in the brands' markets.

ENGAGING WITH OUR STAKEHOLDERS

COMMUNITIES CONTINUED

INDUSTRY ASSOCIATIONS

EXPECTATIONS

- Ahold Delhaize and the brands will jointly address challenges across the industry, establish coalitions of action and drive implementation.
- Cooperation in shaping operational standards.
- Engagement with industry peers and external stakeholders.

HOW WE ENGAGE WITH THEM

- Local, national, regional and global industry association memberships and national retail federations, for example:
  - Consumer Goods Forum (Global)
  - Business association, VNO-NCW (Netherlands)
  - Eurocommerce (Europe)
  - FMI: The Food Industry Association (U.S.)
  - National Retail Federation (U.S.)
  - Centraal Bureau Levensmiddelenhandel (Netherlands)
  - Comeos, the Federation for Commerce and Services (Belgium)
  - The Association of Commerce and Tourism, SOCR CR (Czech Republic)
  - The Association of Large Commercial Networks, AMRCR (Romania)

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Key challenges in our industry, including climate, waste, human rights, sustainable supply chains and food safety.
- The belief that change needs to be driven globally and top-down in order to be successful.

SCHOOLS AND RESEARCH INSTITUTES

EXPECTATIONS

- Funding, (customer) insights and sponsorship for joint research projects.

HOW WE ENGAGE WITH THEM

- Joint industry lab with academic institutions. For example, AIRLab, the joint project by Ahold Delhaize and academic institutions is driving innovations at the intersection of retail, AI and robotics.
- Sponsorships and scholarships. Ahold Delhaize has committed to sponsoring IMC Weekend School for a period of three years and has chosen to sponsor the course "Future-proof entrepreneurship" which is taught in ten locations in the Netherlands.
- Educational initiatives. For example, in 2021, Mega Image kicked off the fifth edition of its national academic debate contest for high school students, "Mega Debate." Expanding every year, the contest now covers 17 cities, with 90 high school teams participating, and focuses on sustainability topics related to healthy eating, environmental protection, charitable actions and education.

WHAT THEY TELL US/KEY TOPICS DISCUSSED

- Academic research on topics such as robotics is often very specific and theoretical. Collaboration with Ahold Delhaize helps universities find real-life use cases for their technologies and co-create scalable solutions.

MARTIN'S associates volunteering to support The GIANT Company's commitment to make a difference in the communities it serves.

Students graduating from IMC Weekend school in the Netherlands.

LOCAL HEROES

LEADING THROUGH OUR VALUES

Every year, Ahold Delhaize recognizes leaders from across the local brands and businesses for their leadership qualities and how they live our values and serve communities.

Perhaps the most prestigious award we give out is Store Manager of the Year – chosen from more than 7,000 peers. This year, the award went to Samir Hamadache from Delhaize in Belgium.

Samir is truly passionate about building strong teams and working in service of the customer. An outstanding people manager and coach, his listening, empathy and communication skills strengthen his teams and help them to deliver.

Samir epitomizes our values of care and teamwork – and it shows in his history-making results. For 20 years, the same Delhaize store had the best end-of-year sales, but, in 2020, Samir and his team took the crown, achieving the best end-of-year sales despite the impact of COVID-19 and increased competition around the store.

Samir is a big source of inspiration for me. He has a strong eye on the whole customer journey. Truly a good leader, he can motivate the team to be stronger than ever together!"

Benoit Leclercq, Assistant Store Manager

STRATEGIC REPORT

RISKS AND OPPORTUNITIES

Risks and opportunities
INTEGRATED OVERVIEW

Our Enterprise Risk Management (ERM) assessment is designed to identify, assess and take action on risks and opportunities in line with our strategic, operational, financial and regulatory business objectives. All of the most significant, or "principal" risks identified are considered to present a material financial risk. The ESG materiality assessment evaluates our environmental and social trends to identify ESG topics.

The diagram[1] to the right provides an overview of the principal risks identified by the company, inherent to our brands' operations. It includes, where relevant and proportionate, the business relationships, products or services that are likely to have an adverse financial impact on our brands' operations. You can find a description of the actions taken to manage these risks under *Principal risks and uncertainties*.

The diagram also shows a list of topics resulting from our ESG assessment that are relevant and proportionate to our current business objectives from an ESG point of view, and relevant and proportionate from an environmental and social perspective. Our ESG topics consider a longer-term horizon than our principal risks and could evolve over time to become material from a financial perspective (see *Introduction to ESG*). This is not a static exercise and the topics and nature of disclosures may change from time to time; we closely monitor how these topics evolve over time, tracking any emerging ESG and financial risks. In addition, the diagram illustrates the link between the topics identified in the ERM and ESG assessments.

The outcomes of our ERM assessment and ESG materiality assessment, described in the sections *Principal risks and uncertainties* and *Introduction to ESG*, serve as key inputs to our annual strategy and to identifying tangible actions and risk mitigation processes that drive the formation of policies, procedures and controls; the scope of internal audit activities; and our business planning and performance process. The implementation of the identified actions is monitored via performance targets.

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

1 Topics within each column of this table are presented in alphabetical order.

Principal risks
As identified through the annual ERM assessment

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

- **Competitive environment**
  - Available and affordable products
  - Food waste
  - Healthy products
- **People**
  - Associate safety, health and well-being
  - Diversity and inclusion
- **Product safety**
  - Product safety and quality
- **Societal expectations and legislative environment**
  - CO_2 emissions and climate impact
  - Sustainable packaging

ESG topics
As identified through the ESG materiality assessment

- Fair labor practices in supply chain
- Sustainable agriculture

Principal risk
ESG topic

Risks and opportunities

PRINCIPAL RISKS AND UNCERTAINTIES

While our principal risks have not changed significantly compared to what was disclosed in our Annual Report 2020, the COVID-19 pandemic has continued to impact our business operations and our overall risk profile.

In particular, we have seen a heightening of the principal risks relating to business continuity, labor availability, societal expectations and legislation, and information security, and we have categorized a new principal risk relating to ESG performance.

Ahold Delhaize and the brands have initiated several actions to mitigate the impact of the COVID-19 pandemic on our businesses, with a focus on protecting associates and customers, ensuring the continuity of our brands' operations, and ensuring that our strategy is flexible enough to enable our brands to meet customer needs despite the uncertainty the pandemic brings. See *COVID-19: Impact and our response* for more information.

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

Our growth drivers

Drive omnichannel growth

Elevate healthy and sustainable

Cultivate best talent

Strengthen operational excellence

The following section provides an overview of the principal risks identified, including a description of the risk, developments noted during 2021, and a brief description of the primary mitigating actions in place to manage each risk.

The principal risks have been categorized by their relationship to strategic, operational, financial or compliance-related business objectives and linked to the related growth driver. We further differentiate these principal risks by the severity of the net risk (e.g., "critical" or "high") to the organization and how it has changed over the course of the year. The severity categorization is based on our assessment of the likelihood of the risk occurring, the potential financial and/or reputational impact, and the relevant mitigating actions we have in place.

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

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

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

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

Opportunities

In conjunction with the annual ERM exercise, our brands identify and assess local opportunities in line with our Leading Together strategy. Under the elevate healthy and sustainable growth driver, they have identified opportunities that include expanding the assortment of healthy own-brand products, providing nutritional guidance on product packaging, and reducing food waste. Under drive omnichannel growth, the brands are pursuing opportunities such as capturing additional revenue streams through advertising and media monetization, and implementing price and promotion optimization tools to drive further personalization. Within the strengthen operational excellence growth driver, they are focused on improving the digital and in-store experience, optimizing our supply chain and unlocking the value of data. These opportunities and others are discussed by global and local management through our strategic business planning and performance cycle and translated into brand strategies. See *Our Leading Together strategy* for more information.

Risks and opportunities

PRINCIPAL RISKS AND UNCERTAINTIES

Strategic risks

COMPETITIVE ENVIRONMENT

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

Developments in 2021

The COVID-19 pandemic continues to challenge and change the retail landscape, particularly relating to consumer shopping preferences, a focus on value, healthy eating, and the overall channel shift from in-store to online purchasing. Traditional and non-traditional retailers have responded by adjusting product assortments, pricing and promotional offerings; focusing on the health and safety of consumers; and ramping up investment in home delivery or click-and-collect capabilities. Inflation and increasing prices have further challenged the retail landscape in 2021.

How we manage this risk

We have embarked on the next chapter of our Leading Together strategy, which served us well during 2021. Our four key growth drivers are designed to ensure that our brands continue to meet the changing needs and expectations of consumers while offering a competitive value proposition in the markets they serve. For more details on our Leading Together strategy and growth drivers, see *Our Leading Together strategy* and *Our growth drivers*. *See Introduction to ESG* for details on our management approach to these sustainability topics.

Related growth driver

OMNICHANNEL AND DIGITAL GROWTH

Our ability to drive omnichannel growth and expand our brands' offerings is dependent upon whether we can strike a balance between growth and profitability, which relies on our brands' capacity to meet demand while maximizing the cost efficiency. Our brands have many initiatives underway to better leverage our scale and drive operational improvements. Failure to successfully execute these initiatives may prevent us from realizing our growth ambition or keeping pace with our competition and consumer expectations. This risk is broken out separately from the competitive environment risk given its importance to our overall strategy.

Developments in 2021

While the COVID-19 vaccine rollout prompted a slight shift to out-of-home eating in the first half of 2021, consumers have remained cautious as restrictions have gone back into place. As a result, demand for home delivery and click-and-collect offerings has remained strong. In the medium term post-pandemic, some consumer habits, such as working from home, are likely to continue, preventing a sudden swing in demand back to pre-pandemic levels. Our brands will continue to monitor and respond to these evolving consumer habits and adjust their omnichannel offerings accordingly.

How we manage this risk

While omnichannel and digital growth was already at the core of our Leading Together strategy, the continued impact of the COVID-19 pandemic has led us to prioritize investments in our omnichannel offering, capacity and internal capabilities. This has included additional investments into our platforms, supply chain capabilities and the acquisition and integration of New York City-based FreshDirect. In November, we announced we would explore a sub-IPO for bol.com, which is expected to occur in mid-2022. Proceeds will help fuel further expansion of our omnichannel capabilities. For more information on the progress we have made, see *Drive omnichannel growth*.

Related growth driver

ESG PERFORMANCE

ESG performance is an important part of how we measure success. We have set short- and long-term ESG targets. Failure to meet them may lead to reputational damage and impact sales and support from consumers, investors and other key stakeholders. While we have historically captured risk factors related to ESG performance within our existing principal risk categories, this year we broke this risk out separately and included it as a principal risk, given its increasing importance to our overall strategic objectives.

Developments in 2021

An increased global focus on people's health and safety has fueled an increased focus on the planet's health and safety. This trend has grown during 2021 with the introduction of the EU Taxonomy, proposals for new legislation, and increased requests for information on our sustainable initiatives and performance metrics from investors and other key stakeholders.

How we manage this risk

We strive towards healthier people and a healthier planet, with a focus on further increasing healthy sales of own-brand products, reducing food and own-brand plastic packaging waste, aspiring towards 100% diverse and inclusive workplaces and reaching the science-based absolute reduction targets we set for carbon emissions, including becoming a net-zero company for scope 1 and 2 emissions by 2040 and for scope 3 emissions by 2050. These commitments are translated into our strategy and business operations through the setting and tracking of performance metrics and KPIs. We have added an oversight layer by establishing a steering committee and a Healthy & Sustainable leadership community to ensure we can stay on track with all our requirements and promises. In addition, we have continued our research on the impact of climate change following recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD). See more in *In focus: Climate change* and read about our management approach to these topics in *Introduction to ESG*.

Related growth driver

Risks and opportunities

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risks

BUSINESS CONTINUITY

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

Developments in 2021

The pandemic has disrupted all aspects of our business, in particular, the stability of our brands' supply chains and distribution centers. The vaccine rollout initially eased some of the pressures on supply chain and product availability; however, plateauing vaccination rates and the emergence of new variants has prompted new restrictions, driving further uncertainty across our brands' operations. Support office personnel continue to work from home and non-essential work travel has been prohibited, in line with local regulations.

How we manage this risk

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

Related growth driver

INFORMATION SECURITY

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

Developments in 2021

The omnichannel shift and digital transformation has continued to accelerate during 2021, increasing our "attack surface." We have seen an increased level of malicious attempts on our networks and internet-facing sites and applications. There has also been a continued increase in the frequency and size of payouts by companies whose systems and data have been exploited by malicious hackers.

How we manage this risk

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

Related growth driver

LABOR

Our unionized brands may not be able to negotiate acceptable terms for extensions and replacements of contracts as a result of unfavorable demands and/or expectations from unions, which may lead to organized work stoppages or other operational, legal, financial or reputational impacts. In addition, availability of labor within each of our brands' respective markets may be insufficient to meet in-store and online demand.

Developments in 2021

During the pandemic, each of our brands implemented personal protective equipment requirements and offered various forms of appreciation pay and other benefits to ensure the continued health and safety of their associates. Despite these efforts, we have observed an overall shortage of available labor across each of our brands' respective markets, driven heavily by COVID-19 complications.

How we manage this risk

The HR function in each of the brands manages their relationships with their associates and, where applicable, the unions that represent them. In several areas of the business, additional part-time labor has been contracted to meet the COVID-19-driven increase in demand and also to temporarily fill in for absent associates. Furthermore, the U.S. brands have developed contingency and testing plans in the event that widespread vaccine mandates go into effect. For more information on the efforts to protect associates and focus on health and safety during 2021, see and *COVID-19: Impact and our response*.

Related growth driver

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risks continued

PEOPLE

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

Developments in 2021

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

How we manage this risk

Our brands are committed to embedding our shared values, capabilities and behaviors within their workforces. They deploy many measures to achieve this, including, but not limited to, developing competitive employee value propositions to attract the best talent in line with their strategic capability plans and needs, implementing a formal talent management cycle and development conversations, and putting in place diversity and inclusion (D&I) initiatives to drive our aspiration to have a workforce that is representative of the markets they serve. They also listen to and act upon associates' feedback through our annual associate engagement survey and regular pulse surveys, which have increased in frequency during 2021. For more information on the commitment to associate well-being, health and safety, and D&I, see section *In focus: Diversity and inclusion*.

Related growth driver

Financial risks

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Pension and healthcare funding obligations may be impacted by interest rate fluctuations, stock market performance, changing pension laws, longevity of participants and increased costs in specific markets. In addition, some of our brands participate in multi-employer plans (MEPs) which are underfunded and they may be required, in certain circumstances, to increase their contributions to fund the payment of benefits by the MEP. For more information on the financial risks related to the MEPs see *Note 24* to the consolidated financial statements.

Developments in 2021

Our U.S. brands Stop & Shop and Giant Food each reached agreements during 2020 to terminate their participation in four large MEPs which improved the security of pension benefits for associates and greatly reduced the company's financial exposure. In 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law and establishes a special financial assistance program for eligible MEPs that file a request to apply to receive a one-time cash payment in the amount required for the plan to pay all benefits through the last day of the plan year ending in 2051. The payment received under this special financial assistance program would not be considered a loan and would not need to be paid back. For the first MEP, the application process was initiated in Q4 2021 and is currently in progress. We expect that three of the other MEPs to which we contribute might also be eligible under the ARPA plan rules and, when they receive financial assistance, our financial exposure for these eligible MEPs may be reduced. For information about these MEPs and ARPA, see *Note 24* to the consolidated financial statements.

How we manage this risk

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

Related growth driver

For a summary of other financial risks identified through our annual ERM assessment, see *Additional risks and uncertainties.*

Risks and opportunities

PRINCIPAL RISKS AND UNCERTAINTIES

Compliance risks

DATA PRIVACY

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

Developments in 2021

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

How we manage this risk

We have established and implemented several mitigating measures across the organization, including a global Personal Data Protection policy and procedures, Code of Ethics training, our "Living Data" (data protection) awareness program, the establishment of various ethics committee reviews of new projects and the rollout of data privacy principles aligned with consumer expectations around the ethical use of data. We extend these measures to key third parties who agree with and are obligated to abide by our Standards of Engagement and to certain vendors who are required to provide regular internal control assurance reports. In addition, we conduct a variety of data breach simulations across all levels of the organization, and have conducted a sensitivity analysis of a data breach scenario. See *Sensitivity analysis* for more on the results.

Related growth driver

SOCIETAL EXPECTATIONS AND LEGISLATIVE ENVIRONMENT

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

Developments in 2021

Governments in all of our brands' markets have continued with restrictive measures to curb the spread of COVID-19, and have imposed fines on people and companies who have failed to meet these requirements. In conjunction with an increased focus on people's health and safety, there has been increasing concern about the health and safety of the planet. Discussions have intensified over climate change and other ESG topics (e.g., sustainable packaging), and expectations from consumers, investors, legislators and other key stakeholders have increased significantly.

How we manage this risk

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

During 2021, our brands and support organizations continued with additional company-wide measures to ensure the health, safety and well-being of associates and customers, while maintaining compliance with local laws and government restrictions. Since publishing our Human Rights Report in 2020, we've developed a methodology that helps each brand explore how it impacts associates, customers, communities and people in its supply chains, while engaging a broad range of internal (and sometimes external) stakeholders across functions and roles. For more information see *In focus: Ethics and human rights*.

Additionally, we have continued our research on the impact of climate change following recommendations from the TCFD. See more in *In focus: Climate change* and *Introduction to ESG*, which provides details on our management approach to these topics.

Relevant growth driver

Risks and opportunities

PRINCIPAL RISKS AND UNCERTAINTIES

Compliance risks continued

PRODUCT SAFETY

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

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

Developments in 2021

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

How we manage this risk

We have implemented a global Product Integrity organization, policies, control framework and standard operating procedures at all of our brands. We also ensure that third-party suppliers sign and adhere to the Ahold Delhaize Standards of Engagement, which outline standards on product safety and ethical and human rights guidelines. Our brands perform a variety of quality assurance reviews and audits in stores, distribution centers, and at key suppliers and preferred alternative suppliers. During 2021, these audits have continued in a virtual format. We further mitigate our risks in this area through different types of insurance coverage within our brands. For more information on the commitment to respecting human rights, see *In focus: Ethics and human rights*.

Relevant growth driver

Additional risks and uncertainties

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

Climate change

In both the ERM assessment and ESG materiality assessment, we identified several risk factors that broadly relate to or have an impact on climate change (e.g., carbon emissions, sustainable agriculture and packaging). Some of these risk factors are captured within our existing principal risk categories and, notably, within our new principal risk surrounding ESG performance. While we do not categorize climate change as a principal risk in the short term, we believe that climate change risk factors will continue to evolve and could present a significant financial impact on our company in the longer term future.

Historically, we have evaluated this risk through an "inside-out" view that focuses on our impact on climate change, and have implemented a variety of measures and targets to reduce this impact. Starting in 2020, in conjunction with our commitment to the TCFD, we have begun a journey to also understand and evaluate the "outside-in" view of the risks of climate change on our business. For this reason, we have included a separate section on this risk; see *In focus: Climate change* for more information on the work we are doing to further understand, evaluate and mitigate the impact on our business.

Insurance risks

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

Other financial risks

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

SENSITIVITY ANALYSIS

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

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

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

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

LOCAL HEROES

HANNAFORD LEADS THE WAY TO ZERO FOOD WASTE

In 2021, Hannaford became the first large-scale supermarket chain in the northeast United States to achieve zero food waste to landfills.

They start by avoiding food waste through great ordering and food handling processes that keep products fresh. Then, they donate or divert any food waste that does occur in one of three ways. First, to fight food insecurity. As a Feeding America partner, Hannaford donates as much safe and nutritious food as possible to community pantries, soup kitchens, and food banks. Second, when food isn't suitable for human consumption, Hannaford stores donate it to local livestock farmers who can use it as animal feed. And for the rest, they work with Agri-Cycle, a recycling company that collects food waste from across the northeast U.S. and uses farm-based anaerobic digesters to turn it into renewable energy. In this way, Hannaford generates enough energy to power 2500 homes annually!

“

Our planet’s health and well-being are a top priority for Hannaford; our role in the food supply chain comes with great responsibility.”

Mike Vail, Brand President

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental, social and governance

INTRODUCTION TO ESG

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 are pleased to see our stakeholders' interest in this area continuing to increase.

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 a focus on ESG elements further into our organization and ensure everyone is aware of their importance and can contribute to our impact.

Our ESG ambitions and strategy are shaped by our most significant ESG topics, the UN Sustainable Development Goals (SDGs), market knowledge from our local brands and ESG benchmarks, including the Dow Jones Sustainability Index (DJSI), MSCI and Sustainalytics. We also work with frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD). We consider trends in our markets and around the world, feedback from our stakeholders, and alignment with global initiatives such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). We also look at future developments and how these could potentially impact Ahold Delhaize, for example, the implementation of the EU Taxonomy.

Our overall objective is to contribute to healthier people and a healthier planet. We have commitments, ambitions and aspirations in several focus areas that include, among others, further increasing healthy sales of own-brand products, reducing food waste, improving own-brand plastic product packaging, aiming for 100% diverse and inclusive workplaces and reaching the science-based absolute reduction targets we have set for carbon emissions, including the commitment to become a net-zero company for scope 1 and 2 emissions by 2040 and for scope 3 emissions before 2050.

In addition to the focus areas outlined above, we have continued our journey to improve performance in the ESG topics identified as material in our ESG materiality assessment. This section shows how we approach these ESG topics and provides in-depth insight into the work we do on climate change, human rights and diversity and inclusion.

How we manage our ESG performance

The Executive Committee, supervised and advised by the Supervisory Board (and its Sustainability Committee), has accountability for setting strategy and driving performance. See the *Corporate governance* chapter and the *Supervisory Board report* for more information on the Sustainability Committee and topics discussed in meetings.

Brand leadership is responsible for establishing implementation plans, resourcing their plans and monitoring performance, The Global Support Office (GSO) Health & Sustainability function reports directly to Ahold Delhaize's President and CEO. A global Health & Sustainability Steering Committee, consisting of two Executive Committee members, senior executives from the regions and the global SVP Health & Sustainability, provides insights to steer the strategic direction. A Health & Sustainability 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, aspirations and targets in the focus areas.

For more information on how our social and governance matters are managed, see *In focus: Diversity and inclusion.*

ESG materiality assessment

In this Annual Report, we report mainly on those ESG topics that stand out as being most likely to bring about the materialization of principal risks, now or in the future. Our disclosures on such ESG topics are tailored to provide the information that is necessary for an understanding of the development, performance, position and impact of our activities relating to such identified ESG topics. This is not a static exercise and the topics and nature of disclosures may change from time to time; we closely monitor how these topics evolve over time, tracking any emerging ESG and financial risks. To that effect, we carry out an ESG assessment.

Through our ESG materiality assessment, we ask stakeholders for feedback on the scale of Ahold Delhaize's impact on relevant and proportionate topics and how much these topics influence their decision making on ESG-related topics. We use their feedback to determine our most relevant and proportionate ESG topics, which, in turn, inform our Leading Together strategy. We follow the GRI methodology for performing the materiality assessment. To prioritize reporting on those topics that reflect the most significant impacts, we follow the GRI methodology for performing the materiality assessment. This also means that we do not cover all potentially relevant ESG topics, and prioritize the extent to which we do report on ESG topics consistent with our ESG materiality assessment outlined above.

Our analysis included three steps:

- First, we selected the relevant and proportionate topics to use as a starting point by referencing international reporting standards, including the GRI, SASB and the SDGs, media research, a peer review, and a risk and trend analysis of the food industry.
- Second, we determined the specific relevance of each topic to Ahold Delhaize through online surveys and interviews, collecting input from customers, associates, investors, NGOs, suppliers, producers, farmers and governmental organizations. We asked company management, through an online survey, to identify the topics they believe are most important for Ahold Delhaize and how they are linked to our strategic growth drivers. See also *Engaging with our stakeholders* for more information.
- Finally, we created a materiality matrix, which was discussed and approved in a meeting of the Executive Committee.

The following ESG topics were identified following these three steps, and are considered to be material using the methodology of GRI. These topics are further explained in the *Environmental*, *Social* and *Governance* chapters below.

Environmental, social and governance
INTRODUCTION TO ESG

ENVIRONMENTAL: FOOD WASTE

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

Boundary: All parts of the value chain

Link to SDG and related growth driver

Read more on page 58

ENVIRONMENTAL: CO_2 EMISSIONS AND CLIMATE CHANGE

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

Boundary: All parts of the value chain

Link to SDG and related growth driver

Read more on page 58

ENVIRONMENTAL: SUSTAINABLE PACKAGING

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

Boundary: Own brand, selling, consumer

Link to SDG and related growth driver

Read more on page 60

ENVIRONMENTAL: SUSTAINABLE AGRICULTURE

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

Boundary: Farming and commodity traders.

Link to SDG and related growth driver

Read more on page 61

SOCIAL: HEALTHY PRODUCTS

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

Boundary: Product development, own brand, selling, consumer.

Link to SDG and related growth driver

Read more on page 73

SOCIAL: FAIR LABOR PRACTICES IN THE SUPPLY CHAIN

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

Boundary: Raw materials, farming and traders, own brand

Link to SDG and related growth driver

Read more on page 73

SOCIAL: ASSOCIATE SAFETY, HEALTH AND WELL-BEING

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

Boundary: Warehouse and distribution, Selling

Link to SDG and related growth driver

Read more on page 74

GOVERNANCE: PRODUCT SAFETY AND QUALITY

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

Boundary: All parts of the value chain

Link to SDG and related growth driver

Read more on page 79

GOVERNANCE: AVAILABLE AND AFFORDABLE PRODUCTS

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

Boundary: Selling, Consumer

Link to SDG and related growth driver

Read more on page 79

GOVERNANCE: DIVERSITY AND INCLUSION

Ensure equal treatment of all associates independent of gender, age, religion, race, caste, social background, disability, ethnicity, nationality, membership in workers' organizations, political affiliation, sexual orientation, or any other personal characteristic protected by law.

Boundary: Warehouse and distribution, Selling

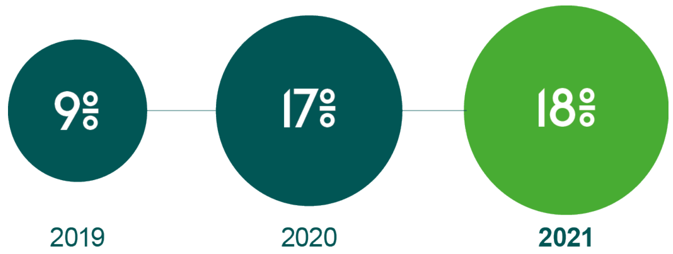
Link to SDG and related growth driver

Read more on page 79 and page 82

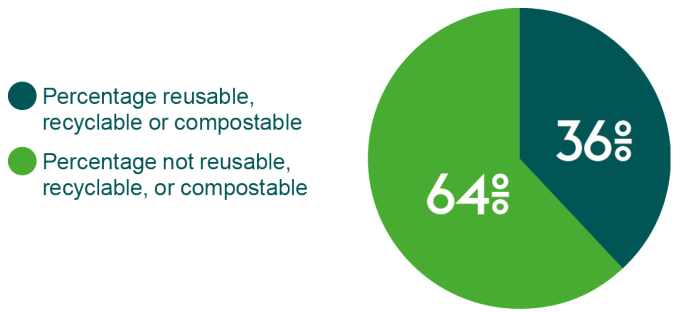
Percentage reduction in absolute CO_2-equivalent emissions from own operations (Scope 1 and 2)[1]

[1] Percentage scope 1 and 2 CO_2 reduction from 2018 baseline (restated)

Percentage reduction in tonnes of food waste per food sales compared to 2016 baseline



Percentage of reusable, recyclable or compostable own-brand primary plastic packaging in 2021



Environmental, social and governance

ENVIRONMENTAL

As the pace of climate change accelerates, there is less than a decade left to ensure a healthy future. As part of our strategy to support a healthier planet, we measure and manage our company's environmental impacts relating to carbon emissions, food waste and plastic waste as well as the impact of climate change on our company.

For information on our performance on these environmental topics, see *ESG statements*.

FOOD WASTE

Developments in 2021

In 2021, food waste remained an important topic worldwide, as billions of tonnes of food is wasted while millions of people are hungry or undernourished.

Our impact

Our brands' challenge is to reduce food waste while, at the same time, offering customers fresh and nutritious products that make it convenient for them to choose the healthy option. Fresh products often have a shorter shelf life; to avoid food waste, our brands work hard to ensure that products do not reach their expiration dates before they are purchased and consumed.

Food waste negatively impacts our financial results due to the lost margin. In 2021, Ahold Delhaize brands reported 258,528 tonnes of food wasted. A total of 75% of the food wasted in 2021 was recycled, with the remainder being sent to landfill or incinerating facilities.

Our approach and progress

We aim to contribute to a food system that ensures everyone has access to nutritious food for generations to come. We continuously review our operational processes to reduce food waste, and divert unsold food to feed those in need within our communities. We have a three-pronged approach to driving down food waste.

First, we reduce waste across our brands' operations, including stores, warehouses and transport. For example, Albert Heijn is reducing food waste through the "yesterday's bread" initiative by selling any bread left over from the day before at extra low prices. See *Albert Heijn fights food waste with "yesterday's bread"* for more information.

Second, we divert surplus food to food banks, charities and innovative operations such as restaurants that cook with unsold food. For example, Food Lion set up the Food Lion Feeds program and set itself a target to donate 1.5 billion meals by 2025. Since the start of the program, they have already donated more than 800 million meals.

And third, we send food no longer suitable for human consumption to other recycling methods, to divert it from landfill. These methods can include animal feed production green energy facilities or industrial uses. In the U.S. this year, Hannaford became the first large-scale grocery retailer across its New England and New York market to donate or divert all food waste, sending no food at all to landfill.

But we also look further than our own operations. As a founding member of the 10x20x30 Food Loss and Waste Initiative, all of our brands are partnering with key suppliers to tackle the challenge of food waste across the supply chain. Ahold Delhaize brands have so far partnered with fourteen major suppliers to root out food loss and waste in the food supply chain: Arla Foods, Barba Stathis, Cargill, Chobani, Delta, General Mills, Hilton Foods Holland, Hoogesteger, Kellogg's, La Linea Verde d.o.o., Mars Incorporated, PepsiCo, Vezet and Yuhor have committed to reduce food waste by 50% in their own operations by 2030.

How we measure performance

- Percentage reduction in food waste compared to a set baseline. We measure this with a relative metric: total tonnes of food waste per €1 million of food sales.

CO_2 EMISSIONS AND CLIMATE CHANGE

Developments in 2021

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. See also *In focus: Climate change* for a deep dive into how we are addressing the issue of climate change and more information about developments on this topic during 2021.

Our impact, approach and progress

NET-ZERO AMBITION

We believe it is imperative that we achieve decarbonization of our business and partners to enable a 1.5°C-future. Ahold Delhaize and its brands have worked towards a net-zero scenario before 2050. Our approach is based on science-based targets. In November 2021, we updated our net-zero ambition and made a public commitment to reach net-zero carbon emissions.

The updated commitment by Ahold Delhaize and the local brands is to reach net-zero carbon emissions across all operations by 2040 (scope 1 and 2) and to become net-zero businesses across the brands' entire supply chains, products and services no later than 2050 (scope 3). We set these updated commitments taking requirements from the Science Based Targets Initiative into account.

Based on our initial assessments of available data and competitive positioning, we have focused our efforts on developing an economic pathways to net zero, within scope 1 and 2 initially. Scope 1 and 2 emissions come mainly from electricity and refrigeration (approximately 85%). Based on our analysis of potential initiatives, we believe it is possible to reduce emissions by approximately 60% at neutral cost (over the depreciation cycle of the capital expenditure investment). However, initiatives like replacing refrigeration systems and transforming the transport fleet our brands use are more expensive and will require significant capital expenditure at an earlier stage than initially planned, based on the current replacement cycle. Some initiatives might also result in cost savings, such as the implementation of more energy-efficient equipment leading to less electricity usage as well as the use of renewable energy sources.

SCOPE 1 AND 2

In order to reduce CO_2 emissions in our own operations, we have identified the following actions:

- **Replacing or retrofitting refrigerator systems** with lower greenhouse gas alternatives, installing natural/hybrid systems (e.g., new CO_2 systems) and minimizing leakage from all our systems. This action has the potential of reducing carbon emission from using refrigeration equipment by up to 95%

- **Accelerating the switch to renewable power,** with a number of brands using 100% renewable electricity by 2023, reducing up to 100% of carbon emissions relating to energy consumption. This will be achieved through renewable energy credits (RECs), power purchase agreements (PPAs) and energy efficiencies from replaced refrigerants.
- **Building and remodeling stores in the most energy-efficient way.** Our brands could achieve this by installing energy-efficient equipment, such as LED lights, doors on cabinets, heat recuperation, heat pumps, CO_2 refrigeration systems (which not only reduce emissions, but are more energy efficient than conventional refrigerators) and improved insulation. While our brands have already started to execute on this action, the net-zero ambition is expediting our work in this area.
- **Switching to low-carbon heating initiatives**, including heat pumps and heat recuperation.
- **Converting both our light and heavy transportation fleet** to zero-carbon alternatives, including battery electric vehicles (BEV), leveraging route optimization technology and improving fill mechanism to reduce overall energy use. The costs for this will be impacted by the ratio of how our brands will make use of short-range trucks (electric) vs. long-range (hydrogen fuel cell) trucks.
- **Applying an internal carbon price model** to investment proposals from the local brands. This was implemented in 2021 but going forward we continue to fine-tune the model and further develop climate criteria for CapEx proposals.

Our ability to achieve net-zero carbon emissions with the actions above is based on the following assumptions:

- The company needs to replace approximately 30–40% of existing refrigeration systems and will be able to improve approximately 60–70% of existing systems by replacing coolants.
- Within the next years, 50% of the brands' heavy duty vehicle fleets will be converted to battery-powered electric vehicles and 50% to hydrogen fuel cells, with fuel cell electric vehicle technology becoming economical by 2032.
- 100% renewable energy (RECs /PPAs) can be acquired at close to parity with grid power.
- Approximately 20% of heating emissions can be reduced through insulation installation, and the remaining approximately 80% by switching to alternative fuel such as heat pumps, district heating, etc.
- Our assessment modeled the incremental costs of achieving net-zero emissions, aiming to show how much more we can expect to spend versus a business-as-usual situation. The business-as-usual emissions forecast was carried out in line with expected business growth and evolution (e.g., in e-commerce), extrapolating from the brands' 2022–2024 strategic plans.
- When determining the costs of abatement and reduction initiatives, we used current costs (i.e., we did not assume cost reduction that may take place when technology scales and matures).

SCOPE 3: COLLABORATING ACROSS THE VALUE CHAIN

Our scope 3 emissions from our value chain, mainly from purchased goods and services, waste management and franchise operations, represent approximately 95% of our total carbon footprint.

Calculating scope 3 emissions is complex. Our brands have hundreds of thousands of products on their shelves supplied by thousands of direct suppliers. All of these direct suppliers source materials and ingredients from their own suppliers, resulting in complex supply chains covering all areas of the world.

As a result of this complexity, actual data on our scope 3 carbon emissions is currently not consistently available, and we continue to work to improve this. As our brands continue to reach out to their suppliers, we expect increasing access to actual data, which will make our numbers more accurate. At the moment, we fully rely on assumptions and estimations when calculating our scope 3 carbon emissions. See also *ESG statements*.

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

Supplier engagement

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

During 2021, we reached out to over 200 suppliers,asking that they report their emissions either through the Carbon Disclosure Project (CDP) (mainly A-brand suppliers) or via our own survey (mainly own-brand suppliers); we will continue this reporting process annually. Once we have robust data available, we can estimate a more accurate baseline for scope 3.

Once the more robust baseline is set, we will start engaging with Procurement to set incentives for suppliers to achieve the required yearly scope 3 emission reduction target. A detailed plan for scope 3 will follow no later than November 2022.

Our brands have a further opportunity to reduce scope 3 carbon emissions in agriculture, through their focus on partnering with farmers in the transition to low-carbon products. For example, Albert Heijn incentivizes sustainable change through longer term contracts including premium pricing and with concrete environmental requirements and co-investments on farms.

Waste management

Every year, around one-third of all food produced for human consumption globally is lost or wasted. According to the UN Food and Agriculture Organization (FAO), if food loss and waste were its own country, it would be the world's third-largest greenhouse gas emitter, surpassed only by China and the United States. Our ambition to reduce food waste by 50% by 2030 also contributes to reducing carbon emissions, in addition to the other benefits of improving food security and conserving natural resources. For more information on our approach to food waste, see *Food waste*.

Environmental, social and governance
ENVIRONMENTAL

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

Outsourced transport services
Roughly half of our transportation today is handled by third-party service providers. Our brands work with service providers to reduce their emissions – both those associated with the delivery of goods to stores and with associates' business travel.

How we measure performance
- Percentage reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2) – market-based approach.
- Reduction in absolute climate emissions from our value chain (scope 3) against a set baseline.

SUSTAINABLE PACKAGING

Developments in 2021
The drive for sustainable packaging continued during 2021 and, while the pandemic resulted in an increased used of packaging materials for hygienic purposes, more voices around the world are raised for reducing (plastic) packaging or ensuring it is recyclable.

The recyclability of product packaging is complex, as packaging comprises several different materials. An important step to assess the recyclability of plastic packaging, is to find evidence that an infrastructure for recycling exists in practice and at scale today for each plastic packaging category we have in our packaging portfolio. That means, essentially, a recycling rate of 30% or higher in geographies together covering more than 400 million inhabitants on the basis of the data in the Global Commitment's Annual Recycling Rate Survey. In several of our brands' markets, and for several plastic packaging types, this is not yet the case.

Our impact
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. That is why we pledged to eradicate plastic waste and pollution at the source via the New Plastics Economy Global Commitment ("The Global Commitment") in 2018. The Global Commitment has united more than 500 organizations behind a common vision of a circular economy for plastics. Driven by the goal of tackling plastic pollution at its source, companies representing 20% of all plastic packaging produced globally have committed to ambitious 2025 targets to help realize that common vision. The Global Commitment is led by the Ellen MacArthur Foundation, in collaboration with the UN Environment Programme. Through the Global Commitment, businesses and governments commit to changing how we produce, use and reuse plastic. The organizations will work to eliminate the plastic items we do not need; innovate so all plastic we do need is designed to be safely reused, recycled, or composted; and circulate everything we use to keep it in the economy and out of the environment.

In our business model, we mainly consume plastics through our own-brand products and various suppliers (consumer packaged goods) that manufacture branded products delivered to our own operations. In our approach to reduce plastic waste, we focused on reducing plastics in both our own brands and branded products.

For our own brands, we have set a target to achieve 100% of plastic packaging can be easily and safely reused, recycled or composted by 2025. In 2021, Ahold Delhaize brands put 158 thousand tonnes of own-brand primary plastic product packaging on the market, of which 36% is currently reusable, recyclable, or compostable. However, reaching our goal of 100% has proved challenging and complex, due to issues ranging from the levels of recyclability of the multiple packaging elements themselves to the availability of a robust recycling infrastructure within some of our brands' markets.

For branded products, the influence we may have on our suppliers in this regard is limited and we are dependent on the information they want to provide to our brands. We encourage our suppliers to pledge to The Global Commitment and become members of the of the Ellen MacArthur Foundation, setting ambitious 2025 targets to help realize the common vision with strict monitoring, and we monitor their progress via the Foundation, Many of our significant suppliers have already made this commitment, including L'Oreal, MARS, Nestle, PepsiCo, The Coca-Cola Company and Unilever along with major packaging producers like Amco, plastics producers such as Novamont and resource management specialist Veolia. These suppliers account for a significant portion of the branded products in our brands' operations. We monitor progress through The Global Commitment Progress Report where all the signatories provide an update to the Ellen McArthur Foundation on the progress they made on the commitments during the year. The 2021 report had three key findings:

1. After decades of growth, virgin plastic use appears to have peaked for The Global Commitment brands and retailers, and is set to fall faster by 2025.
2. Progress has largely been driven by recycling, but that is not enough to solve plastic pollution – much more focus is urgently needed on eliminating single-use packaging.
3. A large number of businesses and countries are supportive of a global agreement on plastic pollution, recognizing voluntary initiatives alone will not be enough.

See the website of the Ellen MacArthur Foundation for detailed insights on the progress and challenges to reduce plastic waste for the retail and food sectors. We will continue to encourage consumer packaged goods suppliers to become members of the Ellen MacArthur Foundation in order to unite more suppliers behind a common vision of a circular economy for plastics.

We also work with several umbrella organization to find create solutions for sustainable packaging. For example, we collaborated with the Packaging Waste Fund Foundation to research the viability of PET tray recycling at Albert Heijn. We also worked together with Fost Plus in Belgium to look at ways of increasing recycling rates and removing plastics that disrupt recycling.

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ENVIRONMENTAL

Our approach and progress
We aim to move to a more circular system to reduce the negative impacts of plastic and our brands are focused on where we can have a direct impact.

For example, in 2021, The GIANT Company, Hannaford and the Stop & Shop stores serviced from the Freetown, Massachusetts, distribution center transitioned their own-brand commodity fresh chicken program from EPS foam trays to PET rigid trays, diverting an estimated 450 metric tons of foam from the waste stream annually. Food Lion and Giant Food are scheduled to transition their commodity chicken program away from foam trays in 2022.

Several of the Ahold Delhaize USA brands (The GIANT Company, Giant Food, Hannaford and Stop & Shop) also transitioned their Nature's Promise organic fresh chicken program from EPS foam trays to PET rigid trays, diverting an estimated 15 metric tons of foam from the waste stream.

Our brands are also reducing single-use plastics used for carrier bags, In 2021, Albert Heijn was the first large supermarket in the Netherlands that announced it would stop using plastic bags for fruit and vegetables. This move will save 130 million bags, the equivalent of 243,000 kg of plastic, per year when fully rolled out.

Recycling plastic waste generated in our own facilities is another focus area. In 2021, Albert invested in a new recycling center right next to its distribution center in Klecany, near Prague. The distribution center recycled up to 6,000 tons of packaging materials each year and with the launch of this new center doubled its capacity. The material is returned to circulation as a secondary raw material in accordance with the environmental management certification ISO 14001.

Our brands continue to improve their own-brand product packaging by switching to more environmentally friendly materials or reusable packaging, eliminating unnecessary plastic packaging and increasing the use of post-consumer recycled content.

How we measure performance
- Percentage own-brand primary plastic product packaging being reusable, recyclable or compostable.

SUSTAINABLE AGRICULTURE

Developments in 2021
As the world's population grows, the challenge of feeding more people with less negative impact on the planet becomes more urgent, and with it, the global focus on building a more sustainable, equitable food and farm system. Consumers, employees, regulators and shareholders expect companies to tackle issues such as biodiversity, circularity, deforestation and water usage.

Our impact
Our brands source products from around the world and sell products outside their growing season; bringing products to the stores from outside of local growing regions requires more energy and resources. A total of 45% of the brands' net sales come from the sale of food products, giving us a seat at the table to provide input into how food production and sourcing will look in the future and how food can be produced sustainably, with respect to the environment and protecting biodiversity. With our own-brand products, we can make a real impact, directing what is sold, how it is produced and where.

Our approach and progress
Land-based agricultural production is the basis of the majority of the food products sold by the Ahold Delhaize brands. Unsustainable agricultural practices can compromise the production capacity of agricultural land, put pressure on the affordability of food and availability of land and negatively affect biodiversity and the environment.

Biodiversity is the foundation of life, and essential to healthy water and soil. All food products that we sell are directly or indirectly derived from biological resources, either wild or domesticated. In addition, the bulk of what we build with, make medicines from, and use as industrial raw material is derived from nature. Products that are not sustainably sourced pose a threat to biodiversity worldwide. Natural habitats, forests and wetlands are often converted into monocultures. Coupled with this, the unsustainable use of pesticides can further damage the surrounding biodiversity.

An example of how we're partnering to advance sustainable agriculture is Albert Heijn's "Better For" program, through which the brand partners with more than 1,000 suppliers and farmers to ensure production is better for animals, farmers, and the environment. Albert Heijn works with these farmers exclusively and focuses on reducing carbon emissions in the value chain, improving biodiversity and increasing transparency on how products are produced. Another example is The GIANT Company's partnership with Rodale Institute, the leading voice in developing solutions for the regenerative organic movement. The GIANT Company supports three key Rodale initiatives that are centered on farm consulting, farmer training and research. Through this program, farmers will receive support with the transition to organic farming and training in regenerative organic agriculture.

Around the world, forests continue to disappear, often for agricultural, ranching and logging purposes. Deforestation and land conversion are a particular concern for tropical rainforests and ecosystems, which are crucial because they capture carbon and thus help mitigate climate change. Tropical rainforests are home to much of the world's biodiversity, and support livelihoods across the globe. In addition, protecting, restoring and sustainably managing natural ecosystems, such as old-growth forests, marshes, mangroves and peatlands, could help to avoid the worst climate scenarios. Because of this, the food industry must help reduce deforestation and land conversion and identify alternative methods to produce the commodities that feed the world.

Ahold Delhaize and our brands aim to achieve zero deforestation and conversion by 2025 through 100% sustainable sourcing of soy, palm oil, cocoa, coffee, tea and wood fiber for our own-brand products. We already have specific policies taking the High Conservation Value approach and the No Deforestation, No Peat, and No Exploitation principle into account on soy, palm oil, wood fiber and beef. We use risk assessments to detect other forms of deforestation or conversion.

Our brands are working on further integrating sustainable agriculture expectations into sourcing requirements. They work directly with suppliers to adopt sustainable agriculture practices that include conserving natural resources, reducing land conversion, and improving soil health.

How we measure performance
- Reduction in absolute climate emissions from our value chain (scope 3) against a set baseline.
- Percentage sustainable sourcing for seven commodities in our own-brand products. For performance on these matrices, see the *critical commodity reporting* on our website.

EU TAXONOMY FOR SUSTAINABLE ACTIVITIES (EU TAXONOMY)

The EU Taxonomy was introduced to establish a common classification system for sustainable activities. The first reporting requirements – on climate change adaptation and climate change mitigation – became applicable over the 2021 financial year. Our updated net-zero ambition, announced in November 2021, and explained in more detail above, is a reflection of Ahold Delhaize's commitment to contribute to the objectives of the Paris Agreement and to play our part in keeping the planet on a 1.5˚C pathway. Also see the EU Taxonomy disclosures in the *ESG statements*.

Application of the EU Taxonomy

We support the EU Taxonomy and the objectives it aims to achieve. However, considering the evolving character of the European regulatory framework, the level of complexity of the available legislation and the lack of clarity around how to interpret and apply it, we expect that reporting will evolve and, over time, in-scope companies will be able to apply the legislation in line with market practice, as will be shaped initially following the first round of EU Taxonomy disclosures over financial year 2021 by issuers, including our EU peers. The company will, from time to time, review its methodology and the figures based on the evolution of the regulations and guidance from, among others, the European Commission and the European Securities and Markets Authority (ESMA).

The EU Taxonomy requires any in-scope company to disclose on an annual basis how and to what extent its activities are associated with economic activities that qualify as environmentally sustainable under the technical screening criteria set pursuant to the EU Taxonomy. Ahold Delhaize's main economic activity is the operation of food stores and e-commerce (see also *Note 7* to the consolidated financial statements). Food retail currently does not match the description of an activity and the technical screening criteria laid out in the Climate Delegated Act that classifies economic activities as sustainable and, therefore, the main activities of the company are out of scope.

Ahold Delhaize also engages in other, secondary economic activities that are primarily focused on supporting the retail activities, such as transportation of goods from distribution centers to stores, and owning and leasing real estate, such as retail space, office buildings and distribution centers. A number of these supporting economic activities identified are included as economic activities pursuant to EU Taxonomy legislation.

Outsourced activities

In some countries, transportation (outbound logistics) is not handled by the company itself but outsourced to a third party and purchased as a service, resulting in no capital expenditure.

Ahold Delhaize and its brands are using data processing and storage as our business is becoming more data-driven, and large quantities of data are produced, processed and analyzed on a daily basis. A large part of these activities are outsourced to third parties, resulting in data processing being done in data centers not owned (or leased) by the company.

While Ahold Delhaize and its brands are selling own-brand products, the manufacturing of these own-brands products are outsourced to third parties, with the exception of some coffee roasting and packaging activities. Manufacturing of food products are not included as economic activities listed in the EU Taxonomy.

Economic activities eligible under the EU Taxonomy

To assess eligibility, we identified the activities as included in the Climate Delegated Act of the EU Taxonomy, as adopted by the European Commission on June 4, 2021. We have identified the following significant activities in which Ahold Delhaize and its brands are engaged, and that are eligible under the EU Taxonomy. See also the paragraph on the EU Taxonomy in the *ESG statements* for further information on the economic activities identified. All four of these economic activities are applicable for both the climate change mitigation and climate change adaptation environmental objectives, although, in 2021, Ahold Delhaize contributed mostly to climate change mitigation:

Activity number[1]	Activity name
7.3	Construction and real estate activities: Installation, maintenance and repair of energy efficiency equipment
7.7	Construction and real estate activities: Acquisition and ownership of buildings
6.5	Transportation: Transport by motorbikes, passenger cars and light commercial vehicles
6.6	Transportation: Freight transport services by road

1 Activities and the related activity numbers as defined in the EU Taxonomy Climate Delegated Act.

For information about these economic activities, see *ESG statements*.

Key performance indicators under the EU Taxonomy

TURNOVER

Food retail does not currently qualify as a product or service associated with economic activities that are characterized as environmentally sustainable, as it does not match the description and the technical screening criteria laid out in the Climate Delegated Act. No net sales are recorded in the consolidated income statement for the secondary activities identified on the previous page.

Therefore, due to the current scope of the EU Taxonomy and the related technical screening criteria, our turnover is not covered by and thus not eligible in the EU Taxonomy.

Total turnover (and net sales per our consolidated financial statements) is €75.6 billion, of which zero percent is eligible under the EU Taxonomy.

CAPITAL EXPENDITURE (CapEx)

The following chart shows how we have allocated our CapEx to eligible activities in accordance with the EU Taxonomy. Where insignificant CapEx was spent on economic activities, these activities were considered to be small or insignificant and it is therefore reported as non-eligible even though some of it might qualify under the EU Taxonomy. For more information about the activities classified as small / insignificant, see *ESG Statements: EU Taxonomy.*

See below for the quantitative disclosures applicable to this indicator.

Environmental objective: Climate change mitigation

EU Taxonomy KPIs	CapEx
Taxonomy eligible activities (%)	51%
Taxonomy non-eligible activities (%)	49%
CapEx used for EU Taxonomy purposes (in € millions)[1]	**4,279**

1 See *EU Taxonomy in ESG statements* for the reconciliation of CapEx used for EU Taxonomy purposes to the additions in the consolidated financial statements.

Eligible and non-eligible CapEx under the EU Taxonomy

Environmental objective: Climate change adaptation

Our analysis of CapEx spent in 2021 indicated that no CapEx or very limited amounts were spent on climate change adaptation. Where CapEx spent is potentially both for climate change mitigation and climate change adaptation, the full amount of 2021 CapEx was allocated to climate change mitigation.

OPERATING EXPENSES (OpEx)

The legislation also considers the spend on operational expenditure (OpEx) directly attributed to capital expenditure needed for the transition to more sustainable operations, to be eligible in accordance with the EU Taxonomy. This definition is narrower than the accounting definition of operating expenses. As the operational expenditure, in accordance with the EU Taxonomy definition, is not significant to meet Ahold Delhaize's long-term goals to transition to more sustainable operations, we make use of the exemption for the calculation of OpEx, in accordance with the legislation. This is supported by the review we have done to calculate the additional operating expenses needed to meet our net-zero ambition (see above) and whether these operating expenses are eligible under the EU Taxonomy.

Therefore, we report zero eligibility based on our materiality assessment.

Looking ahead

In 2022, Ahold Delhaize and its brands will, in addition to determining eligible turnover and CapEx, also determine the aligned portions by identifying whether the business activities are environmentally sustainable within the meaning of the Taxonomy regulation. This will be done by determining if the economic activities make a substantial contribution to either of the six environmental objectives, evidenced by compliance with the technical screening criteria, "do no significant harm" to other environmental objectives and comply with the minimum social safeguards.

Although further regulation on the other four environmental objectives is not yet published, it is expected that the company will have economic activities related to these environmental objectives.

LOCAL HEROES

ALBERT HEIJN FIGHTS FOOD WASTE WITH "YESTERDAY'S BREAD"

The team at Albert Heijn has found a way to help keep one popular product from going to waste.

Through the "Yesterday's bread" initiative, bread not sold on the same day it's delivered fresh to the store will be sold the next morning for an extra low price: 25 cents for a half loaf or 50 cents for a whole loaf or bag of buns. Customers in all Albert Heijn stores are now able to save and prevent food waste with every sandwich they eat!

The brand estimates that around 1% of products are wasted before making it to customers' plates. While that may seem like a small percentage, for Albert Heijn it's too much. It represents not only a waste of food but of the time and energy invested in its production. "Yesterday's bread" could save 1.4 million kilograms of food waste annually.

"Our challenge is to reduce food waste while at the same time offering customers a wide assortment; we've been working for years on innovative ways to do this and 'yesterdays' bread' will help!"

Anita Scholte Op Reimer, responsible for Quality and Sustainability at Albert Heijn

Environmental, social and governance

IN FOCUS: CLIMATE CHANGE

INTRODUCTION

Climate change and the degradation of nature is a global threat to the health of the planet, people's lives and livelihoods. While it has been emerging as a risk for a long period, we saw increased urgency and an intensified call to action this year by governments and regulators around the world.

The climate crisis also encompasses a range of other issues – deforestation, biodiversity loss, and pollution among others. Ultimately, these are about the health and resiliency of the planet, which underpins the well-being of those that inhabit it.

As food retailers, we're acutely aware of how climate change is impacting the way food is grown and will change our business both now and in the years to come, from how and where our products are sourced to what our stores look like and how we heat or cool them. Climate change could result in losses due to property damage, revenue loss due to lack of product, higher product prices and higher costs, such as higher energy costs to cool our brands' stores. We also see opportunities for our brands to source popular products from new areas and meet changing customer needs with innovative and high-quality products, sustainably sourced.

To seize these opportunities and make a positive difference, we believe we need to challenge assumptions in our current food system. One example is the practice of providing large quantities and a great variety of products all year round that, in turn, wastes valuable food and energy. We face the dilemma of meeting customer expectations on variety, affordability and availability of food while reducing the cost to the planet, and meeting expectations on profitability from shareholders and investors. To address this challenge, we continue to work hard to engage customers and incentivize them to adopt healthier and more sustainable diets, reduce emissions across the entire value chain, promote biodiversity and reduce food and plastic waste. We are also revisiting our investment models, to address physical risks related to climate change, how we invest in our business and how we can make it more future-proof.

As we have done in previous years, this year we have integrated climate-related disclosures throughout this Annual Report. In this climate change deep-dive section, we discuss in detail the risks and opportunities for our business arising from climate change, but also how our business impacts our environment and climate. We also explain how we strive to manage those risks and opportunities, the actions we are taking (and plan to take) to mitigate the risks and how we govern our overall approach. In the *Environmental* section preceding this deep dive, we include information about our net-zero target and our disclosures under the EU Taxonomy, published by the European Union in order to channel investment streams towards sustainable investments. Additional information on the EU Taxonomy is also included in the *ESG statements* under *Environmental*. In addition, we provide further information on climate change in the *Risks and opportunities* section.

GOVERNANCE

Ahold Delhaize's Management Board takes overall accountability for the management of all of the company's risks and opportunities, including climate change. Our CEO has direct responsibility for oversight of our climate change agenda as it falls under our elevate healthy and sustainable growth driver. This includes leading the policy development of the climate change agenda and bringing additional executive oversight to this important strategic issue. Updates are tabled for discussion at the Management and Executive Board as well as the Sustainability Committee of the Supervisory Board, in line with our risk review cycle. See also *How we manage our ESG performance* for more detail.

Our Chief Financial Officer maintains oversight of our climate-related financial activities and reporting, sponsoring the Task Force on Climate-related Financial Disclosures (TCFD) and EU Taxonomy working groups that comprise colleagues across our climate, risk management and finance teams and maintain day-to-day oversight of these areas. See also how we manage ESG performance as explained in the *Introduction* to the ESG chapter.

Five of the nine members of the Supervisory Board are also members of the Board's Sustainability Committee, which is responsible for overseeing sustainability. The Sustainability Committee advises the Supervisory Board on the Company's long-term sustainability vision, strategy and target setting. It monitors the company's performance on sustainability targets. The Committee is responsible for monitoring the company's sustainability talent, leadership and culture development and assisting the Supervisory Board in fulfilling its oversight responsibilities for risks related to the topic. The Sustainability Committee met twice in 2021. See also the *Supervisory Board report* for more information on the Sustainability Committee and topics discussed in meetings.

Our approach to climate change has been rolled out globally, with our brand leadership teams responsible for implementing actions within the brands. Every brand has dedicated teams working to reduce their climate impact from own operations (scope 1 and 2). These teams consist of associates from departments such as store development and store maintenance as well as sourcing managers. Our brands have also started to engage with suppliers to reduce carbon emissions from their supply chains (scope 3) and they have communicated with their largest suppliers to learn more about their plans and current emissions.

To underpin the importance of decarbonizing our business, we linked the achievement of our scope 1 and 2 carbon emission reduction targets to remuneration under our short- and long-term incentive plans. See *Remuneration Policy* for details.

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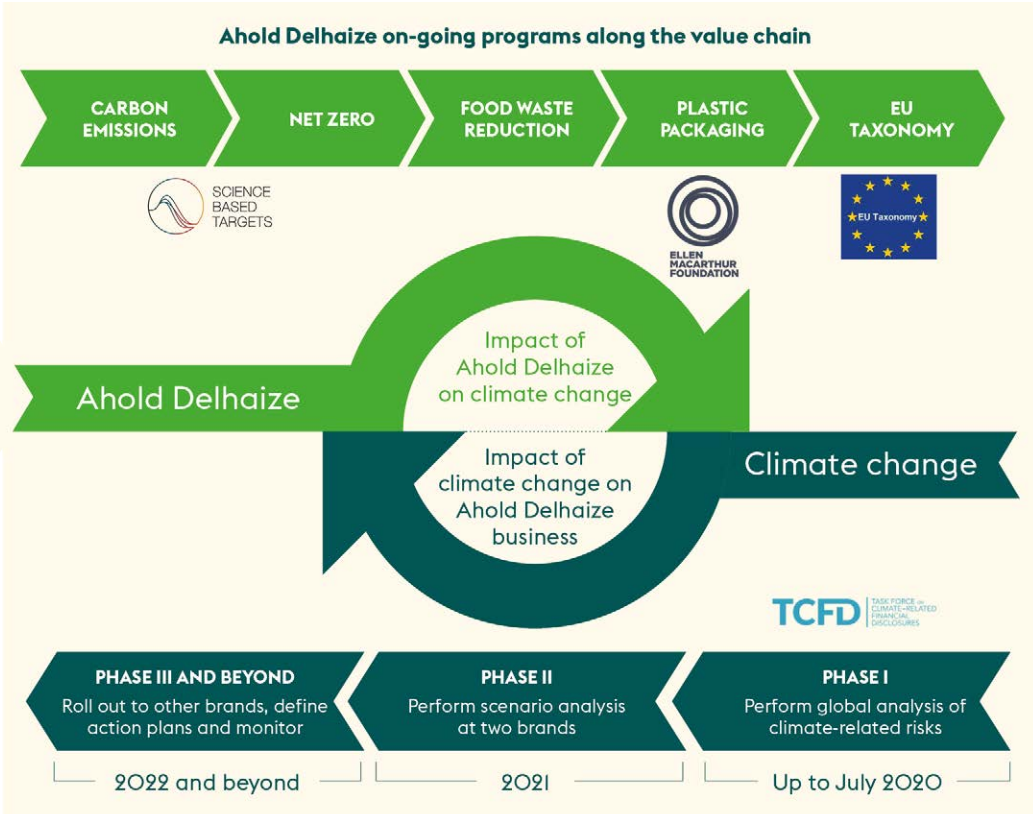
IN FOCUS: CLIMATE CHANGE

STRATEGY

A healthy planet is a key component of our *Elevate healthy and sustainable* growth driver, and our approach to addressing climate change in our company focuses on both the impact of climate change on our business (through our efforts to comply with the TCFD) and how our business activities impact the climate.

In June 2020, Ahold Delhaize publicly committed to implementing the TCFD recommendations. The TCFD provides a framework to improve the disclosure of consistent, comparable, reliable and clear climate-related financial information to help investors make better capital allocation decisions in support of the transition to a low-carbon economy. We have adopted the TCFD's recommendations and are reporting in line with its recommendations, where possible.



In November 2021, Ahold Delhaize and the brands announced our commitment to reach net-zero carbon emissions across own operations by 2040 (scope 1 and 2) and become net-zero businesses across the entire supply chain, products and services no later than 2050 (scope 3). For more information, see *Net-zero ambition* under *Environmental*.

We have also joined the Business Ambition for 1.5°C, a global coalition of UN agencies and business and industry leaders, in partnership with the Science Based Targets initiative (SBTi) and the UN-led Race to Zero campaign.

Ahold Delhaize and its brands have committed to long-term science-based targets to reach a net-zero value chain by 2050 and will advocate towards the value chain to build carbon-emission reduction plans consistent with a 1.5°C scenario. The biggest opportunity to reduce scope 3 carbon emissions can be made in agriculture, where the brands focus on partnering with farmers in this transition, by incentivizing sustainable change through longer term contracts with concrete environmental requirements and co-investments on their farms. We will embed these opportunities into a detailed plan on how to reduce scope 3 emissions..

We are a founding member of the World Resources Institute (WRI) 10x20x30 initiative to reduce food waste and 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. For more information, see *Food waste* and *Sustainable packaging* in *Environmental*.

RISK MANAGEMENT

We face potential physical risks from extreme weather, water scarcity and other effects of climate change on our business. Changing consumer preferences and future policy and regulation associated with the shift to a low-carbon economy present transition risks but also opportunities to our business. We are assessing climate-related risks through a phased process that includes deep dives into our different brands. This process is led by teams comprised of Ahold Delhaize global and local subject matter experts along with third-party specialized firms.

Ahold Delhaize's business strategy provides a degree of resilience to some of these risks, particularly the physical risks. For example, our diversified supply chain approach helps to provide some resilience to the impacts of climate change on particular areas; and our large physical store footprint, wide-spread reach and multi-channel business provide some resilience to potential local flooding and hurricane hotspots.

Looking ahead, we plan to expand our initial analysis beyond trading impacts to cover further potential risks and opportunities, for example, those relating to capital investment, technology and people as well as additional product categories and additional brands. For more detail on the scenario analysis performed in 2021, see the following page.

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Climate-related risk assessment

The TCFD divides climate-related risks into two major categories: risks related to the transition to a lower-carbon economy (transition risks) and risks related to the physical impacts of climate change (physical risks).

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to an organization.

Physical risks resulting from climate change can be event-driven (acute) or longer-term (chronic) shifts in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing and quality; food security; and extreme temperature changes affecting their premises, operations, supply chain, transport needs and employee safety.

Ahold Delhaize is following a phased approach to help us understand the potential impact of climate change on our business. In 2020, Ahold Delhaize conducted Phase 1, our first global analysis of climate-related risks and the potential material impacts on our business value chain. We developed two climate scenarios in line with 2˚C and 4˚C trajectories and identified 17 climate-related vulnerabilities (see diagram to the right) that could impact our supply chain, stores, warehouses, revenues and gross margin by 2030 and beyond.

In 2021, we performed Phase 2, a deep dive to understand the exposure of two large Ahold Delhaize brands (one in the U.S. and one in Europe) to climate-related risks and opportunities.

Our scenario analysis modeled the potential financial impact on these brands in the year 2030 under 2˚C and 4˚C trajectories, assuming that our business activities at the selected brands remained as they are today; so, without considering any actions that Ahold Delhaize might take to mitigate or adapt to the adverse impacts or to introduce new products that might offer new sources of revenue as consumers adjust to the new circumstances. The modeled risks under the 2˚C and 4˚C scenarios are mutually exclusive; we have not assessed a situation where physical and transition risks occur in parallel.

Our scenarios are based on those developed by the Intergovernmental Panel on Climate Change (IPCC).

PHYSICAL
Increase in extreme weather (acute)
Increasing extreme heat waves (acute)
Increase in temperature and droughts (chronic)
Sea level rise (chronic)
Land scarcity (chronic)
REGULATORY
Mandatory labelling
Regulation/pricing on GHG emissions
Regulation/pricing on water
Legislation on imported products with externalities
Legislation on carbon sinks depletion
Legislation on land scarcity
TECHNOLOGY
Development of new technologies for low-carbon solutions
MARKET
Shift in consumer expectations
Shift in business partners expectations
REPUTATION
Reputation damage
Lack of visibility of brands' commitment to fighting change
SOCIAL
Increase in social issues

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IN FOCUS: CLIMATE CHANGE

SCOPE OF PHASE 2 SCENARIO ANALYSIS

We have leveraged our current risk management process and used a scenario analysis to assess climate-related risks. This detailed analysis focused on two brands, on six primary risks derived from the 17 potential climate vulnerabilities identified in the initial global assessment and on fresh product categories. The six risks we believe have the greatest potential to impact our business were selected and focused on fresh product categories as the key business categories with the greatest potential climate-risk that can be directly influenced by Ahold Delhaize and the brands.

The 4˚C scenario that we used in our Phase 2 deep dive focuses on a world where the climate policy is less ambitious and coordinated, leading to a systemic failure to address climate change. It assumes limited and fragmented policy or regulatory support for decarbonization and focuses on several significant physical climate risks:

1. Chronic climate change, leading to chronic and acute water stress and reduced agricultural productivity in some regions, raising prices of raw materials or reducing supply volumes
2. Increased frequency and severity of extreme weather events, disrupting our supply chain or causing damage to our assets. In this world, carbon prices remain low. We followed the latest scientific insights on the physical manifestations of climate change by 2030 and took yield projections into account.
3. Temperature increase and extreme weather events that reduce economic activity, GDP growth sales levels.

The 2˚C scenario we used in the deep dive reflects a world that acts rapidly and in a coordinated manner to limit greenhouse gas emissions. This scenario focuses on transition risks associated with the changes needed by 2030 to cut emissions in line with the Paris Agreement, including:

1. Coordinated carbon pricing that leads to increases in costs for both manufacturing and raw material (e.g., dairy ingredients, metal used in packaging).
2. Low-carbon land management practices (e.g., Climate Smart Agriculture) implemented to comply with zero net deforestation requirements, that put pressure on agricultural production, raising the price of certain raw materials.
3. Changes in consumer behavior and consumption patterns, leading to potentially significant changes in demand for certain product categories.

We used the latest scientific insights to make assumptions about the physical ramifications of climate change by 2030 (including those taking into account this year's numerous weather incidents).

In our Phase 2 deep dive, we focused on fresh products (meat, fish, dairy, fruits and vegetables) as we have the ability to change the sourcing of these product groups. On a consolidated basis, net sales from fresh products represents 45% of total net sales. We engaged various business functions across the value chain in the selected brands, such as supply chain, procurement, asset management, insurance and finance, to develop the scenario.

Based on the 17 vulnerabilities identified in Phase 1, we selected the following six most significant risks for further analysis in our Phase 2 deep dive:

Risk derived for further investigation	Vulnerability	Type of risk
The impact of carbon pricing on gross margin	Regulation/pricing on GHG emissions	Transition risk
The impact of agricultural yield decreases and yield losses on revenue and gross margin	Increase in extreme weather Increasing extreme heat waves Increase in temperature and droughts Sea level rise	Physical risk
Revenue losses resulting from disruption of stores and distribution centers (operations) due to climate events	Increase in extreme weather Increasing extreme heat waves Increase in temperature and droughts Sea level rise	Physical risk
Increasing costs resulting from asset damage due to climate events	Increase in extreme weather Increasing extreme heat waves Increase in temperature and droughts Sea level rise	Physical risk
The impact of climate change on energy costs	Increase in temperature and droughts Regulation/pricing on GHG emissions	Transition risk
Changes in gross margin from changing customer diets	Shift in customer expectations	Transition risk

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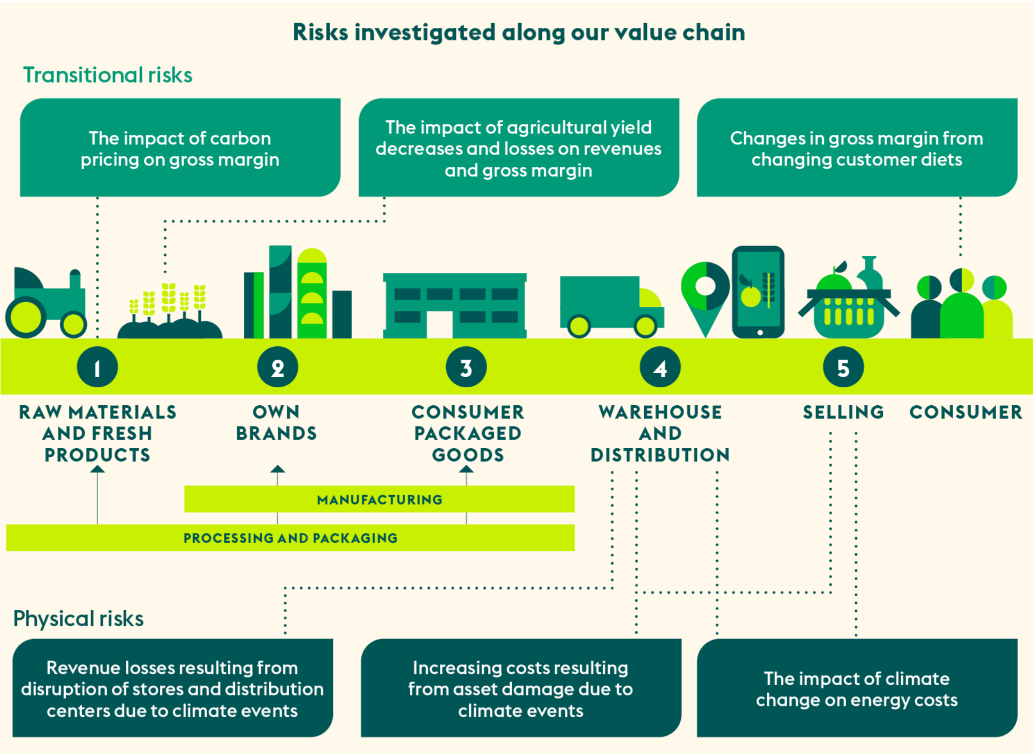
IN FOCUS: CLIMATE CHANGE

These six most significant risks have impact on different areas of our supply chain, as illustrated in this graphic:



RESULTS

Our deep dive analysis indicated that, without action, both scenarios may have financial impact to Ahold Delhaize by 2030. Overall, the expectation is that transition risks will be more impactful in a 2ºC scenario by 2030 due to carbon pricing and a rapid shift to sustainable agriculture. Customers are also expected to be more climate conscious and preferences will shift towards low-carbon products. In this scenario, the pricing of fresh products and overhead costs will increase due to carbon pricing. The impact on gross margin will largely be dependent on whether customers are willing to pay more for low-carbon products and the difference in the contribution to gross margin of low-carbon versus carbon-intensive products.

Physical risks in a 4ºC scenario are expected to be more impactful, especially beyond 2030. Leading climate science indicates that changing weather conditions are likely to significantly increase yield volatility and yield losses, which will impact the availability and pricing of fresh produce.

The financial impacts are highly sensitive to the assumptions used for modeling. Potential financial impacts to the company also depend on assumptions around the percentage of potential costs from climate-related risks that can be passed on to customers versus being absorbed by the business. Calculations were made taking into account different assumptions to determine a range of financial impacts.

The impacts described are those arising from potential regulatory changes, such as a carbon tax on livestock emissions or carbon pricing policies. Given that the initial analysis showed that the other impacts are less material to Ahold Delhaize, are currently only quantified for two of our 19 brands, and have the potential for significant variation depending on the assumptions used, we have not separately quantified the impacts in this report.

The first iteration of our scenario modeling assumes the business remains static, including our operating model, current sourcing practices and sourcing volumes.

Environmental, social and governance

IN FOCUS: CLIMATE CHANGE

Scenario: Potential impact of a 2ºC temperature increase by 2100 on 2030 business (transition risk)	
Scenario drivers	**Potential impact in 2030 and underlying assumptions to impact (if no actions to mitigate risks are taken)**
Increased cost due to carbon pricing	Potential financial impact will be dependent on: • The ability to pass on increased cost to customers • The contribution of carbon-intense products to gross margin These factors can differ per brand and country, depending on dietary preferences and price sensitivity. Product categories like dairy, which is considered carbon intense, are expected to be more impacted than fruit and vegetables.
Increased cost due to energy pricing The energy transition's economy of scale is not perceived by 2030 (A move towards a low-carbon economy means there is a greater contribution of renewable energy in the energy mix. This requires investments and new transportation that increase electricity costs, while technical developments simultaneously reduce the levelized cost of electricity.)	We expect that the increase in temperature (and heating/cooling days) would not be drastically different by 2030 in a 2˚C compared to a 4˚C scenario, which means that the change in energy demand is similar in both scenarios. Energy prices are expected to be higher in a 2˚C scenario, but the difference is not expected to be material in either scenario. In certain European countries, more cooling is required during hot summers, leading to an overall medium impact. Energy consumption is not expected to increase significantly for some of the U.S. brands because the increase in heating/cooling degree days is expected to be relatively minor. However, energy price is the main driver to the high risk, due to the number of stores and distribution centers, as well as a larger price increase compared to the European market.
Revenue and profit impact due to changes in customer diets – a move from carbon-intensive (i.e., meat) products to low-carbon products (i.e., certain plant-based products).	Customers will be more aware of climate issues in a 2˚C than in a 4˚C world. Purchasing behavior favors low-carbon products in a 2˚C scenario. The carbon intensity of the product and its contribution to gross margin will be the main drivers of the impact. Dairy products are again expected to be the category with the highest impact but it will differ by brand, depending on product mix.

Scenario: Potential impact of a 4ºC temperature increase by 2100 on 2030 business (physical risk)	
Scenario drivers	**Potential impact in 2030 and underlying assumptions to impact (if no actions to mitigate risks are taken)**
Revenue and gross margin loss due to agricultural yield and yield loss.	Changing weather conditions are likely to significantly increase yield volatility and yield loss. The decline of key agricultural regions (due to agricultural droughts and temperature increase, for example) and the increased risk of extreme weather events are likely to negatively affect the production of fresh products. The differences between 2˚C and 4˚C by 2030 are still expected to be small. Products sourced from, for example, Southern Europe or California are expected to be impacted more. Alternative sourcing regions for products at higher risk need to be explored.
Revenue losses resulting from the disruption of stores and distribution centers as well as the increasing costs resulting from asset damage due to climate events is not expected to be significant in either of the two scenarios.	Certain brands are more exposed to hurricanes or flooding, leading to an overall higher risk. The impact is not yet expected to be material by 2030.

Managing climate change risks and opportunities

The modeling scenarios presented above are useful for understanding the potential (financial) impacts of climate change on our business, but there are limitations. Climate change impacts are systemic and unpredictable. Scenario analysis requires us to pick specific factors and model them using fixed assumptions. The ultimate impact is also difficult to assess because it depends on whether we will be able to pass on cost price changes to customers, to what extent customers will change their shopping behavior and to what extent and how successful suppliers are adapting to climate change.

However, there are many wider potential impacts – including opportunities – that we cannot capture from one type of modeling. For instance, we considered the impact of extreme weather in our 2°C and 4°C scenarios, but we did not quantify this in detail due to how unpredictable extreme weather events are. For these reasons, we also look more broadly at possible physical and transition risks and opportunities to our business from climate change, applying the insights for the scenario analysis done at the two brands. In this section, we discuss the actions we are taking to mitigate these.

TRANSITION RISKS

Reducing carbon emissions in our own operations

In November 2021, Ahold Delhaize announced its updated net-zero ambition for own operations; see *Environmental* for more detail, including actions identified to reduce carbon emissions in our brands' own operations.

In 2021, we started our journey to integrated emission reduction criteria into our investment model and will be updating the model as we gain more experience and insights. We believe this model will help us consider the impact our new investments will have on carbon emissions, layering an additional environmental discipline into our framework.

Ensuring energy-efficient equipment use and buildings

As part of our net-zero ambition, we have performed a review to identify where the energy efficiency of equipment (mainly refrigerators) and buildings can be improved and made additional cost estimates. As mentioned above, the investment models used are now taking into account carbon pricing. Investment proposals will be monitored against the net-zero ambition calculations.

Using and investing in renewable energy

In 2021, our brands in the Netherlands and Belgium were powered with 100% renewable energy, either through their own energy generation activities or through sourcing certified renewable energy from suppliers. The rest of the European brands are at different levels of renewable energy use but are all following the example set by the Benelux brands. Our U.S. brands started community solar projects that will enable the use of renewable energy in the coming years. As a result, 21% of the energy consumption from our brands is coming from renewable sources compared to 12% in 2020.

PHYSICAL RISKS

Working on product procurement and yield loss in sourcing areas

Ahold Delhaize and its brands are engaging with suppliers to develop solutions to address risks around product procurement, including:

- Our brands are working with producers and co-operatives that invest in greenhouse facilities that can support environmental conditions optimal for production. Hydroponic cultivation with cooling and heat systems are used more regularly for producing during the periods of higher risk (e.g., autumn droughts or extremely high or low temperatures in summer and winter).
- Our brands' vegetable producers invest in new hybrid varieties (e.g., tomatoes and cucumbers) and new varieties of leafy vegetables that can withstand extreme temperatures or diseases and, in some case, move their production areas to higher altitudes to avoid high temperatures. Our brands' fruit producers (e.g., growers of stone fruits, cherries and apples in northern Greece) use nets as a protection from hail.
- Our brands prioritize collaboration with vendors who invest in energy-efficient ways of growing produce, that have a lower impact on climate change, for example, greenhouses that use geothermal energy or energy from reusable sources and LED lights that use less energy.
- Our brands disperse the risk of availability problems, by collaborating with a large number of producers in different areas.

Protecting real estate from damage

Insurance: We procure property damage and business interruption (PDBI) insurance to protect our assets against natural catastrophes and weather-related events, such as earthquakes, windstorms and floods.

Risk engineering program: As part of our PDBI insurance, we run an extensive risk engineering program across our business to proactively implement risk improvements on existing assets and future projects, ensuring long-term resilience against physical risks.

Modeling: We frequently model natural catastrophe scenarios across our geographical footprint to analyze and examine the financial impacts on our assets and make informed decisions on insurance and risk transfer needs.

OPPORTUNITIES

Greater ability to attract young talent

Young people are proving to be more sustainability-minded and have a strong desire to work for a purpose-driven company, particularly one that is taking responsibility for its impacts and acting to mitigate climate change.

Enhanced reputation with stakeholders

Managing our approach to climate change and living up to our ambitions as a responsible business will enhance our brands' reputation with customers and other key stakeholders. Investors are increasingly interested in investing in companies that are not only focused on financial performance but have a strong commitment to making measurable strides on ESG performance, including minimizing their impacts on the environment.

METRICS AND TARGETS

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

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

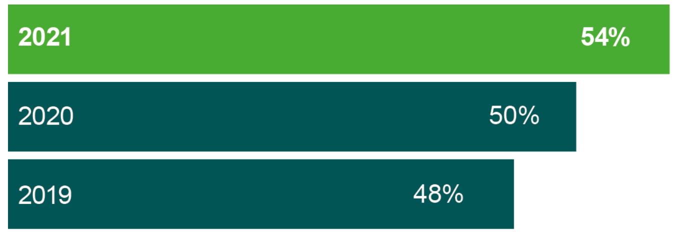
Following the updated net-zero ambition announcement in November 2021, Ahold Delhaize and the local brands committed to:

- Reach net-zero carbon emissions across all operations by 2040 (scope 1 and 2)
- Become net-zero businesses across the brands' entire supply chains, products and services no later than 2050 (scope 3).

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

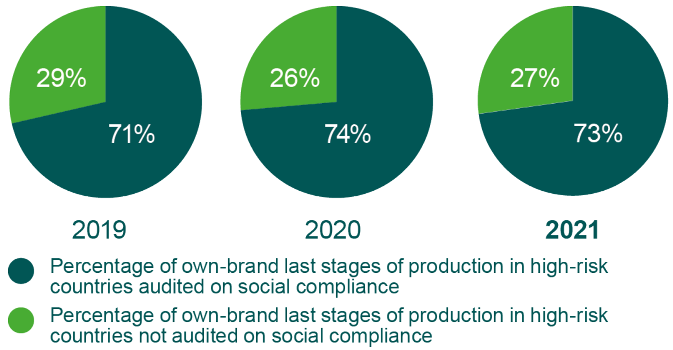
We have not yet implemented additional metrics to measure the possible impact of the risks identified in the detailed assessments we performed in 2021.

Percentage of healthy own-brand food sales of total own-brand food sales[1]



[1] Healthy sales percentage for 2021 is impacted by the transition to the Nutri-Score methodology instead of Choices in our European brands. See ESG statements for more information.

Percentage of own-brand last stages of production in high-risk countries audited on social compliance



Workplace injury absenteeism rate
Number of injuries that result in lost days per 100 full-time equivalents

Environmental, social and governance

SOCIAL

In addition to building a healthier planet, we focus on healthier people as part of our Grounded in Goodness strategy. Our commitment to healthier people begins with empowering customers and associates to make better choices when shopping with us, in stores and online. We also support resilient communities, everywhere the brands operate. And finally, we work with farmers and suppliers to ensure that they demonstrate a high standard of business ethics and regard for human rights, and that our products are safe, high quality, and produced in clean, safe and efficient facilities with good working conditions. Our social impact goes beyond our Grounded in Goodness strategy and includes topics such as health and well-being; fair labor practices in the supply chain; associate safety, health and well-being; and customer health and safety. We take responsibility for driving positive impact, for example by helping customers and associates make healthy and sustainable choices, by keeping people safe and well during a pandemic and by safeguarding human rights in our brands' own operations and across supply chains.

For our performance on these social topics, see *ESG statements*.

HEALTHY PRODUCTS

Developments in 2021

We see a continuing shift in all our markets towards health and well-being. Consumers want to eat healthier – and are looking to retailers to help them access products that are both healthy and affordable.

Our impact

Healthy food leads to healthy communities by reducing the risk of chronic diseases and contributing to a community's overall resilience and vitality. Customers look to our brands for fresh, healthy inspiration to help them put delicious, nutritious family meals on the table every day. Our brands work to help make customers and associates more aware of what they eat and how it impacts their health. They offer affordable nutritious product choices and other information and support to make healthier eating easier and more appealing.

Our approach and progress

We aim to make healthier eating commonplace. By making fresh, nutritious and delicious food available and affordable for everyone, we contribute to healthier communities. Our strong local brands and their broad ranges of products offer fresh inspiration every day. With an assortment that includes affordable nutritious choices, and with recipes, support services and transparent labelling, our brands are making healthier eating easier. With engaging activities, we are making healthier food appealing and fun. We strive to provide healthier choices and guidance to our customers while at the same time offering the wide range of products consumers demand.

For example, through its Super Plus program, our Delhaize brand in Belgium integrated healthier choices into its customer loyalty program. Super Plus gives customers additional discounts for products that receive a healthy score in the nutritional navigation system, Nutri-Score. More than two million customers have already signed up for the program.

This year, Mega Image continued encouraging a healthy lifestyle among the younger generations by kicking off the third edition of its "I Eat Properly, I'm Mega Healthy" program. Developed in collaboration with doctors and nutritionists, the program provides children with interactive education sessions to help them better understand what a healthy plate should include and how a balanced diet contributes to a healthy lifestyle.

In Greece, Alfa Beta launched a new service, "Your personal dietician is here for you," as part of their Health & Wellness Hub. It provides personalized online meal plans based on the Mediterranean diet with special tips for functional needs. Customers can purchase the products for their meal plans with one click through the AB Eshop and are rewarded for their healthy choices with AB Plus coupons.

Hannaford is making nutritional education more entertaining for children with a microsite full of games, tips and adventures that help show children that healthy food is fun.

How we measure performance

- Percentage of healthy own-brand food sales as a proportion of total own-brand food sales.

FAIR LABOR PRACTICES IN THE SUPPLY CHAIN

Developments in 2021

The COVID-19 pandemic exposed the fault lines in the world's supply chains and shone a spotlight on the urgent challenge of making them more resilient. At the same time, labor shortages gave employees a stronger voice and more leverage in the workplace.

Our impact

As a global retailer, we can have an important influence on how business takes place across the supply chain. The strong, long-term relationships our brands build with suppliers help us to gain visibility into all areas of the supply chain and use our influence to ensure that the companies we deal with operate in a fair and ethical way.

Our approach and progress

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

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

See also *In focus: Ethics and human rights*.

How we measure performance

- Percentage 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.

Environmental, social and governance
SOCIAL

ASSOCIATE HEALTH, SAFETY AND WELL-BEING

Developments in 2021
The pandemic has increased the focus on associate health and well-being – not only physical but also mental health, which has been severely affected by the circumstances of the past two years. Retailers everywhere have continued to invest in safety measures to keep both associates and customers healthy and well.

Our impact
At Ahold Delhaize, over 413,000 associates look to our brands and businesses to provide a safe place to work and contribute to their health and well-being. As a company of local brands that are close to communities, we have a keen understanding of the specific needs of people in all our markets and how best to support them. See also the *Cultivate best talent* growth driver for more information.

Our approach and progress
Safety programs at all our brands address regulations and initiatives that contribute to physical safety and mental health at work. Our brands integrate safe working practices right into the designs, equipment purchases and operations practices of stores, offices and distribution centers. Our brands improve safety not only through visible leadership, but by engaging associates to play their parts, keeping an eye out for dangerous situations or harassment.

Several of our brands launched a virtual safety training for associates in their distribution centers in 2021. From keeping a 20-foot distance to making pre-trip inspections, the Active Safety VR provides a well-rounded training on warehouse safety rules. This virtual training enables associates to safely address hazardous situations that need to be avoided in real life. It was created with input from real subject matter experts, making the training extremely realistic and a great add-on for onboarding new hires.

In addition, our brands have long had a strong strategic focus on the health and well-being of associates, their families and communities, which they show by providing benefits in line with a focus on healthy life, work-life balance and financial security, in the spirit of our value, care. Our brands also have programs in place to inspire associates to make healthier lifestyle choices.

For example, in the Czech Republic, Albert continued its “Prevention with Albert” program for the third year in a row by providing associates with products that support immunity and informative webinars about physical and inner health.

How we measure performance
- Number of injuries that result in lost days per 100 FTEs.

Environmental, social and governance

IN FOCUS: ETHICS AND HUMAN RIGHTS

ETHICS

To say that these last two years presented new challenges would be an understatement; never before have we encountered a global challenge on the scale of COVID-19. In times like these, our core values and ethical principles become more important than ever.

Ahold Delhaize and its brands share a strong tradition of integrity; it has helped us stay committed to always doing what is right. Over the past year, our values have continued to guide us as we faced new challenges. If a global pandemic taught us anything, it is that we – each of us individually and all of us together – can create good. We can be a source of hope and stability for our fellow associates and the communities our brands serve. We may not always have the power to fix everything, but we can fix a lot. Just as we have built on our legacy of integrity, we can create a legacy of impact for those who follow us. Whatever the issue – recognizing the dignity of every individual, lifting up the marginalized, protecting the natural world around us – we can make a difference.

Acting with integrity is about more than just protecting our reputation or avoiding legal issues. It is about creating a place where we all support, respect and inspire each other and the world around us. Acting with integrity is what we do and defines who we are. With brands and businesses that span the globe, we are committed to acting ethically and responsibly in every country and community where our brands operate.

Our ethical principles

At Ahold Delhaize, our Ethical Principles are the foundation of our commitment to conduct our business the right way, every day

Since our Code of Ethics was launched in 2017, it has provided guidance to associates on how to comply with relevant legal and regulatory obligations and make ethical choices as it relates to our business. In 2021, we updated our Code of Ethics by clarifying and simplifying the text and amplifying evolving topics such as Human Rights and Data Privacy. Applying our values and ethical principles enables associates to make good choices and protect our relationships with colleagues, customers and the communities our brands serve. The Code of Ethics also provides guidance on when and where to ask for advice or report a compliance or ethics breach, including by means of whistleblower lines available to associates in each of our locations. All associates at the level of manager and up are assigned to complete the annual Code of Ethics training.

The principles in the Code apply to all associates of Ahold Delhaize and its businesses. Associates of certain defined grade levels are trained in compliance with the Code on an annual basis. The full Code is available in the corporate governance section of our website at *www.aholddelhaize.com*.

In addition to our Code of Ethics, we have a global policy and control framework that addresses and monitors key risks to our business. These policies and controls relate to internal processes (e.g., financial reporting, capital investments, purchasing and tax) as well as to legal and regulatory risks (e.g., data privacy, competition and antitrust, and corruption and bribery).

SPEAK UP LINE

Ahold Delhaize and its brands provide reporting options for associates, including the Speak Up line, a global reporting line that is monitored by third-party provider NAVEX. In 2021, our whistleblower lines received 5,724 reports (2020: 6,994), over 89.6% of which were related to routine HR issues. After human resource-related issues, the five most frequently reported issues were workplace safety (3.4%), public/food safety (2.0%), employee theft/dishonesty (1.7%), violation of a law (1.3%), and substance abuse (1.1%). All of these reports were routed to the appropriate brand or function for follow up and investigation.

The Speak Up line is available to report potential misconduct or seek guidance on ethical issues, and is accessible either by telephone or internet, 24 hours per day, seven days per week. All reports are forwarded to the appropriate internal resource for review and prompt response or investigation. And every report is treated confidentially, so callers can feel comfortable providing useful information without fear of retaliation.

Approximately 27.6% (2020: 41.2%) of the reports were made anonymously in 2021. On average, reports were investigated and resolved within 18 days. Approximately 34.7% of investigated reports were substantiated. In 2021, there were no substantiated reports of significant financial reporting, accounting, fraud or ethical violations.

Additionally, the Ahold Delhaize Compliance and Ethics team maintains and monitors an email box (ethics@aholddelhaize.com) that can be used to report potential ethical or compliance concerns and to seek guidance regarding ethical dilemmas.

Environmental, social and governance

IN FOCUS: ETHICS AND HUMAN RIGHTS

SUPPLY CHAIN GRIEVANCE MECHANISM

We expanded the use of our Speak Up line to include reporting for third parties and workers within our supply chain. We wanted to create a way for issues to be reported directly to us so that we can proactively address them rather than reactively respond to them. As a global retailer, our supply chains span the globe, with many of our products originating in geographies far removed from our operating footprint.

The global availability of our Speak Up line provides workers the opportunity to raise issues, wherever they may occur. We continue to promote this availability on our external website and communications as well as within the supply chain.

NO RETALIATION

Associates of Ahold Delhaize businesses are encouraged to raise concerns about inappropriate behavior or possible violations of law or policy. Ahold Delhaize businesses will not retaliate or allow retaliation against anyone who, in good faith, reports a potential violation of the law, our Code of Ethics or any other company policy. Any form of retaliation is a serious violation of our Code of Ethics and may result in disciplinary action, up to and including termination of employment.

DATA PRIVACY

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

Our key principles

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

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

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

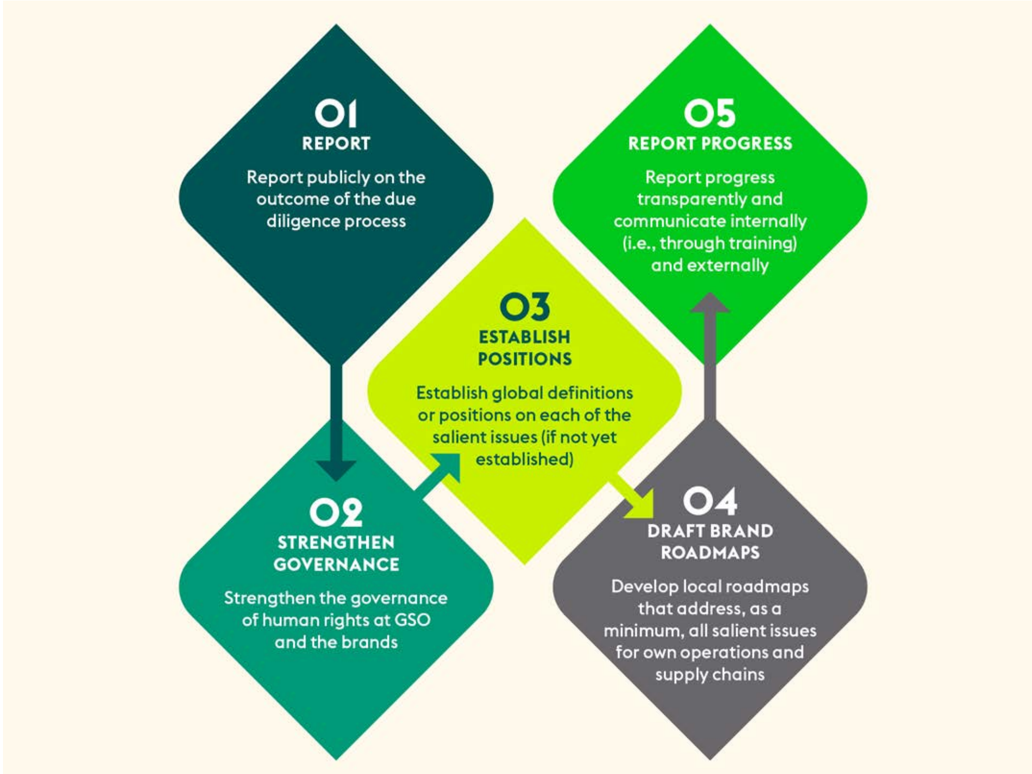
CORRUPTION AND BRIBERY

Ahold Delhaize and the brands are committed to conducting business in an ethically responsible manner and complying with the law in all countries and jurisdictions in which we operate. This commitment specifically includes compliance with laws relating to anti-corruption and bribery. The *Ahold Delhaize Code of Ethics* and our *Global Anti-Corruption and Bribery Policy* prohibit any form of corruption or bribery, including facilitation payments. Based on our monitoring systems (e.g. Speak Up Line), there were no known incidences of bribery or corruption during the year.

HUMAN RIGHTS

Our business depends on people and we are committed to providing an environment where everyone is respected. That is why our commitment to human rights is integrated in the first Ethical Principle in our Code of Ethics: We respect each other.

Our support for human rights extends beyond our own operations and includes our supply chains and the communities in which we operate. We recognize that as a global retailer, we can impact issues important to people in our local communities and our global supply chains.



Environmental, social and governance

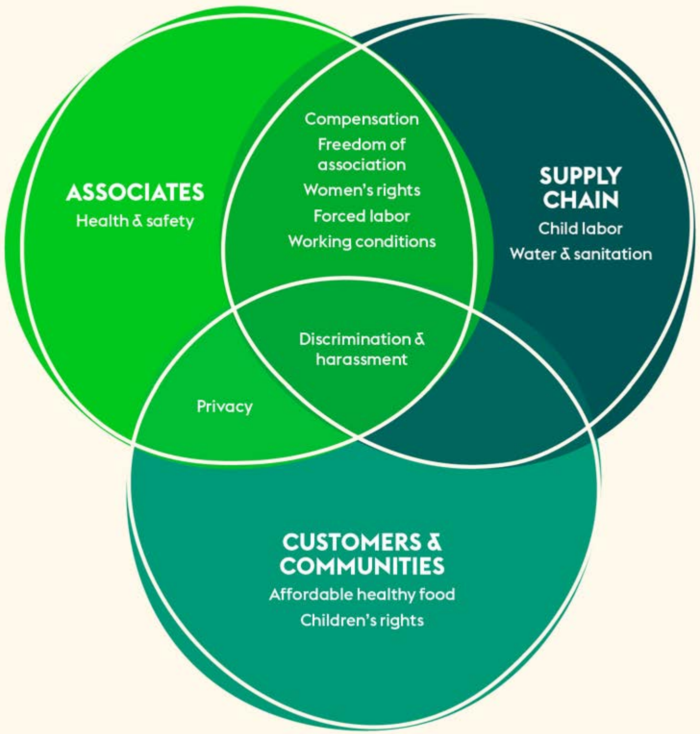
IN FOCUS: ETHICS AND HUMAN RIGHTS

Progress on our roadmap on human rights

In 2020, we published our first Human Rights Report that described our approach to human rights, including a commitment to conduct a Human Rights due diligence process. In that process, we identified six global human rights issues that are priorities for our businesses, based on their potential negative impact on people. We also reviewed our policies and processes on human rights and identified areas for improvement along with concrete next steps in the Roadmap on Human Rights.

We made significant progress on taking this forward in 2021. One of the key next steps was to translate the global Ahold Delhaize Roadmap to the brands. Since the publication of our Human Rights Report, we developed a methodology that helps each brand explore how they impact associates, customers, communities and people in their supply chains, while engaging a broad range of internal (and sometimes external) stakeholders across functions and roles. Because of the continued impact of COVID-19, we adapted the methodology to a digital environment and the implementation is ongoing.

Salient issues



In the meantime, we also made progress on the salient issues. Throughout this Annual Report, you can find out more about our approach to health, safety and well-being in *Cultivate best talent*; diversity, inclusion and gender pay parity in *In focus: Diversity and inclusion*; freedom of association in *Governance*; health in *Elevate healthy and sustainable* and *Social*; privacy in this section; and fair labor practices in the supply chain in *Social*.

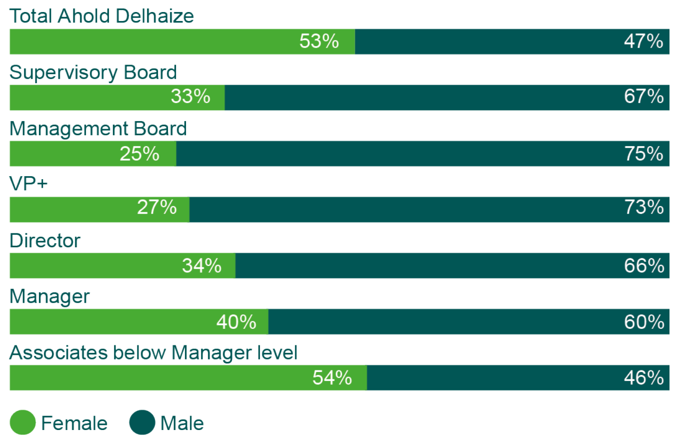
Engagement and reporting

Developments in 2021 vividly illustrated the impact that our brands' operations can have – both positive and negative – on people, through their approach to challenges such as access to healthy food, social justice and climate change. To better engage leadership across Ahold Delhaize and its brands, in the first quarter of 2021, we introduced the Human Rights Quarterly. This is an internal publication that engages global and brand leadership and a broader community of functional and brand experts on human rights topics and provides regular internal updates on the Roadmap. Most importantly, it brings to life how every associate can positively impact human rights in their everyday work.

In our previous Human Rights Report, we also committed to reporting publicly and transparently on our human rights commitments towards external stakeholders in our Annual Report, and eventually in a follow-up report that would outline progress on our Roadmap.

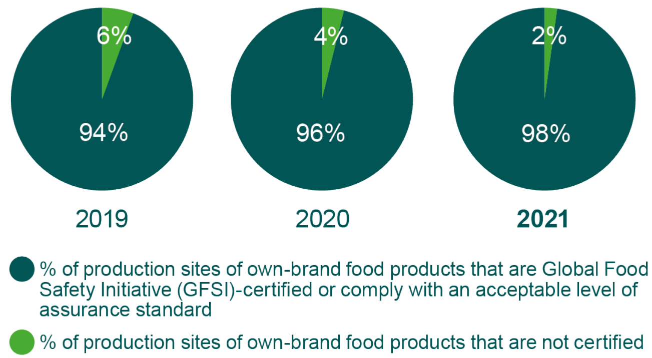
In 2022, we will publish our next Human Rights Report to provide a more detailed update on our progress on the Roadmap on Human Rights. In it, we will also address each of our salient issues and provide other relevant updates on how we address our human rights impacts. Until then, we will continue to engage with relevant stakeholders, including associates, customers, investors and the broader communities, both locally and in our supply chains.

Gender balance 2021



Associate engagement score

Percentage of production sites of own-brand food products that are GFSI-certified or comply with an acceptable level of assurance standard



Environmental, social and governance
GOVERNANCE

As in every other area of our business, having the right governance in place to ensure we take a structured and effective approach to our ESG ambitions is critical to our success. See also *ESG Statements introduction* for how we manage ESG performance as well as the governance section in the *In focus: Climate change* section.

For the performance on these governance topics, see *ESG statements*.

DIVERSITY AND INCLUSION

We have bold aspirations to become a more diverse and inclusive company, across all our brands and businesses. To learn more about our developments, impact, approach and performance on D&I, see *In focus: Diversity and inclusion*.

PRODUCT SAFETY AND QUALITY

Developments in 2021

Because of the pandemic, inspections and audits of our stores and production locations could not always take place. Where the risk level allowed for it, we relied on remote audits, making use of visualization equipment.

See *Principal risk* "Product safety" for more information.

Our impact

Through our policies, control framework and standard operating procedures, we ensure that the products our brands sell are safe to consume.

Our approach and progress

By 2050, the world's population is expected to grow to almost ten billion people. How can we feed them all with safe and nutritious food without depleting our natural resources? This challenge must be addressed at all stages of the supply chain.

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

We have clear policies and procedures in place to make sure product safety and quality is guaranteed when products are in our brands' distribution centers and stores. Before products enter our brands' facilities, temperature and expiration dates are verified and daily quality checks are done in both distribution centers and stores. We also provide training to our brands' associates on a regular basis.

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

More information on the product safety standards we adhere to can be found on our website at *www.aholddelhaize.com*

How we measure performance

- Percentage of production sites of own-brand food products that are GFSI-certified or comply with an acceptable level of assurance standard.
- Percentage of high-risk non-food own-brand products that are produced in production units audited by an independent third party against an acceptable standard, or where every lot was tested.

AVAILABLE AND AFFORDABLE PRODUCTS

Developments in 2021

The continuing economic impact of the pandemic in 2021 had a disproportionate effect on the most vulnerable members of society, increasing the gap between rich and poor. Inflation in many of our brands' markets raised prices and strained consumers' budgets. At the same time, COVID-19-related supply chain turmoil has made it challenging for retailers to ensure product availability.

Our impact

As a global family of local brands, our strong, long-term relationships with suppliers help us to keep our shelves stocked so consumers can get the products they need, even in challenging times. Our Save for Our Customers initiatives enable us to operate efficiently, so we can keep costs down and prices competitive. Our brands' own-brand ranges are an important tool in helping offer customers unique and high-quality products at a good value.

Our approach and progress

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

More information on how we ensure available and affordable products is in the *Growth driver – Strengthen operational excellence* section.

How we measure performance

- Delivery on our Save for Our Customers program.

For more information, see also *Strengthen operational excellence*.

Environmental, social and governance

TAX TRANSPARENCY AND RESPONSIBILITY

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

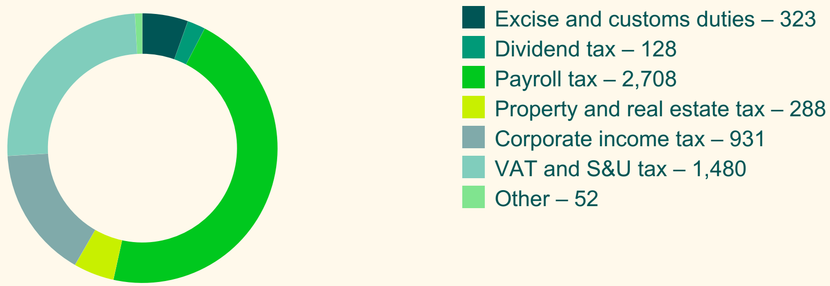
Our tax policy consists of five main tax principles: transparency, accounting and governance, compliance, relationships with authorities and business structure. Our tax principles are aligned with the Responsible Tax Principles, which were developed by a group of leading companies, along with involvement from civil society, investors and representatives from international institutions. The principles are known as the B Team Responsible Tax Principles. In 2017, the B Team brought together the heads of tax from nine multinationals. They developed a new framework for approaching tax with a set of Responsible Tax Principles. The Principles raise the bar on how business approaches tax and transparency and help forge a new consensus around what responsible tax practice looks like.

TRANSPARENCY

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

In 2021, Ahold Delhaize collected and paid many types of taxes: payroll tax, corporate income tax, net-value-added tax (VAT), sales and use tax (S&U), property tax and real estate tax, dividend tax, excise and customs duties and others (e.g., packaging tax).

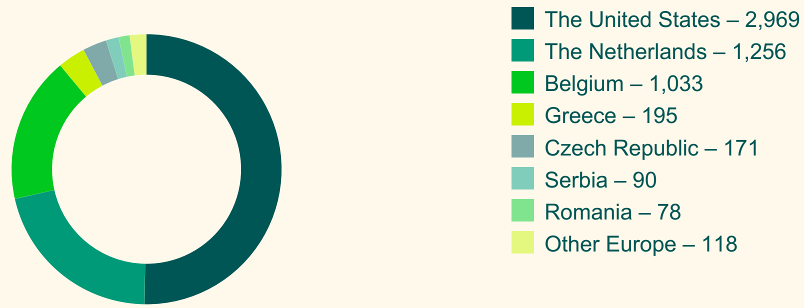
Ahold Delhaize 2021 total tax contribution by type €5.9 billion (€ million)



For more details on our corporate income tax financial position see *Note 10* to the consolidated financial statements.

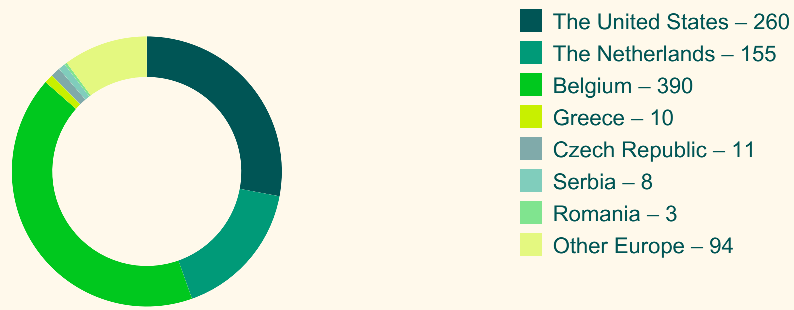
The total tax contribution and corporate income tax payments reported per country are summarized below.

Ahold Delhaize 2021 total tax contribution by country €5.9 billion (€ million)



Note that €2.2 billion of the total tax contribution in 2021 is taxes borne.

Ahold Delhaize 2021 corporate tax payments by country €931 million (€ million)



In 2021, tax payments in Belgium were impacted by a payment to the Belgian tax authorities for an adjustment notice relating to the tax return over 2018. Ahold Delhaize decided that the basis to issue an additional assessment of approximately €380 million is without any merit and, as such, the Company recorded a receivable for the full paid amount. For more information, see *Taxes* in *Note 34*.

Our effective income tax rate (ETR) over 2021 was 21.1%. This is our worldwide income tax expense for the financial year 2021, amounting to €591 million, shown as a percentage of the consolidated income before income taxes.

Environmental, social and governance

TAX TRANSPARENCY AND RESPONSIBILITY

ACCOUNTING AND GOVERNANCE

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

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

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

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

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

We are also actively involved in the field of tax technology and have drafted a global tax technology strategy and roadmap based on five pillars: insights, data driven, automation, risk management and future proof. We finalized and have various initiatives underway within our direct (e.g., Country by Country Reporting automation, DAC6 and dashboard) as well as indirect (e.g., VAT solution and tax engine) tax disciplines to optimize and upgrade our tax processes. We closely align with broader finance implementations and the IT function assists us with our tax technology projects. The Ahold Delhaize-wide implementation of a new core finance system is an important enabler of our tax technology roadmap.

COMPLIANCE

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

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

RELATIONSHIPS WITH AUTHORITIES

Ahold Delhaize engages with tax authorities based on mutual trust, and we seek open and transparent working relationships with them. We provide the tax authorities with any information they require within a reasonable timeframe. This helps both the tax authorities and Ahold Delhaize to foster timely and efficient compliance. In the Netherlands, we concluded a covenant (horizontal monitoring) with the Dutch tax authorities in 2005. In 2021, this is converted into an individual monitoring plan. In Belgium, we have participated in the Co-operative Tax Compliance Program (CTCP) pilot project since 2020.

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

BUSINESS STRUCTURE

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

- We do not transfer value created to jurisdictions listed on the EU list of non-cooperative jurisdictions for tax purposes (the EU "blacklist") updated by the Council of the European Union on October 5, 2021, or jurisdictions listed on the Netherlands' blacklist published in the Government Gazette on December 31, 2021 (low-tax jurisdictions).
- We pay tax on profits according to where value is created within the normal course of business.
- We base our transfer pricing policy on the arm's length principle.
- We do not use opaque corporate structures or those situated in low-tax jurisdictions to hide relevant information from the tax authorities.
- We do not have businesses in countries listed in low-tax jurisdictions.
- We are transparent about the entities we own (see *Note 35* to the consolidated financial statements).
- We will not engage in arrangements, with any employee, customer or contractor whose sole purpose is to create a tax benefit in excess of what is reasonably understood to be intended by relevant tax rules.

Environmental, social and governance

IN FOCUS: DIVERSITY AND INCLUSION

WHY D&I MATTERS

At Ahold Delhaize, we play a significant role in society. With a diverse group of stakeholders, including 55 million customers in stores and over 413,000 associates, we have a responsibility to set the right example on diversity and inclusion – and the potential to make a big impact. Each brand is committed to continually raising the bar on its aspirations in this area, to foster the growth of its business and people.

We know that diversity drives innovation and creates business growth. It is fundamental to every part of our Leading Together strategy. It helps our brands serve customers better, support communities and create a great place to work for associates. It is an important part of how we live our values. We also understand that the full value of diversity cannot be experienced without fostering equity and inclusion.

Our diversity and inclusion vision is to build brands and businesses where associates reflect the markets they serve, their voices are heard and valued, and they find purpose in their work, have equitable access to opportunities and can contribute and grow to their fullest. We want every associate to thrive, and every customer to feel a sense of belonging and community in our brands' stores.

OUR APPROACH TO D&I

In 2020, we established a bold aspiration for diversity and inclusion across Ahold Delhaize and all of the brands and businesses. We aspire to achieve 100% gender balance at all levels, to be 100% reflective of the markets we serve (as defined by each local brand), and to strive for 100% inclusion, every day.

We define diversity broadly, seeing it as inclusive of thoughts and skills, generational differences, LGBTQ+, gender, race and ethnicity, disabilities, nationalities and more, and we accept all people for who they are.

OUR DIVERSITY AND INCLUSION STRATEGY

To support our leaders in bringing this aspiration to life, we have developed a comprehensive diversity and inclusion strategic framework. The strategy consists of three pillars: workforce, workplace, and marketplace. Within each pillar, we have established priority focus areas.

Workforce

When we say "workforce," we mean people: every person who works for Ahold Delhaize, whether it is in one of our local brands, the GSO or our leadership teams. We have two areas of focus:

BALANCED SLATES
We are committed to hiring from diverse slates of candidates and have implemented a policy requiring 50/50 diverse candidate and succession slates for all roles at the Director and above level.

LEADERSHIP ACCOUNTABILITY
Every leader plays a critical role in advancing our diversity and inclusion efforts by being active, visible advocates and allies. They help by allowing associates to be vulnerable; encouraging them to express and explore what they don't know, understand, or agree with; making sure team members lift each other up, especially when a perspective, identity or view is under-represented; and enabling every associate to grow, both individually and together.

Environmental, social and governance

IN FOCUS: DIVERSITY AND INCLUSION

Workplace

An inclusive workplace, where associates feel that they belong, is what makes people stay, and makes them happy to return to work each day. We believe that inclusion should be woven into the fabric of our culture – and this guides how we behave and treat each other and our customers. We believe in fostering a culture built on our shared values of courage, care, teamwork, integrity and humor, where everyone feels respected and a part of Ahold Delhaize.

INCLUSIVE LEADERSHIP

We believe that being equitable and inclusive drives business results and guides how we lead, act and treat each other and customers. This is why a large number of our brands conducted over 300 inclusive leadership training sessions in 2021, with more than 5,000 participants. This training provides current and future leaders the opportunity to learn, practice and apply the skills needed to lead more inclusively.

We value everyone for being who they are and bringing their true selves to work every day so we can best serve customers and enable people to eat well, save time and live better. We are seeing great initiatives taking place at the Ahold Delhaize brands and businesses to foster this behavior. For example, Retail Business Services in the U.S. introduced a new Diversity, Equity and Inclusion Council. ADUSA Supply Chain launched a diversity strategy called “Thrive” in October and Hannaford has expanded its commitment to diversity by enabling associates to include their chosen pronouns on their name tags. Albert introduced its D&I agenda to its top 50 leaders through a session leveraging hired actors who role played as students, acting out behaviors of introversion, extroversion, and diversity biases tied to the workplace. At the end of the exercise, leaders were asked to hire these “students” for particular roles, creating a discussion around potential outcomes. Bol.com further integrated diversity and inclusion through its onboarding and leadership programs, trainings on intercultural awareness and unconscious bias, an inclusion toolkit, and its internal communication strategy.

PAY EQUITY

Ensuring pay equity is an important mission for us, in line with our diversity and inclusion aspirations.

Pay equity principles

Ahold Delhaize published its inaugural Human Rights Report in June 2020. An integral part of this report is an outline of the compensation commitments by Ahold Delhaize and each of the brands. We know that the broader offer we make as employers, such as health benefits, working conditions and the diversity and inclusiveness of the workforce, are of critical importance to associates’ appreciation of their overall working experience. Ahold Delhaize and each of its brands have adopted the following six overarching principles to guide fair compensation:

1. A solid base for comparing roles
2. Market-based compensation
3. Compensation in compliance with the law
4. Equal pay for equal work
5. Compensation aligned with individual performance and brand business strategy
6. Compensation that is transparent, consistent and explainable for the individual associate

Within our brands and businesses, we consider these principles the basis for fairness in resolving disputes, or "procedural justice." The majority of associates in our brands fall under collective labor agreements (CLAs). For associates outside of the CLAs, each of our brands has adopted an independent job evaluation methodology (Korn Ferry Hay), and has policies and frameworks in place for determining job levels and titles, pay grades and bands, performance evaluation and salary increases.

These frameworks are strictly governed within Ahold Delhaize and each of its brands, and personnel changes are subject to designated approvals. The job evaluation, appointment, promotion, position changes and termination of employment of top management positions (SVP+) at any brand or business requires the prior approval of Ahold Delhaize’s Chief Human Resources Officer. All other appointments, promotions, position changes and terminations of employment at the brands and businesses are governed by employment, human resources and labor policies developed and applied locally. These approvals are described in the Koninklijke Ahold Delhaize Bill of Authority (BOA) and/or local BOA.

Environmental, social and governance

IN FOCUS: DIVERSITY AND INCLUSION

Pay equity studies

We realize that creating policies, frameworks and governance documents is a critically important step and that it is equally important to measure the outcome of these practices to ensure pay equity within each of our brands and businesses. To this end, each brand has implemented a methodology to measure pay equity within its workforce. At the end of 2021, the majority of Ahold Delhaize brands conducted (or were in the process of conducting) gender pay studies and/or equal pay analyses and put action plans in place to remediate any gaps that were identified. In total, 14 of our brands performed a gender pay-equity study, covering 286,000 associates.

The brands will continue to perform pay equity analyses in 2022 to identify areas of focus and ensure pay is equitable. They will also review differences in average pay between men and women in order to identify additional focus areas and we will publish a gender pay difference in our 2022 Annual Report.

Marketplace

D&I goes beyond providing a great place to work. It's also about building communities.

EXTERNAL PARTNERSHIPS

As part of our strong commitment to diversity and inclusion, we proudly support external diversity and inclusion organizations, both through global partnerships as well as local partnerships that are managed by the Ahold Delhaize brands and businesses. We also derive great value from the Business Resource Groups within our own company. See *Partnering across the industry* below for details.

COMMUNITY ENGAGEMENT

Ensuring that all of our associates understand our D&I aspiration and their role in creating an inclusive work environment is critical to advance in this space. In 2021, we committed to more transparency in communicating our D&I strategic priorities by sharing the progress we've made against our aspiration and the road forward.

Supporting racial equity

In 2021, the Ahold Delhaize USA brands made a $5 million commitment to support racial equity and are working with associates and community partners to support education, advocacy and business development within the Black and African American community.

For example, in 2021, Stop & Shop presented $50,000 to the University of New Haven in Connecticut to establish the "Stop & Shop Diversity in Nutrition & Dietetics Scholarship," which will provide financial assistance to students working to become nutritionists or registered dietitians. According to the Academy of Nutrition and Dietetics' Commission on Dietetic Registration, more than 71% of the 106,000 registered dietitians in the U.S. are non-Hispanic white – and only 3% are African American. Stop & Shop is partnering in this effort because it wants to recruit and retain students of color and to drive more diversity in this profession. The GIANT Company's Diversity and Inclusion team is finding new ways to connect families for a better future in the neighborhoods it calls home. The brand contributed $100,000 to build a new basketball court, as part of racial equity efforts to provide community members with places to gather and play.

Supplier diversity

In 2021, we made great strides in engaging diverse-owned suppliers. For example, Peapod Digital Labs (PDL) launched an Accelerator program, designed to share knowledge from Ahold Delhaize USA's brands and businesses with their networks of certified, diverse-owned suppliers. A total of 11 companies participated this year in this program that promotes stronger partnerships with suppliers and creates a sustainable supplier diversity program for the future. PDL provided graduates of its first Accelerator with $10,000 stipends to support further business development and growth. They awarded Harbar, a National Minority Supplier Development Council (NMSDC)-certified, Hispanic-owned business, an enhanced stipend of $20,000 for being the participating supplier with the freshest perspective.

Retail Business Services offered scholarships to 20 National Minority Supplier Development Council (NMSDC)-certified, Black-owned suppliers to enroll in upcoming Tuck Diversity Business Programs, an executive education opportunity for entrepreneurs.

Performance toward our aspiration

We are committed to increasing the transparency with which we report our progress on diversity and inclusion. While we have advanced in many areas of our aspiration, we are passionate about making continued strides across all representation and culture metrics, including by developing our analytics. We created a new dashboard in 2021 that helps us better understand trends in our brands' workforces. Our next step will be to make better analytical predictions, to anticipate future developments on topics like succession, turnover and balanced slates, particularly in our key focus areas:

100% GENDER BALANCED

Our aspiration is to have a workforce that is 50/50 gender balanced at all levels. We have increased the proportion of women in management positions from 39% in 2020 to 40% in 2021, while our Director-level representation has remained the same. These are important feeder pools into our senior leadership positions, which we need to grow further. See table *Our D&I metrics.*

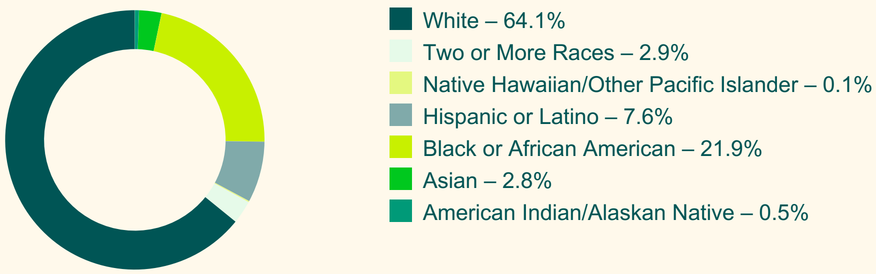
100% REFLECTIVE OF OUR MARKETS

Our aspiration is to have a workforce that is reflective of the markets we serve. In addition to tracking our progress on gender balance globally, we are also tracking progress on racial and ethnic diversity in the U.S. While we recognize we have room for improvement, we have increased representation in the U.S. leadership teams from 10% in 2020 to 17% in 2021. This includes an increase of 7%, from 12% to 19%, at Director level (see table: Our D&I metrics). Each U.S. brand determines its own aspiration for representation of racially/ethnically underrepresented groups based on the available local labor markets. The graph on the next page shows the proportion of racially/ethnically underrepresented groups within the U.S. brands. This is based on all associates regardless of job level.

Environmental, social and governance

IN FOCUS: DIVERSITY AND INCLUSION

U.S. associates: racial and ethnic diversity



1 Aggregation of data from each U.S. brand. Racial/ethnic diversity is based on self-identification; data where identification is missing is not included in the analysis.

This year, we began focusing on additional dimensions of diversity by having each local brand choose one to two additional dimensions of diversity that are relevant to their local context. Examples include Albert's dedicated focus to generational diversity and Hannaford's focused efforts to support LGBTQ+ associates. We also implemented a reflective of local markets index, which measures associate perceptions related to our success in this area and found that 81% of associates feel they are part of a diverse team, that the company recruits from diverse talent pools, and that promotions are fair and balanced. *See* table *Our D&I metrics.*

100% INCLUSIVE

We measure the cultural aspects of inclusion through an inclusive workplace index that is part of our annual associate survey. This year, we received a score of 79% on this index, which measures respect, career opportunities, and feeling heard. *See* table *Our D&I metrics.*

Our D&I metrics

We measure progress based on data from the brands. The following table outlines performance towards our D&I aspirations.

	2021	2020
100% Gender balanced		
Female at VP+ level	**27%**	27%
Female at director level	**34%**	34%
Female at manager level	**40%**	39%
Female below manager level	**54%**	54%
Female: total Ahold Delhaize	**53%**	54%
100% Reflective of markets		
Racially/ethnically underrepresented at VP+ level (U.S.)[1]	**17%**	10%
Racially/ethnically underrepresented at director level (U.S.)[1]	**19%**	12%
Racially/ethnically underrepresented at manager level (U.S.)[1]	**22%**	15%
Racially/ethnically underrepresented below manager level (U.S.)[1]	**37%**	34%
Associate perception of diverse teams that represent market[2]	**81%**	n/a
100% Inclusive		
Inclusive workplace index[2]	**79%**	79%

1 Figures are for associates in the U.S. only and exclude associates in Europe due to legal restrictions in Europe. The term "racially/ethnically underrepresented" refers to racial/ethnic groups that are underrepresented in the U.S. workforce generally (Black or African American, Asian, Native American or Alaska Native, Hispanic or Latino, Native Hawaiian or Other Pacific Islander, Two or More Races). Reported associate racial/ethnic categories in the U.S. are based on voluntary self-identification; associates with a missing racial/ethnic category are not included in the figures above. Each U.S. brand has adopted its own D&I strategy to reflect our D&I ambitions, and these figures represent an aggregation of the data of each brand.
2 Annual associate engagement survey results, see *Glossary* for definitions.

HOW WE SUPPORT D&I

Partnering across the industry

As part of our strong commitment to diversity and inclusion, we proudly support external diversity and inclusion organizations, both through global partnerships as well as local partnerships that are managed by the Ahold Delhaize brands and businesses.

Global partnerships

We work closely with the following global partners on issues around D&I. For example, we have worked for eight years with the LEAD Network (Leading Executives Advancing Diversity), which has a mission to attract, retain and advance women in the Consumer Goods and Retail sector in Europe through education, leadership and business development.

Environmental, social and governance

IN FOCUS: DIVERSITY AND INCLUSION

Business Resource Groups

We derive great value from the Business Resource Groups (BRGs) within our own company. All the brands leverage BRGs to support associate needs and advance local D&I strategies – and they are growing in number. These groups connect people across the brands, offering activities and initiatives throughout the year that support inclusion and education around topics relevant to diverse associates.

In 2021, Hannaford's Retail BRG organized book talks and presentations on belonging at work. Its Hispanic BRG celebrated Hispanic Heritage month by marketing an associate's recipe and unique story to inspire customers. Giant Food developed its PRIDE BRG to build a community for LGBTQ+ people. Its Thrive: People of Color BRG educates associates on topics important to its members, for example, awareness around Ramadan (Muslim holy month). Retail Business Services assessed and relaunched their current BRGs to be even more relevant to associates, rolling out Chair and Sponsor training and holding a membership drive. The European brands launched local branches of Young Ahold Delhaize; the Delhaize Serbia branch already connects around 140 young associates from stores, distribution centers and the support office, offering events and activities to help them get to know each other, share knowledge and make work fun. Albert also launched Experienced Albert, to further support age diversity and make associates feel included.

EXTERNAL COMMITMENTS AND RECOGNITION

We are proud to show our support for D&I through external commitments and appreciate the external recognition our brands and businesses receive for the work we do.

LEAD Network CEO Pledge

Through the LEAD Network CEO Pledge, CEOs in Europe are committing to accelerate gender parity and drive inclusion within the retail and Consumer Packaged Goods industry. Ahold Delhaize was the original sponsor of the Pledge and our CEO Frans Muller the first signatory; since its inception, 42 CEOs of leading industry companies have signed. The pledge calls for leaders to commit to creating truly inclusive cultures; coaching, mentoring and sponsoring female and diverse employees; building fair and equitable recruiting strategies; reducing bias; and more.

Human Rights Campaign Foundation Corporate Equality Index

All Ahold Delhaize USA brands were recognized as Best Places to Work for LGBTQ+ Equality in 2021, receiving a perfect score for the second year on the Human Rights Campaign Foundation's Corporate Equality Index. This index is the U.S. benchmarking tool on corporate policies, practices and benefits pertinent to lesbian, gay, bisexual, transgender and queer associates.

LEADING EXECUTIVES ADVANCING DIVERSITY
LEAD NETWORK
CEO Pledge Signer

HUMAN RIGHTS CAMPAIGN FOUNDATION
BEST
PLACES TO WORK
2021 for LGBTQ Equality
100% CORPORATE EQUALITY INDEX

Shelby Report Diversity award

Ahold Delhaize won the 2021 Shelby Publishing Diversity, Equity and Inclusion Award for our brands' continued work to advance and uphold diversity, equity and inclusion in the U.S. grocery industry by removing barriers and creating an environment where individuals can thrive as their authentic selves. The Shelby Report is a U.S. publication that delivers supermarket and grocery news and insights to the retail food trade nationwide.

The Association for Women in Communications (AWC)

Stop & Shop was awarded a Clarion for its efforts during the COVID-19 pandemic — in particular, its crisis communications response, which included communications around safety, driving awareness of designated shopping hours for those most vulnerable to COVID-19 and a partnership with Uber to provide discounted rides to customers shopping during these dedicated hours.

Leaders in Diversity

Ahold Delhaize Europe was recognized by the *Financial Times* as a Diversity Leader 2022. The Diversity Leaders were identified between April and August 2021 through an independent survey across 16 European countries.

DIVERSITY EQUITY INCLUSION AWARD 2021

awc

FT FINANCIAL TIMES statista
LEADER IN DIVERSITY 2022

LOCAL HEROES

GIVING DIVERSE ASSOCIATES A PATH TO GROWTH

Region Director Steve Harfield and Talent Acquisition Manager Kelsey Sloan had big dreams and much success in launching The GIANT Company's first "Diversity Cohort."

It is aimed at providing one-of-a-kind development, training, and mentorship opportunities for diverse team members.

First, they challenged store managers in Steve's region to identify one diverse associate with the potential to lead. Then they developed a four-month training program to help the associates achieve their aspirations while ensuring GIANT has diverse internal candidates to fill future leadership positions.

And it's having an impact, not just for the participants, who say they better understand their career opportunities after the program, but for the region, which has shown engagement scores that beat the brand average.

Now other GIANT region directors have been inspired to adopt the program, with similar success.

"I finally see what others see in me. I was never sure if I wanted to move up or not, but now I know for certain I do."

Jonathan Houston, program participant and Meat Team Member

STRATEGIC REPORT

PERFORMANCE REVIEW

Performance review

GROUP REVIEW

KEY FINANCIAL TARGETS	TARGET 2021	RESULTS IN 2021	TARGET 2022
GROUP UNDERLYING OPERATING MARGIN	≥ 4.0%	**4.4%**	≥ 4.0%
DILUTED UNDERLYING EPS GROWTH[1]	Mid- to high-single-digit % growth vs. 2019	**28.8%**	Mid- to low-single-digit % decline vs. 2021
NET CAPITAL EXPENDITURES	~ €2.2 billion	**€2.3 billion**	~ €2.5 billion
FREE CASH FLOW[2]	~ €1.6 billion	**€1.6 billion**	~ €1.7 billion
DIVIDEND PAYOUT RATIO[3]	40-50% and year-over-year increase in dividend per share	**42%**	40-50% and year-over-year increase in dividend per share
SHARE BUYBACK[3]	€1 billion	**€1 billion**	€1 billion

1 At current rates.
2 Target excludes M&A.
3 Management remains committed to the share buyback and dividend program, but, given the uncertainty caused by COVID-19, they will continue to monitor macro-economic developments. The program is also subject to changes in corporate activities, such as material M&A activity. The dividend payout ratio for results in 2021 is calculated as a percentage of underlying income from continuing operations on a 52-week basis.

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

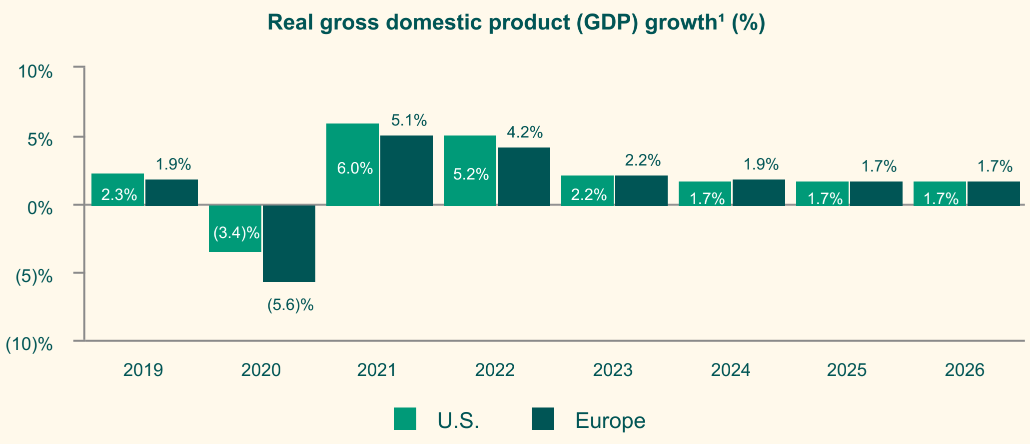
Performance review
GROUP REVIEW

DRIVE OMNICHANNEL GROWTH	TARGET 2021	RESULTS IN 2021	TARGET 2022
Net consumer online sales growth / U.S. online sales growth[1]	≥ 30% / ≥ 60%	+41.5%/+73.7%	≥ 15%
Stop & Shop store remodels	~ 60	55	~ 40
Complementary revenue streams	–	€355 million	≥ 20%
ELEVATE HEALTHY AND SUSTAINABLE			
Healthy own-brand sales of (%)[2]	50.5%	53.6%	54.2%
Food waste reduction (%)[3]	16%	18%	18%
CO_2 emission reduction (%)[4]	17%	31%	Net zero by 2040
CULTIVATE BEST TALENT[5]			
Associate engagement score (%)	≥ 81%	79%	≥ 80%
Inclusive workplace score (%)	≥ 79%	79%	≥ 79%
STRENGTHEN OPERATIONAL EXCELLENCE			
Save for Our Customers savings	≥ €750 million	€967 million	≥ €850 million
Supply chain initiatives	Transition of five facilities into the integrated network	Five facilities transitioned from C&S into our integrated supply chain network	U.S. network transformed to 85% in-house full self-distribution and two fully automated frozen facilities live by the end of 2022
In-store initiatives	≥ 50% of the European brands' grocery stores with electronic shelf labelling	Rolled out electronic shelf labelling to >50% of European brands' grocery stores, including almost 100% of owned Benelux supermarkets	≥ 80% of European grocery stores with electronic shelf labelling
Improving online productivity	Launching U.S. Autostore/Swisslog micro-fulfillment center and increasing automated capacity at bol.com	AutoStore/Swisslog micro-fulfillment center launched in Q4 and automated capacity at bol.com further increased	Continued semi-automated capacity expansion at bol.com and facility expansion in Europe. Ramping up micro-fulfillment center in Philadelphia in U.S.

1 U.S. online sales include FreshDirect sales starting in 2021. Targets are based on the previous year's full year results unless stated otherwise. Sales growth is calculated at constant rates. Sales growth targets and results for 2021 are calculated adjusting 2020 to 52 weeks.
2 Healthy sales percentage for 2021 is impacted by the transition to the Nutri-Score methodology instead of Choices in our European brands. See *ESG statements* for more information.
3 Reduction is shown against a 2016 baseline of 5.48 t/€ million.
4 % reduction is based on the cumulative trajectory towards the 50% reduction of absolute scope 1 and 2 CO_2-equivalent emissions by 2030 compared to our 2018 baseline.
5 Over the course of 2022, we will adapt the associate engagement indices to fall more in line with the brands' needs. Going forward, we will report on eNPS, engagement and inclusive workplace.

Group review
MACRO-ECONOMIC TRENDS

2021 was another year of strong financial and operational performance for Ahold Delhaize despite the challenges of pandemic recovery globally. Our business continued to be impacted by a number of specific, localized market trends (see *Evolving market trends*) and also by the following general macro-economic trends:



Source: IMF (GDP reports 2021)

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

After a contraction of 3.5% in global real GDP in 2020, the deepest decline in decades, we saw a strengthening of economies in the U.S. and Europe in 2021. This was illustrated by real GDP growth of 6% in the U.S. and 5.1% in Europe.

Both the U.S. and European economies expanded this year, leading to higher personal consumption, which positively affected our sales. In 2022, real GDP growth is expected to continue at a strong rate for both the U.S. and Europe. However, the expectations beyond 2022 remain less positive, due to risks and uncertainties arising from higher inflation, supply chain disruptions, rising energy prices, and labor shortages (source: McKinsey).

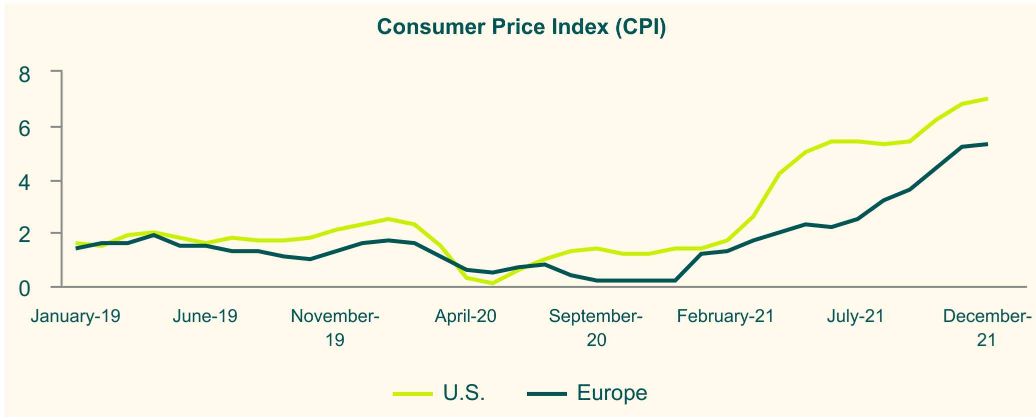
Foreign exchange rates
AVERAGE EXCHANGE RATES 2021-2020

Currency		2021	2020	Change in the average annual value of the currency
U.S. dollar	USD/EUR	**0.8461**	0.8770	(3.5)%
Czech crown	CZK/EUR	**0.0390**	0.0378	3.1%
Romanian leu	RON/EUR	**0.2032**	0.2067	(1.7)%
Serbian dinar	RSD/EUR	**0.0085**	0.0085	—%

Source: Bloomberg

The majority of Ahold Delhaize's brands' operations are located in the United States and denominated in U.S. dollars. The U.S. dollar developed in an unfavorable direction especially in the first three quarters, devaluing in strength relative to the euro by 3.5% in 2021, which weakened our consolidated results. Although the dollar has been appreciating since the end of October 2021, and the U.S. economy is expected to fully recover to a pre-pandemic level in 2022, going forward, currency risks remain due to possible COVID-19 impact and supply chain disruptions in 2022 (source: U.S. Department of Treasury). For more information, see *Note 2* to the consolidated financial statements.

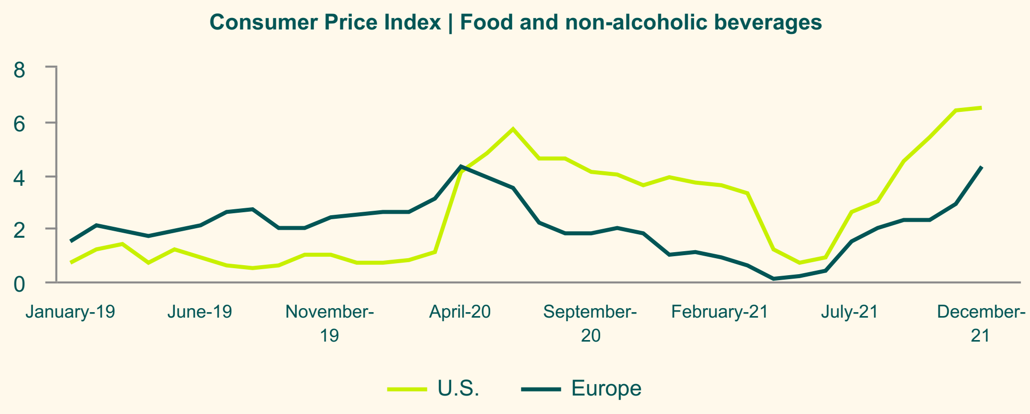
As the world economy recovered after the pandemic, inflation picked up in 2021, driven by global supply chain challenges and labor constraints, among others. On average, globally, year-on-year prices for goods and services rose by 3.5% in 2021, the highest inflation rate seen in the last five years (source: Economist Intelligence Unit). In Europe, inflation started rising in January and continued to climb throughout the year, reaching 5.3% in December 2021. The U.S. Consumer Price Index has been rising since mid-2020 and reached beyond 7% in December 2021.



Source: OECD (CPI reports in 2021)

Group review
MACRO-ECONOMIC TRENDS

In line with the economic recovery, the CPI for food and beverages in our brands' markets moderated in the spring, but, as of summer, started rising steadily, approaching 6.5% in the U.S. and 4.3% in Europe by December 2021. Shipping disruptions, labor shortages, factory closures and political tensions pushed prices up.

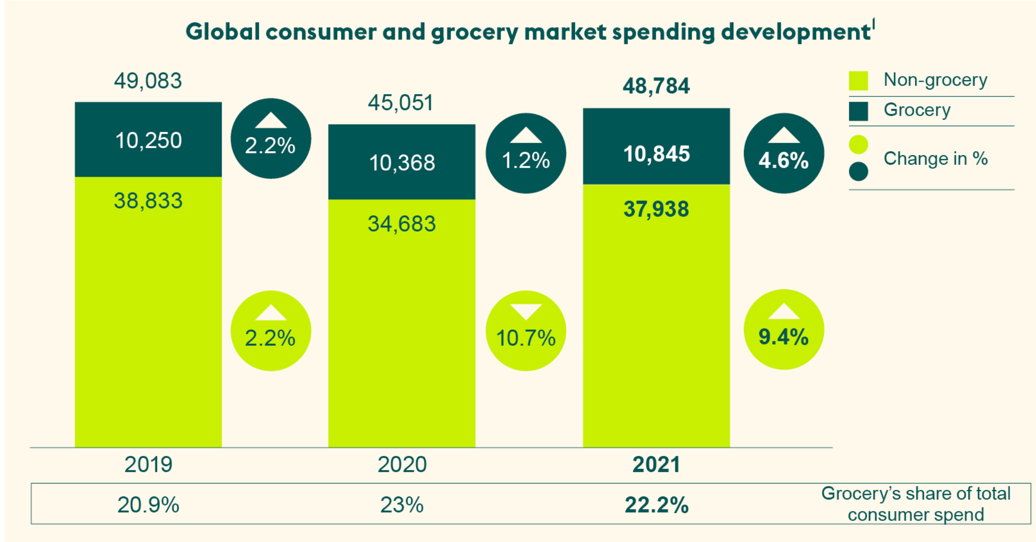


Source: OECD (CPI reports in 2021)

The introduction of vaccines, labor market recovery and governmental measures (for instance, the U.S. government spending trillions of dollars on COVID-19 stimulus and relief packages) positively affected consumer confidence and spending, including spending in the food and beverages services sector.

Consumer spending grew steadily throughout 2021, reaching $48.8 trillion globally compared to $45.1 trillion in 2020. In terms of global consumer and grocery market spending, we saw significant growth of 9.4% in the non-grocery sector, which rebounded following a soft 2020. Meanwhile, grocery consumer spending posted strong growth of 4.6% in 2021 versus elevated 2020 sales levels. Grocery's share of total global consumer spending decreased by 0.8% from 23.0% in 2020 to 22.2% in 2021.

The rise in consumer spending resulted from multiple factors, including the introduction of vaccines in 2021, which reduced consumer anxiety and total infection cases, and labor market recovery, along with increased employment and earnings. Additional grocery retail trends continued to develop in 2021, such as the further growth of e-commerce trade and a focus on healthy eating and nutrition (source: McKinsey). In the upcoming year, consumer spending is expected to keep increasing (source: Deloitte).



Source: Edge Retail Insight by Ascential (various reports in 2021)

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

CONSUMER SPENDING SPLIT 2021-2019

	2021	2020	2019
World			
Growth grocery spending	**4.6%**	1.2%	2.2%
Grocery as % of total consumer spending	**22.2%**	23.0%	20.9%
United States			
Growth grocery spending	**0.4%**	7.8%	3.3%
Grocery as % of total consumer spending	**10.4%**	10.8%	9.5%
Europe			
Growth grocery spending	**9.1%**	3.1%	(1.6)%
Grocery as % of total consumer spending	**18.4%**	19.2%	17.3%

Source: Edge Retail Insight by Ascential (various reports in 2021; the data for 2020 and 2019 has been re-calculated by Ascential)

Group review

MACRO-ECONOMIC TRENDS

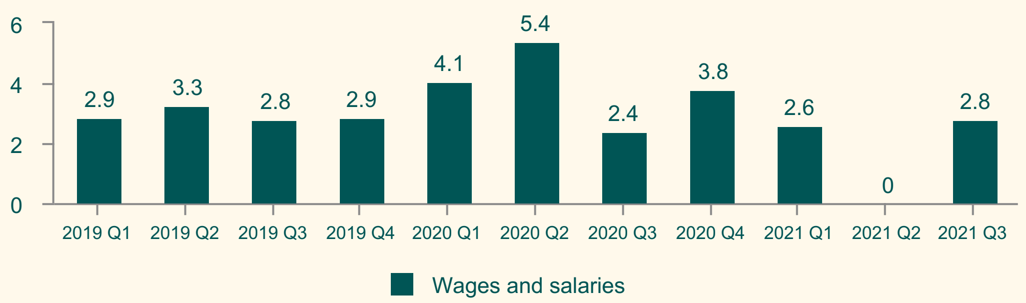
Rising global demand has driven commodity prices higher, resulting in higher costs to producers and consumers. In addition, a shortage of workers is pushing wages higher. In the U.S., wages went up to 4.2% in Q3 2021 on a year-on-year basis, the largest rise since the fourth quarter of 2004, after increasing to 3.2% in the second quarter of 2021. With rising U.S. wage inflation, Ahold Delhaize relies on increasing productivity gains and cost savings initiatives to manage its business and keep prices competitive for consumers.

Wages and salaries for U.S. civilian workers (12-month % change)

Source: U.S. Bureau of Labor Statistics (Charts related to the latest "Employment Cost Index" news release)

Wages in Europe are growing at a far slower pace than in the U.S. The highest growth per quarter in 2021 was in Q3, when wages in Europe went up by 2.8% on a year-on-year basis. The difference between the U.S. and Europe can be explained by the fact that European workers' unions are prioritizing non-wage benefits, such as job security and more leisure time, versus higher pay, especially during the pandemic (source: Reuters).

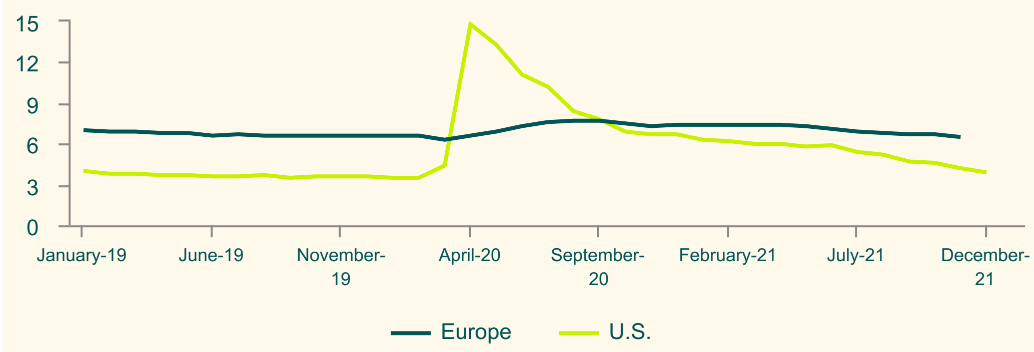
Wages and salaries for European workers (% change compared to same quarter in 2020)



Source: Eurostat (Labor cost index)

In 2020, the world suffered from a surge in unemployment due to the COVID-19 crisis, especially in the U.S., where the monthly unemployment rate reached 14.8%. In 2021, the U.S. saw a high rate of people voluntarily quitting their jobs and record job openings. The unemployment rate in the U.S. declined throughout the year, reaching a record low of 3.9% in December 2021. Between April 2020 and October 2021, a total of 18.2 million jobs were recovered, which represents 81% of the jobs lost during the first two months of the economic shutdown (source: U.S. Department of Treasury).

Monthly unemployment rates (%)



Source: OECD (Labor market statistics 2021; the data for the European Union is not published for December yet)

In Europe, unemployment declined throughout 2021 and reached pre-pandemic rates in autumn 2021. Labor market conditions improved in the second quarter of 2021 with the creation of about 1.5 million jobs and a swift rebound in hours worked, as many workers also exited job retention schemes. Labor shortages are emerging, in particular, in segments where activity is surging the most. As economic recovery continues, the labor market is expected to fully rebound next year, bringing the unemployment rate in the EU down to 6.5% in 2023 (source: European Commission).

Group review
GROUP PERFORMANCE

Net sales
€75.6bn
1.2% vs. 2020
3.3%[1]

Comparable sales growth (excluding gasoline sales)
2.3%

Operating income
€3,320mln
51.5% vs. 2020
62.2%[1]

Underlying operating income
€3,331mln
(7.3)% vs. 2020
(4.5)%[1]

Underlying operating margin
4.4%
(0.4) pp vs. 2020
(0.4) pp[1]

Free cash flow
€1.6bn

1 At constant rates.

€ million	2021	2020[2]	Change	% change
Net sales	**75,601**	74,736	865	1.2%
Of which: online sales	**7,704**	5,547	2,157	38.9%
Cost of sales	**(54,916)**	(54,160)	(756)	1.4%
Gross profit	**20,685**	20,575	110	0.5%
Other income	**531**	470	61	12.9%
Operating expenses	**(17,896)**	(18,855)	959	(5.1)%
Operating income	**3,320**	2,191	1,129	51.5%
Net financial expense	**(517)**	(485)	(32)	6.6%
Income before income taxes	**2,803**	1,706	1,097	64.3%
Income taxes	**(591)**	(331)	(260)	78.5%
Share in income of joint ventures	**33**	22	12	53.5%
Income from continuing operations	**2,246**	1,397	849	60.8%
Income (loss) from discontinued operations	**0**	0	0	98.6%
Net income	**2,246**	1,397	849	60.8%
Operating income	**3,320**	2,191	1,129	51.5%
Adjusted for:				
Impairment losses and reversals – net	**61**	48	13	
(Gains) losses on leases and the sale of assets – net	**(76)**	(57)	(19)	
Restructuring and related charges and other items	**26**	1,413	(1,387)	
Underlying operating income	**3,331**	3,594	(263)	(7.3)%
Underlying operating income margin	**4.4%**	4.8%	(0.4) pp	
Underlying EBITDA[1]	**6,335**	6,435	(100)	(1.6)%
Underlying EBITDA margin[1]	**8.4%**	8.6%	(0.2) pp	

1 Underlying operating income was adjusted for depreciation and amortization in the amount of €3,004 million for 2021 and €2,840 million for 2020. The difference between the total amount of depreciation and amortization for 2021 of €3,007 million (2020: €2,844 million) and the €3,004 million (2020: €2,840 million) mentioned here relates to items that were excluded from underlying operating income.
2 Comparative figures have been restated to conform to the current year's presentation (see *Note 8*).

Group review
GROUP PERFORMANCE

SHAREHOLDERS

€ unless otherwise indicated	2021	2020	% change
Net income per share attributable to common shareholders (basic)	**2.18**	1.31	66.8%
Underlying income per share from continuing operations	**2.20**	2.28	(3.3)%
Dividend payout ratio	**42%**	40%	2.0 pp
Dividend per common share	**0.95**	0.90	5.6%

OTHER INFORMATION

€ million unless otherwise indicated	2021	2020	Change
Net debt[1]	**13,946**	11,434	22.0%
Free cash flow[2]	**1,618**	2,199	(26.4)%
Capital expenditures included in cash flow statement (excluding acquisitions)	**2,371**	2,659	(10.8)%
Number of employees (in thousands)	**413**	414	(0.2)%
Credit rating/outlook Standard & Poor's	**BBB / stable**	BBB / stable	—
Credit rating/outlook Moody's	**Baa1 / stable**	Baa1 / stable	—

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

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

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

Ahold Delhaize's 2021 financial year consisted of 52 weeks and ended on January 2, 2022, while financial year 2020 consisted of 53 weeks.

Net sales in 2020 were positively impacted by the additional week, while the impact on operating margin was negligible. In some of the discussions below, we have included comparisons of the 52 weeks of 2021 with a 52-week period of 2020, which consists of the 53 weeks excluding the last week of 2020 (referred to as pro-forma 2020).

COVID-19 pandemic
Our 2021 results continued to be positively impacted by COVID-19, as the pandemic drove an enhanced shift towards more food-at-home consumption. Not only did we see a sustained increase in our brick-and-mortar sales, but a further acceleration of net consumer online sales growth, as more consumers shifted to online shopping during the continuation of the pandemic.

To accommodate higher demand, our brands continued expanding capacity in 2021, opening 270 click-and-collect points in the United States and new e-commerce distribution centers in the United States, the Netherlands and the Czech Republic.

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

These results were offset, in part, by significant costs related to COVID-19. Investments in safety and preventative measures (including sanitation and protective equipment) in stores and distribution centers and donations to communities resulted in approximately €364 million in COVID-19-related costs for the year.

The pandemic caused continued zoning and permit-related challenges, which delayed our store development projects, impacting our capital expenditure. Despite these challenges, we spent €2.4 billion of gross capital expenditure by promptly responding to the pandemic and prioritizing investments in vertical integration and our omnichannel offering to respond to changing consumer needs.

Our Save for Our Customers program remained solid. It further benefited by leveraging higher sales to achieve greater efficiencies, resulting in over-achievement of our 2021 target of €750 million in savings.

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

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

Group review
GROUP PERFORMANCE

NET SALES

Net sales for the financial year ending on January 2, 2022, were €75,601 million, an increase of €865 million, or 1.2%, compared to net sales of €74,736 million for the financial year ending on January 3, 2021. At constant exchange rates, net sales were up by €2,382 million or 3.3%.

€ million	2021	2020	Change versus prior year	% change	Change versus prior year at constant exchange rates	% change at constant exchange rates
Net sales	**75,601**	74,736	865	1.2%	2,382	3.3%
Of which gasoline sales	**901**	667	234	35.1%	256	39.6%
Net sales excluding gasoline	**74,700**	74,069	631	0.9%	2,127	2.9%
Of which online sales	**7,704**	5,547	2,157	38.9%	2,204	40.1%
Net consumer online sales	**10,401**	7,576	2,825	37.3%	2,872	38.2%

Gasoline sales increased by 35.1% in 2021 to €901 million. At constant exchange rates, gasoline sales increased by 39.6%, driven by a reduction in pandemic measures during the year leading to an increase in gasoline volumes. In addition, gasoline prices increased considerably worldwide in 2021.

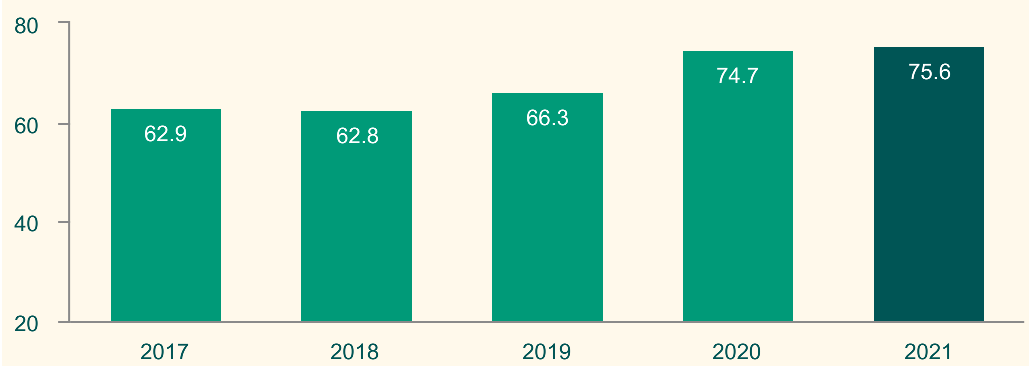
Net sales excluding gasoline increased in 2021 by €631 million, or 0.9%, compared to 2020. At constant exchanges rates, net sales excluding gasoline increased in 2021 by €2,127 million, or 2.9%, compared to 2020. Sales growth continued to be elevated by demand related to COVID-19, yet was also fueled by improvements in our brands' business models, including online, and the acquisition of FreshDirect, 71 stores from Southeastern Grocers at Food Lion and 38 stores from DEEN in the Netherlands.

NET SALES OVERVIEW ON A PRO FORMA BASIS

€ million	2021 (52 weeks)	2020 (52 weeks)	Change versus prior year	% change	Change versus prior year at constant exchange rates	% change at constant exchange rates
Ahold Delhaize	**75,601**	73,551	2,050	2.8%	3,626	5.0%

Compared to the pro forma 2020 sales based on 52 weeks and at constant exchange rates, net sales increased in 2020 by €3,626 million, or 5.0% at constant exchange rates.

Net sales (€ billion)



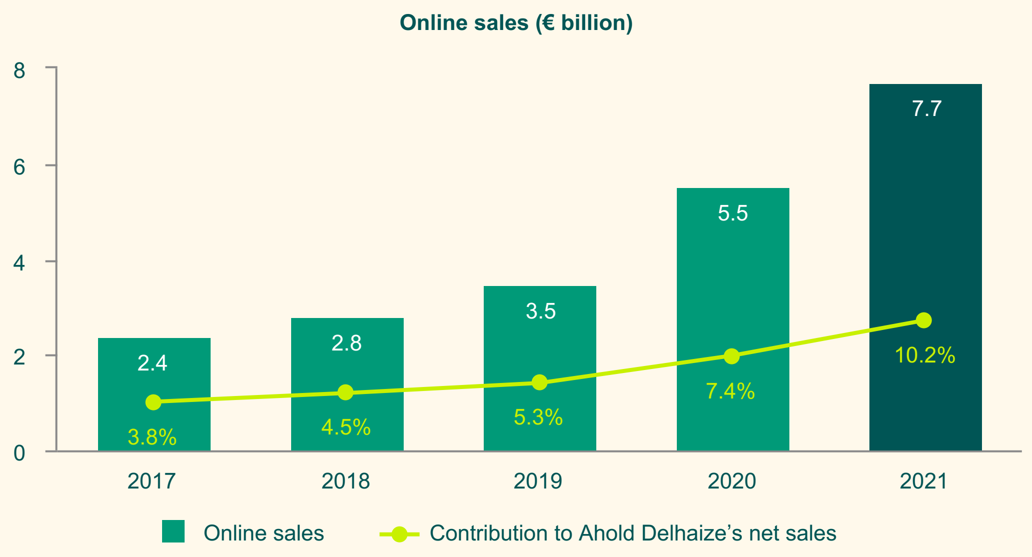
Net sales contribution by segment

In addition, when we look at comparable sales growth excluding gasoline sales over 2021, we see a growth of 2.3%. The two-year stack increased by 14.8% in 2021.

Group review
GROUP PERFORMANCE

Online sales

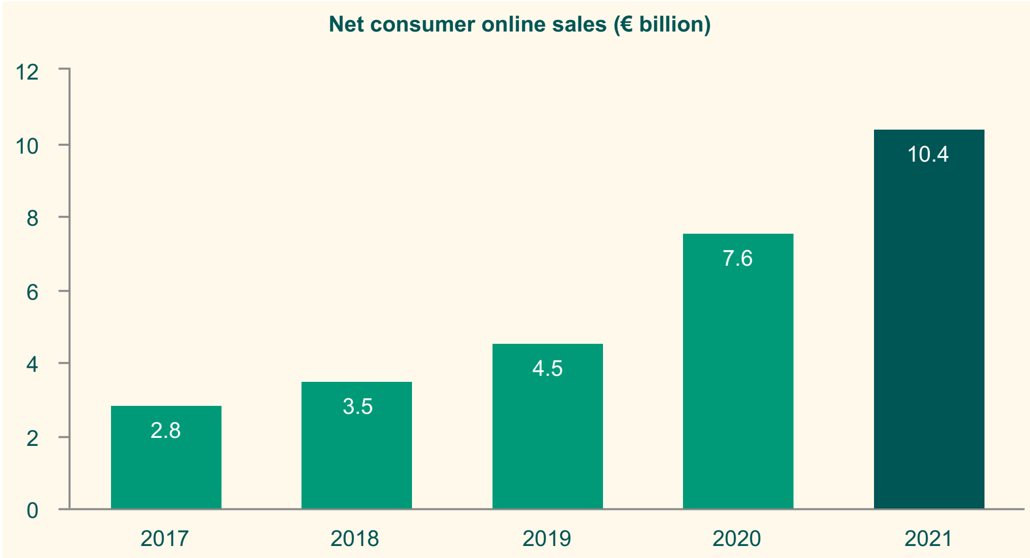
We continued to see strong sales growth in our online businesses, which contributed €7,704 million to net sales in 2021 (2020: €5,547 million). Net consumer online sales amounted to €10,401 million and increased in 2021 by 38.2% at constant exchange rates. On a comparable 52-week basis, net consumer online sales grew by 41.5% in 2021, at constant exchange rates.



With the launch of online shopping at Albert in the Czech Republic, all our brands now have online operations. The continued increase in online sales was driven by the impact of COVID-19 and consumers shifting to online shopping, as we also saw in 2020. We saw continued positive trends across all the brands with online acceleration in the U.S. supported by more click-and-collect points, third-party delivery and the acquisition of FreshDirect in 2021, and growth in Europe that was mainly driven by the bol.com and ah.nl online brands.

	2021	2020	Change vs. previous year
% of online grocery penetration[1]	**6.8%**	4.5%	2.3 pp

1 See the *Glossary* for more information on how this is calculated.



Group review
GROUP PERFORMANCE

Healthy sales

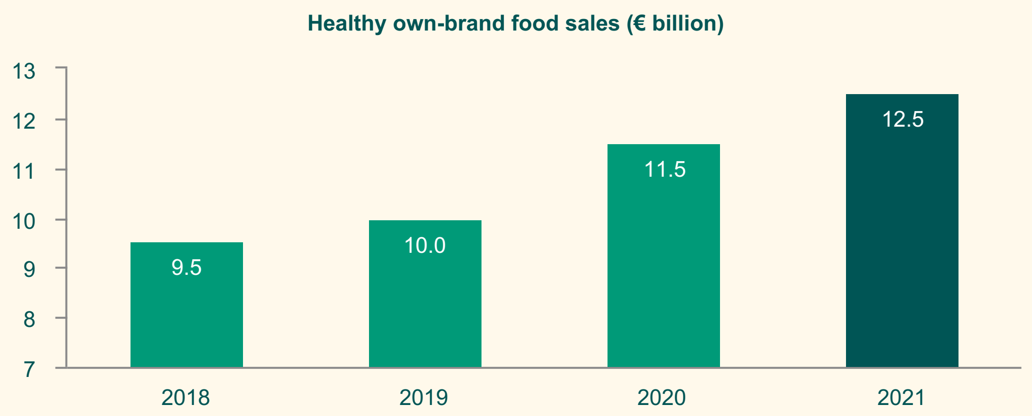
	2021	2020	2025 target
% of healthy own-brand food sales as a proportion of total own-brand food sales[1]	**53.6%**	49.8%	>55%

1 Healthy sales percentage for 2021 is impacted by 3.0 percentage points from the transition to the Nutri-Score methodology instead of Choices in our European brands. See *ESG statements* for more information.

During 2021, we further increased the sale of healthy own-brand products as a proportion of total own-brand food sales to 53.6%. This increase resulted from the introduction of Nutri-Score in our European brands and the U.S. brands' continuous effort to reformulate own-brand products. Our performance was also supported by the brands' increased focus on driving healthy own-brand sales.

In addition, we have seen that the fresh product category is the fastest growing segment at Food Lion and Delhaize keeps benefiting from its SuperPlus loyalty program, which gives higher discounts on products with a Nutri-Score of A or B.

See *ESG statements* for more information on how we measure the percentage of healthy own-brand sales.



GROSS PROFIT

Gross profit was up by €110 million, or 0.5%, compared to 2020. At constant exchange rates, gross profit increased by €471 million, or 2.3%. Gross profit margin (gross profit as a percentage of net sales) for 2021 was 27.5%, a decrease of 14 basis points compared to 27.7% in 2020, affected mainly by an increase in logistics and distribution costs, driven by overall U.S. labor market staffing challenges resulting in heavier usage of third-party labor, increased contract labor and usage of third-party carriers.

Food waste

	2021	2020	2030 target
Tonnes of food waste per food sales (t/€ million)	**4.48**	4.53	2.74
% reduction in food waste per food sales (t/€ million)[1]	**18%**	17%	50%

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

In contrast to shrink, we calculate food waste as excluding donations to hunger relief organizations, theft and cash shortages but including food that is used for animal feed or biogas, incinerated or sent to landfill facilities.

During 2021, absolute food waste remained stable at 259 thousand tonnes. One way our brands reduce food waste is through food donations. In 2021, our brands donated 19% of unsold food to feed people compared to 16% in 2020.

During 2021, our brands continued to find innovative ways to reduce food waste. For example, The GIANT Company's chain-wide rollout of Flashfood – an app-based digital marketplace giving shoppers savings on foods approaching their expiration dates – to its stores this year contributed to the brand's waste reduction strategy. See *Working together to keep shelves stocked*, *Hannaford leads the way to zero food waste to landfills* and *Albert Heijn fights food waste with "yesterday's bread"* for more examples of how our brands are reducing food waste.

See also *ESG statements* for more information on how we measure our performance on food waste.

Group review
GROUP PERFORMANCE

OPERATING EXPENSES

In 2021, operating expenses decreased by €959 million, or 5.1%, to €17,896 million, compared to €18,855 million in 2020. At constant exchange rates, operating expenses decreased by €625 million, or 3.4%. As a percentage of net sales, operating expenses decreased by 1.6 percentage points to 23.7%, compared to 25.2% in 2020. Excluding gasoline sales and at constant exchange rates, operating expenses as a percentage of net sales decreased by 1.6 percentage points. Operating expenses were significantly lower due to lower costs related to COVID-19 and last year's one-off charges related to the U.S. multi-employer pension plan withdrawal and settlement agreements, partially offset by increasing inflationary pressures.

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

Carbon emissions

	2021	2020	2030 target
Absolute CO_2-equivalent emissions from own operations (scope 1 and 2) (thousand tonnes)[1,2,3,4,5]	**2,827**	3,148	2,036
% reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2)[1,2,3,4,5]	**31%**	23%	50%

1 Reduction is from a 2018 baseline of 4,073 thousand tonnes CO_2-equivalent emissions.
2 2018 baseline has been restated due to acquisitions, inclusion of last-mile delivery and updated conversion factors for refrigerants from IPCC.
3 2020 absolute CO_2-equivalent emissions has been restated due to updated conversion factors for refrigerants from IPCC.
4 2021 absolute CO_2-equivalent emissions include impact from acquisitions and last-mile delivery, resulting in a 5% impact compared to 2020.
5 2020 and 2021 figures include Etos, Gall & Gall and bol.com.

Our scope 1 and 2 CO_2-equivalent emissions are mainly driven by energy consumption, refrigerant leakage and transport. In 2021, CO_2-equivalent emissions decreased by 31% compared to our 2018 baseline. The main drivers for this reduction were related to the increased amount of renewable energy consumed and more efficient refrigeration systems. CO_2-equivalent emissions from transport increased.

Carbon emissions from energy consumption were 1,382 thousand tonnes compared to 1,646 thousand tonnes in 2020. During 2021, 315 stores were added to our portfolio, for example, through the acquisition of stores from Southeastern Grocers at Food Lion and DEEN in the Netherlands. We continued to source more green energy through power purchase agreements (PPAs). In 2021, 21% of the energy consumed came from renewable sources compared to 12% in 2020. Initiatives that contributed to the increase included Albert Heijn's switch to sourcing 100% wind energy during 2021 and other brands, including The GIANT Company and Delhaize Serbia, sourcing more green energy.

Carbon emissions from refrigerant leakage was 1,182 thousand tonnes compared to 1,257 thousand tonnes in 2020. This was driven by our brands using refrigerants with a lower Global Warming Potential (GWP) and having fewer leakages. Our brands continue to install refrigeration systems with a lower GWP, or even natural refrigerants, when they remodel stores. At Albert Heijn, over 50% of stores now run on natural refrigeration systems and our U.S. brands continue to roll out programs for more efficient and climate-friendly refrigeration systems.

Carbon emissions from fuel consumption of owned trucks increased to 262 thousand tonnes compared to 244 thousand tonnes in 2020.

See also *ESG statements* for more information on how we measure carbon emissions for scope 1 and 2 as well as for scope 3.

IMPAIRMENT LOSSES AND REVERSALS – NET

Ahold Delhaize recorded the following impairments and reversals of impairments of assets – net in 2021 and 2020:

€ million	2021	2020
The United States	**(48)**	(27)
Europe	**(13)**	(21)
Total	**(61)**	(48)

Impairment charges in 2021 were €61 million, up by €13 million compared to 2020. The increase is related to investment properties at Stop & Shop and The GIANT Company, as well as Stop & Shop operating locations in the United States.

GAINS (LOSSES) ON LEASES AND THE SALE OF ASSETS – NET

Ahold Delhaize recorded the following gains (losses) on leases and the sale of assets – net in 2021 and 2020:

€ million	2021	2020
The United States	**49**	20
Europe	**21**	37
Global support office	**6**	—
Total	**76**	57

The gains (losses) in 2021 were €76 million, which was €19 million higher than 2020, due to the €29 million increase in the United States, driven mainly by the gain on sale of land in Massachusetts, only partially offset by a €16 million decrease in Europe.

Group review
GROUP PERFORMANCE

RESTRUCTURING AND RELATED CHARGES AND OTHER ITEMS

Restructuring and related charges and other items in 2021 and 2020 were as follows:

€ million	2021	2020
The United States	**80**	(1,454)
Europe	**(106)**	39
Global Support Office	**—**	2
Total	**(26)**	(1,413)

Restructuring and related charges and other items in 2021 were €26 million, down by €1,387 million compared to 2020. In 2020, the restructuring and related charges in the U.S. mainly included the €676 million settlement agreement for FELRA and MAP at Giant Food, €183 million for Stop & Shop's withdrawals from the 1500 Plan, and €559 million for withdrawal from the National Plan. In 2021, the income mainly related to a partial release of the defined benefit obligation of the FELRA and MAP benefit related to the American Rescue Plan Act (see *Note 24*). This was partly offset by other main charges, which are related to the acquisition of FreshDirect, and to transaction costs of the acquisition of 71 stores from Southeastern Grocers (SEG). In Europe, the charges mainly related to claims and disputes, and the restructuring costs related to the DEEN acquisition.

OPERATING INCOME

Operating income in 2021 went up by €1,129 million, or 51.5%, to €3,320 million compared to €2,191 million in 2020. The increase of €1,129 million is mainly explained by the changes in gross profit and operating expenses, which are explained above. At constant exchange rates, operating income was up €1,274 million, or 62.2%.

NET FINANCIAL EXPENSES

Net financial expenses in 2021 were up by €32 million, or 6.6%, to €517 million, compared to €485 million in 2020. The increase was primarily due to an additional €40 million of interest accretions related to the multi-employer plan withdrawals at the end of last year, and related to the minority interest liability in FreshDirect. This was partly offset by the weakening of the U.S. dollar against the euro, leading to €12 million lower interest on U.S. dollar debt.

INCOME TAXES

In 2021, income tax expense was €591 million, up by €260 million, compared to €331 million in 2020. The main reason for the increase in income tax expense is the higher income before income tax.

The effective tax rate, calculated as a percentage of income before income tax, was 21.1% in 2021 (2020: 19.4%). In 2020, Ahold Delhaize booked a €1.4 billion tax-deductible expense for incremental pension liabilities in the U.S., impacting the effective tax rate (see *Note 24*). Excluding this expense, the 2020 reported effective tax rate would increase from 19.4% to 23.0% on a pro forma basis.

SHARE IN INCOME OF JOINT VENTURES

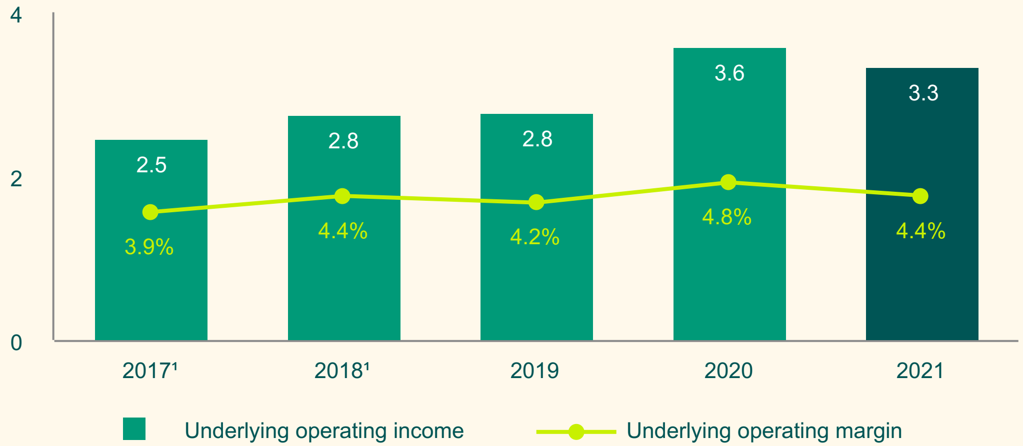
Ahold Delhaize's share in income of joint ventures was €33 million in 2021, or €12 million higher than last year. This increase is mainly explained by our 49% shareholding in JMR. Our share of JMR results increased by €11 million compared to last year which was negatively impacted by COVID-19-related government restrictions and lack of tourists reducing traffic at smaller, high-frequency stores in Portugal. During 2021 the restrictions were gradually eased. Our share of individually immaterial joint ventures increased by €3 million compared to last year. The increase was partly offset by the impact of the 51% share in Super Indo. Our share of Super Indo's results decreased by €3 million compared to last year. For further information about joint ventures, see *Note 15* to the consolidated financial statements.

UNDERLYING OPERATING INCOME AND UNDERLYING OPERATING INCOME MARGIN

Underlying operating income was €3,331 million in 2021, down €263 million, or 7.3%, versus €3,594 million in 2020. Underlying operating income margin in 2021 was 4.4%, compared to 4.8% in 2020. At constant exchange rates, underlying operating income was down by €157 million, or 4.5%, compared to 2020. Our 2021 results were mainly impacted by higher logistics and distribution costs, operational expenses, advertising costs and depreciation and rent, driven by supply chain challenges in the U.S. and incremental omnichannel investments accelerating our online business.

Tight cost management remains a core objective of our business model. Our Save for Our Customers program delivered €967 million this year, positively impacting our gross profit and operating expenses. Through this program, we drive efforts to provide our businesses with optimized store processes and improved sourcing conditions, enabling us to continue to invest in our customer proposition.

Underlying operating income (€ billion)



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

Underlying operating income contribution by segment[1]

1 Before Global Support Office costs.

Group review
FINANCIAL POSITION

Ahold Delhaize's consolidated balance sheets as of January 2, 2022, and January 3, 2021, are summarized as follows:

€ million	January 2, 2022	% of total	January 3, 2021	% of total
Property, plant and equipment	**11,838**	**25.9%**	10,696	26.3%
Right-of-use asset	**9,010**	**19.7%**	7,455	18.3%
Intangible assets	**12,770**	**27.9%**	11,565	28.4%
Pension assets	**71**	**0.2%**	78	0.2%
Other non-current assets	**2,439**	**5.3%**	1,970	4.8%
Cash, cash equivalents and short-term deposits and similar instruments, and current portion investment in debt instruments[1]	**3,143**	**6.9%**	3,119	7.7%
Inventories	**3,728**	**8.2%**	3,245	8.0%
Other current assets	**2,713**	**5.9%**	2,563	6.3%
Total assets	**45,712**	**100.0%**	40,692	100.0%
Group equity	**13,721**	**30.0%**	12,432	30.6%
Non-current portion of long-term debt	**14,739**	**32.2%**	12,305	30.2%
Pensions and other post-employment benefits	**1,107**	**2.4%**	1,235	3.0%
Other non-current liabilities	**1,966**	**4.3%**	1,908	4.7%
Short-term borrowings and current portion of long-term debt and lease liabilities[1]	**2,350**	**5.1%**	2,249	5.5%
Payables	**7,563**	**16.5%**	6,795	16.7%
Other current liabilities	**4,266**	**9.3%**	3,768	9.3%
Total equity and liabilities	**45,712**	**100.0%**	40,692	100.0%

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

Total assets increased by €5,019 million. Property, plant and equipment increased by €1,141 million, primarily driven by regular capital expenditures surpassing depreciation charges and, to a lesser extent, by assets brought in through acquisitions and by the appreciation of the U.S. dollar relative to the euro. For more information, see *Note 11* to the consolidated financial statements.

Right-of-use assets increased by €1,554 million. Similar to the changes in company-owned fixed assets, higher right-of-use balances in 2021 were primarily driven by investments, reassessments and modifications to leases being higher than depreciation, by assets brought in through acquisitions and by the appreciation of the U.S. dollar. For more information, see *Note 12* to the consolidated financial statements.

Intangible assets increased by €1,205 million. The higher balances in 2021 were almost entirely due to higher goodwill, driven by acquisitions and the appreciation of the U.S. dollar relative to the euro. For more information, see *Note 14* to the consolidated financial statements.

Inventories increased by €483 million to €3,728 million, also reflecting a significant part of the increase in payables. A key driver for this was the initiative to transform our U.S. logistics network to full self-distribution and it was partly driven by the DEEN acquisition and the accelerated growth of our bol.com business.

Other current liabilities increased by €497 million, mainly due to an increase in accrued expenses, driven by a growth in sales of Plaza partners at bol.com, and higher short-term provisions (see *Note 27*).

Our pension and other post-employment benefits decreased by €128 million to €1,107 million, for more information see *Note 24*.

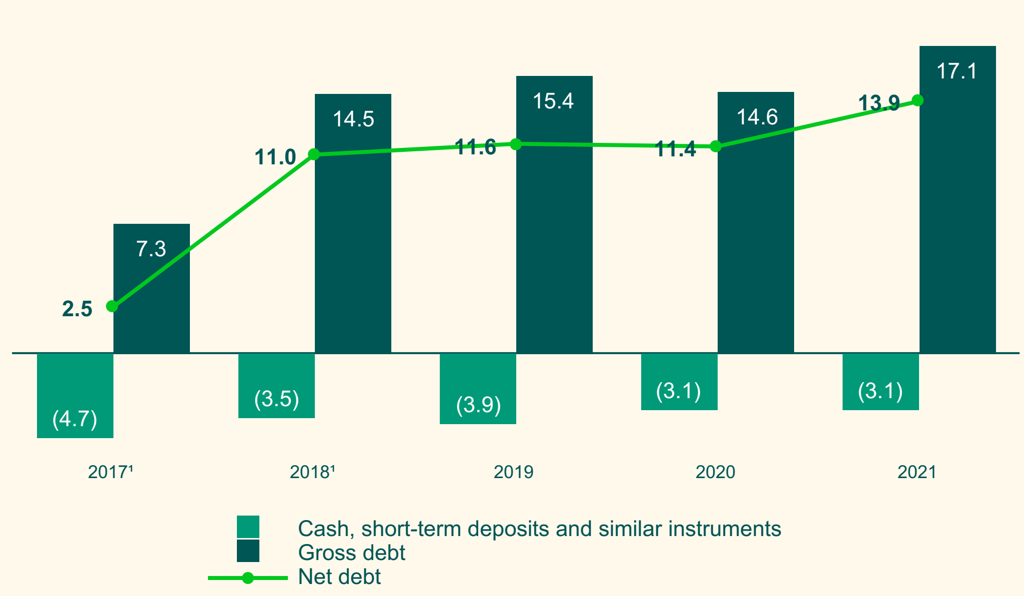
Group review
FINANCIAL POSITION

In 2021, gross debt increased by €2,535 million to €17,089 million, primarily due to an increase in leases and exchange rate movements on the U.S. dollar. Other gross debt changes included the issuance in March of the €600 million sustainability-linked fixed rate bonds maturing in 2031 and €250 million drawing under a bilateral credit facility, partially offset by the repayment of the €300 million floating rate bonds that matured in 2021.

€ million	January 2, 2022	January 3, 2021
Loans	**4,678**	3,863
Lease liabilities	**10,061**	8,442
Non-current portion of long-term debt	**14,739**	12,305
Short-term borrowings and current portion of long-term debt[1]	**2,350**	2,249
Gross debt	**17,089**	14,554
Less: cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments[2, 3, 4, 5]	**3,143**	3,119
Net debt	**13,946**	11,434

1 Short-term borrowings and current portion of long-term debt comprise €1,201 million lease liabilities, €145 million short-term borrowings, €807 million bank overdrafts and €197 million current portion loans (for more information see Note 26 to the consolidated financial statements).
2 Short-term deposits and similar instruments include investments with a maturity of between three and 12 months. The balance of these instruments at January 2, 2022, was €15 million (January 3, 2021: €58 million) and is presented within Other current financial assets in the consolidated balance sheet.
3 Included in the short-term portion of investments in debt instruments is a U.S. treasury investment fund in the amount of €135 million (January 3, 2021: €129 million).
4 Book overdrafts, representing the excess of total issued checks over available cash balances within the Group cash concentration structure, are classified in accounts payable and do not form part of net debt. This balance at January 2, 2022, was €397 million (January 3, 2021: €441 million).
5 Cash and cash equivalents include an amount held under a notional cash pooling arrangement of €807 million (January 3, 2021: €681 million). This cash amount is fully offset by an identical amount included under short-term borrowings and current portion of long-term debt.

Gross and net debt (€ billion)



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

Ahold Delhaize's net debt was €13,946 million as of January 2, 2022 – an increase of €2,511 million from January 3, 2021. The increase in net debt was mainly the result of an increase in leases, exchange rate movements on the U.S. dollar, the payment of the common stock dividend (€856 million) and the completion of the €1 billion share buyback program, partly offset by free cash flow generation (€1,618 million).

Group review

LIQUIDITY

€ million	January 2, 2022	January 3, 2021
Total cash and cash equivalents (*Note 20*)	**2,993**	2,933
Short-term deposits and similar instruments (*Note 19*)	**15**	58
Investments in debt instruments (FVPL) – current portion (*Note 19*)	**135**	129
Cash, cash equivalents, short-term deposits and similar instruments, and short-term portion of investments in debt instruments	**3,143**	3,119
Less: Notional cash pooling arrangement (short-term borrowings)	**807**	681
Liquidity position	**2,336**	2,438

Ahold Delhaize views available cash balances and funds from operating activities as its primary sources of liquidity, complemented by external sources of funds when deemed to be required. Ahold Delhaize manages short-term liquidity based on projected cash flows. As of January 2, 2022, the Company's liquidity position primarily consisted of €2,336 million of cash (including short-term deposits and similar instruments and current portion of investments in debt instruments, adjusted for cash held under a notional cash pooling arrangement), and the undrawn portion of the €1 billion revolving credit facility.

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

Group credit facility

Ahold Delhaize has access to a €1 billion committed, unsecured, multi-currency and syndicated revolving credit facility. On December 10, 2020, the Company closed a three-year €1 billion sustainability-linked revolving credit facility including two one-year extension options, refinancing the 2015-dated €1 billion facility with a maturity in December 2023 and including two one-year extension options. This facility reinforces the alignment of the funding strategy and the commitments laid out in the Healthy and Sustainable strategy. In 2021, the Company successfully agreed on the first extension with the lenders, bringing the maturity to December 2024.

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

During 2021 and 2020, the Company was in compliance with these covenants. However, it was not required to test the financial covenant, due to its credit rating. As of January 2, 2022, there were no outstanding borrowings under the facility.

Credit ratings

Maintaining investment grade credit ratings is a cornerstone of Ahold Delhaize's financial strategy because such ratings optimize the cost of funding and facilitate access to a variety of lenders and markets. Ahold Delhaize's current credit ratings from the solicited rating agencies remained unchanged in 2021:

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

Group review
CASH FLOWS

Ahold Delhaize's consolidated cash flows for 2021 and 2020 are as follows:

€ million	2021	2020
Operating cash flows from continuing operations	**5,468**	6,343
Purchase of non-current assets (cash capital expenditure)	**(2,371)**	(2,659)
Divestment of assets/disposal groups held for sale	**82**	108
Dividends received from joint ventures	**28**	16
Interest received	**16**	24
Lease payments received on lease receivables	**103**	99
Interest paid	**(138)**	(149)
Repayments of lease liabilities	**(1,569)**	(1,584)
Free cash flow	**1,618**	2,199
Proceeds from long-term debt	**848**	507
Repayments of loans	**(427)**	(438)
Changes in short-term loans	**90**	(556)
Changes in short-term deposits and similar instruments	**44**	(60)
Dividends paid on common shares	**(856)**	(1,026)
Share buyback	**(994)**	(1,001)
Acquisition/(divestments) of businesses, net of cash	**(534)**	(7)
Other cash flows from derivatives	**—**	2
Other	**(7)**	(3)
Net cash from operating, investing and financing activities	**(218)**	(383)

Operating cash flows from continuing operations were lower by €874 million. At constant exchange rates, operating cash flows from continuing operations were lower by €666 million, or (10.9)%. The purchase of non-current assets was lower by €288 million, or €244 million at constant exchange rates.

Free cash flow

Free cash flow, at €1,618 million, decreased by €580 million compared to 2020, driven by lower gains from working capital inflow of €675 million and higher income taxes paid of €446 million compared to last year, partially offset by lower net investments of €261 million and higher operating cash flow of €246 million. The increase in income taxes paid mainly relates to the payment of an additional assessment notice of approximately €380 million that our subsidiary Delhaize Le Lion/De Leeuw SCA received and that was paid in order to avoid an interest charge of 4% per annum on the amount due and adverse tax consequences, as well as other timings of payments (see *Note 34* to the consolidated financial statements for more information on this additional assessment notice).

In 2021, the main uses of free cash flow included:

- Share buyback program, for a total amount of €994 million.
- Common stock final dividend of €0.40 per share for 2020, paid in 2021, and common stock interim dividend of €0.43 per share for 2021, resulting in a total cash outflow of €856 million.

Group review

CAPITAL INVESTMENTS AND PROPERTY OVERVIEW

Capital expenditure (CapEx), including acquisitions and additions to right-of-use assets, amounted to €5,776 million in 2021 and €4,456 million in 2020. Total cash CapEx for the year amounted to €2,371 million in 2021, a reduction of €288 million compared to the previous year.

€ million	2021	2020	Change versus prior year	% of sales
The United States	**2,235**	2,621	(386)	4.9%
Europe	**1,925**	1,802	123	6.4%
Global Support Office	**28**	25	3	
Total regular capital expenditures	**4,187**	4,448	(261)	5.5%
Acquisition capital expenditures	**1,589**	8	1,581	2.1%
Total capital expenditures	**5,776**	4,456	1,320	7.6%

Total regular capital expenditures	**4,187**	4,448	(261)	5.5%
Right-of-use assets[1]	**(1,748)**	(1,756)	8	(2.3)%
Change in property, plant and equipment payables (and other non-cash adjustments)	**(68)**	(33)	(35)	(0.1)%
Total cash CapEx (cash capital expenditure)	**2,371**	2,659	(288)	3.1%
Divestment of assets/disposal groups held for sale	**(82)**	(108)	27	(0.1)%
Net capital expenditure	**2,289**	2,550	(261)	3.0%

1 Right-of-use assets comprises additions (€726 million), reassessments and modifications to leases (€1,012 million) (for more information see *Note 12* to the consolidated financial statements) as well as additions (€2 million) and reassessments and modifications to leases (€7 million) relating to right-of-use assets included within investment properties (for more information see *Note 13* to the consolidated financial statements).

Capital investments were primarily related the construction, remodeling and expansion of our brands' stores, the expansion of the brands' online channel, improvements in technology and development of digital capabilities, in addition to investments in our supply chain and IT infrastructure improvements. The decrease in total regular CapEx compared to last year can mainly be explained by approximately $300 million of investments in the U.S. supply chain in 2020. This was the largest outlay of a three-year program, through which Ahold Delhaize aims to invest an estimated $480 million to acquire warehouse facilities and fully integrate them into a self-distribution model.

At the end of 2021, Ahold Delhaize brands operated 7,452 stores. These include 71 stores acquired from Southeastern Grocers in the U.S. and 38 stores acquired from DEEN in the Netherlands. The Company's total sales area amounted to 9.7 million square meters in 2021, an increase of 2.1% over the prior year.

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

	Opening balance	Opened/ acquired	Closed/sold	Closing balance
The United States	1,970	80	(2)	**2,048**
Europe	5,167	278	(41)	**5,404**
Total number of stores	7,137	358	(43)	**7,452**

	2021	2020	Change versus prior year
Number of stores operated by Ahold Delhaize	**5,553**	5,344	209
Number of stores operated by franchisees	**1,899**	1,793	106
Number of stores operated	**7,452**	7,137	315

Franchisees operated 1,899 stores in the Netherlands, Belgium, Luxembourg and Greece.

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

	2021	2020	Change versus prior year
The United States	**1,389**	1,121	268
Of which: click and collect	**1,386**	1,116	270
Europe	**253**	298	(45)
Total	**1,642**	1,419	223

At the end of 2021, Ahold Delhaize operated 1,642 pick-up points, which was 223 more than in 2020. These are either stand-alone, in-store or office-based, and include 1,386 click-and-collect points in the United States.

Group review
CAPITAL INVESTMENTS AND PROPERTY OVERVIEW

Ahold Delhaize also operated the following other properties as of January 2, 2022:

Warehouse/distribution centers/production facilities/offices	**168**
Properties under construction/development	**126**
Investment properties	**746**
Total	**1,040**

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

The total number of retail locations owned or leased by Ahold Delhaize was 6,180 in 2021. This total includes 614 stores sub-leased to franchisees and 13 pick-up points in stand-alone locations. Ahold Delhaize also operates 223 gas stations in the premises of some of the group's stores. The total number of retail locations owned or leased increased by 278 compared to 2020.

The following table breaks down the ownership structure of our 6,180 retail locations (inclusive of stores subleased to franchisees) and 1,040 other properties as of January 2, 2022.

	Retail locations	Other properties
Company owned % of total	20%	51%
Leased % of total	80%	49%

Group review

EARNINGS AND DIVIDEND PER SHARE

Income from continuing operations per common share (basic) was €2.18, an increase of €0.87, or 66.8% compared to 2020. The main driver of this increase was the restructuring charges incurred in 2020 due to the withdrawal and settlement agreements relating to U.S. multi-employer pension plans. The decrease in the number of outstanding shares as a result of a €1 billion share buyback program carried out in 2021 provided a further contribution (see *Note 21* to the consolidated financial statements for more information on the share movements). Underlying income from continuing operations per common share (diluted) was €2.19, a decrease of €0.08, or 3.4%, compared to 2020, driven by a lower underlying operating margin.

Ahold Delhaize's policy is to target a dividend payout ratio range of 40-50% of its underlying income from continuing operations. Underlying income from continuing operations for 52 weeks amounted to an estimated €2,262 million in 2021 and €2,358 million in 2020 (or €2,427 on a 53-week basis in 2020). As part of our dividend policy, we adjust income from continuing operations as follows:

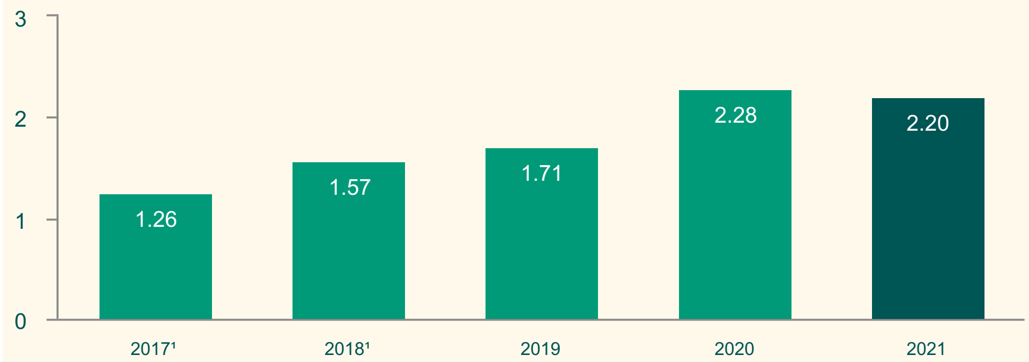
€ million	**2021 (based on 52-weeks)**	2020 (based on 53-weeks)
Income from continuing operations	**2,246**	1,397
Adjusted for:		
Impairment losses and reversals – net	**61**	48
(Gains) losses on leases and the sale of assets – net	**(76)**	(57)
Restructuring and related charges and other items	**26**	1,413
Unusual items in net financial expense	**—**	—
Tax effect on adjusted and unusual items	**6**	(373)
Underlying income from continuing operations	**2,262**	2,427
Income from continuing operations per share attributable to common shareholders	**2.18**	1.31
Underlying income from continuing operations per share attributable to common shareholders	**2.20**	2.28
Diluted underlying income per share from continuing operations	**2.19**	2.26

We propose a cash dividend of €0.95 per share for the financial year 2021, an increase of 5.6% compared to 2020, reflecting our ambition of sustainable growth of the dividend per share. This represents a payout ratio of 42% of underlying net income from continuing operations for 52 weeks.

If approved by the General Meeting of Shareholders, a final dividend of €0.52 per share will be paid in April 2022. This is in addition to the interim dividend of €0.43 per share, which was paid in September 2021. The estimated total dividend payment for the full year 2021 would, therefore, total €961 million.

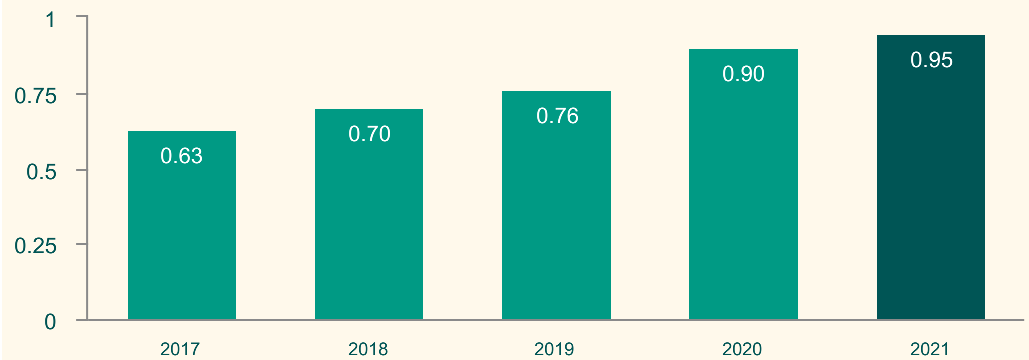
See *Information about Ahold Delhaize shares* for further details.

Underlying income from continuing operations per common share (basic)



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

Dividend per common share



Group review

FINANCIAL REVIEW BY SEGMENT

KEY FINANCIAL AND NON-FINANCIAL INFORMATION

The key financial and non-financial information per region for 2021, 2020, 2019 and 2018 is presented below:

	The United States				Europe			
	2021	2020	2019	2018 restated[4]	**2021**	2020	2019	2018 restated[4]
Net sales (€ millions)	**45,455**	45,470	40,066	37,460	**30,147**	29,266	26,194	25,331
Net sales ($ millions)	**53,699**	51,838	44,841	44,174				
Of which: online sales (€ millions)	**3,228**	1,968	985	751	**4,477**	3,579	2,508	2,066
Of which: online sales ($ millions)	**3,814**	2,259	1,101	866				
Net sales growth in local currency	**3.6%**	15.6%	1.5%	1.9%	**2.8%**	12.1%	3.5%	3.4%
Comparable sales growth[1]	**2.6%**	13.3%	1.1%	2.3%	**2.8%**	9.5%	2.7%	2.8%
Comparable sales growth (excluding gasoline sales)[1]	**1.9%**	14.4%	1.4%	2.1%	**2.8%**	9.6%	2.7%	2.8%
Net consumer online sales (€ millions)	**3,228**	1,968	985	751	**7,173**	5,608	3,562	2,743
Net consumer online sales ($ millions)	**3,814**	2,259	1,101	886				
Operating income (€ millions)	**2,231**	1,006	1,668	1,633	**1,209**	1,380	1,140	1,123
Operating income ($ millions)	**2,631**	1,064	1,867	1,924				
Underlying operating income (€ millions)	**2,150**	2,466	1,712	1,699	**1,306**	1,325	1,205	1,164
Underlying operating income ($ millions)	**2,543**	2,789	1,916	2,002				
Underlying operating margin	**4.7%**	5.4%	4.3%	4.5%	**4.3%**	4.5%	4.6%	4.6%
Number of employees/headcount (at year-end in thousands)	**239**	239	215	207	**174**	175	165	165
Number of employees/FTEs (at year-end in thousands)[2]	**160**	158	143	136	**99**	91	88	88
Contribution to Ahold Delhaize net sales	**60.1%**	60.8%	60.5%	59.7%	**39.9%**	39.2%	39.5%	40.3%
Contribution to Ahold Delhaize underlying operating income[3]	**62.2%**	65.0%	58.7%	59.3%	**37.8%**	35.0%	41.3%	40.6%

1 For the year 2021, comparable sales growth is presented on a comparable 52-week basis. In the year 2020, comparable sales growth is presented on a 53-week basis.
2 Included in the 99,000 FTEs in Europe in 2021 (2020: 91,000; 2019: 88,000; 2018: 88,000) are 40,000 FTEs in the Netherlands (2020: 32,000; 2019: 31,000; 2018: 32,000 FTEs).
3 Before Global Support Office costs.
4 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases.

Financial review by segment

THE UNITED STATES

Net sales

€45.5bn

2020: €45.5bn 0.0% vs. 2020

3.6%[1]

Comparable sales growth (excluding gasoline sales)

1.9%

Operating income

€2,231mln

2020: €1,006mln 121.8% vs. 2020

147.4%[1]

Underlying operating income

€2,150mln

2020: €2,466mln (12.8)% vs. 2020

(8.8)%[1]

Underlying operating margin

4.7%

2020: 5.4% (0.7) pp vs. 2020

(0.6) pp[1]

Net consumer online sales

€3,228mln

2020: €1,968mln 64.0% vs 2020

68.9%[1]

1 At constant rates.

€ million	2021	2020	Change versus prior year	% change	% change at constant rates
Net sales	**45,455**	45,470	**(15)**	0.0%	**3.6%**
Of which online sales	**3,228**	1,968	**1,260**	64.0%	**68.9%**
Comparable sales growth	**2.6%**	13.3%			
Comparable sales growth excluding gasoline	**1.9%**	14.4%			
Operating income	**2,231**	1,006	**1,225**	121.8%	**147.4%**
Adjusted for:					
Impairment losses and reversals – net	**48**	27	**21**		
(Gains) losses on leases and the sale of assets – net	**(49)**	(20)	**(29)**		
Restructuring and related charges and other items	**(80)**	1,454	**(1,534)**		
Underlying operating income	**2,150**	2,466	**(316)**	(12.8)%	**(8.8)%**
Underlying operating income margin	**4.7%**	5.4%			

Net sales overview on a pro forma basis	2021	2020	Change versus prior year	% change	% change at constant exchange rates
€ million	**(52 weeks)**	(52 weeks)			
The United States	**45,455**	44,673	**782**	1.7%	**5.6%**

Financial year 2021 consisted of 52 weeks, while 2020 consisted of 53 weeks. Net sales in 2020 were positively impacted by the additional week, while the impact on operating margin was negligible.

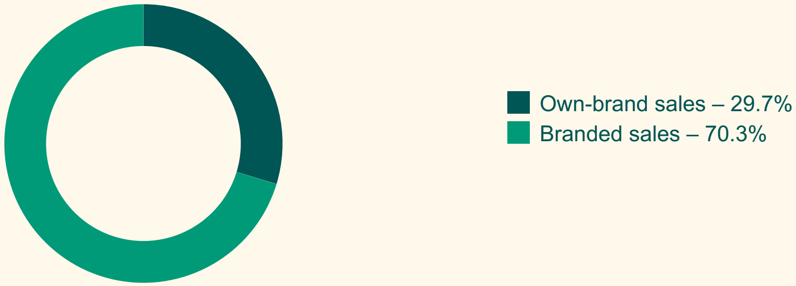
In 2021, net sales were €45,455 million, down by €15 million or 0.0% compared to 2020. At constant exchange rates, net sales were up by 3.6%. Sales growth was positively impacted the acquisitions of FreshDirect and 71 stores from Southeastern Grocers, COVID-19 and inflation, and negatively affected by one fewer week of sales in 2021 compared to 2020. The additional week of sales in 2020 amounted to €798 million.

Online sales were €3,228 million, up by 68.9% compared to the prior year at constant exchange rates. On a comparable 52-week basis, online sales grew by 73.7% in 2021, at constant exchange rates. The increase versus last year was primarily driven by the pandemic, as consumers' intent to shop online continued to increase. The launch of 270 additional click-and-collect points helped the brands capture sales from this channel, along with a further strengthening of partnerships with third-party delivery services, the acquisition of the FreshDirect online grocery delivery service and the expansion of e-commerce offerings across the U.S. brands.

Financial review by segment
THE UNITED STATES

The Ahold Delhaize USA brands are enhancing their strong value propositions by leveraging their leading own-brand offerings. In 2021, own-brand sales as a percentage of total sales was 29.7%.

Own-brand sales



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

Net sales by category

Comparable sales excluding gasoline for the segment increased by 1.9%, with much of the growth attributed to COVID-19 and increased pandemic-related governmental aid, such as the Supplemental Nutrition Assistance Program (SNAP), which shifted volume from the out-of-home channel to grocery. In addition, sales in the U.S. benefited this year from the continuous growth of Food Lion, including the additional 71 stores acquired from Southeastern Grocers, as well as the acquisition of FreshDirect. Two-year stack comparable sales for Ahold Delhaize USA grew by 16.3% in 2021.

Operating income increased by €1,225 million, or 121.8%, compared to 2020. Underlying operating income was €2,150 million and is adjusted for the following items, which impacted operating income:

- Impairment losses and reversals – net: in 2021, impairment charges amounted to €48 million, versus €27 million in 2020. In 2021, the impairments related primarily to investment properties and underperforming stores at Stop & Shop. The impairments in 2020 related primarily to Stop & Shop's and Food Lion's underperforming stores and investment properties at Giant Food.
- (Gains) losses on leases and the sale of assets – net: In 2021, this total net gain was €49 million, mainly related to the sale of land (in Allston, Massachusetts), the sale of pharmacy scripts, lease terminations (location in the Bronx) and new subleases. In 2020, gains were recorded from sublease activity and the sale of investment property and miscellaneous equipment.
- Restructuring and related charges and other items: in 2021 we incurred income of €80 million. The income resulted from a partial release of the defined benefit obligation of the FELRA and MAP related to the American Rescue Plan Act (see *Note 24*). It was partly offset by the costs related to the acquisition of stores from Southeastern Grocers and FreshDirect, additional costs related to Hurricane Ida and charges related to Stop & Shop's early retirement incentive offered to employees. In 2020, these charges mainly related to Stop & Shop's and Giant Food's withdrawal and settlement agreements from multi-employer plans.

In 2021, underlying operating income was €2,150 million, down by €316 million or 12.8% compared to last year. At constant exchange rates, underlying operating income decreased by 8.8%.

The United States' underlying operating income margin in 2021 was 4.7%, down 0.7 percentage points compared to 2020. The 2021 sales were positively affected by COVID-19, while supply chain costs were impacted negatively by supply chain challenges in the U.S. Operating income was further affected by inflationary pressure, lower labor productivity and higher facility transition costs from C&S to our integrated supply chain network.

Financial review by segment

THE UNITED STATES

Growth drivers in action

Drive omnichannel growth

The Ahold Delhaize USA brands continue to invest into omnichannel development and expand their geographic coverage. Ahold Delhaize completed the FreshDirect acquisition this year; adding this leading local online brand will help us reach additional customers in the New York trade area and further propel our omnichannel evolution. We also finalized the acquisition of 71 stores from Southeastern Grocers, helping us maintain our leading position in Food Lion's market area. Stop & Shop and Food Lion are progressing with store remodeling programs and our U.S. brands continue to focus on local supplier partnerships and loyalty programs.

Our brands keep investing in infrastructure to support the growth of e-commerce. Ahold Delhaize USA's supply chain transformation program will help accommodate increasing demand and leverage scale. This year, our U.S. brands reached close to 1,400 click-and-collect points and plan to expand to 1,500 click-and-collect points by the end of 2022.

The U.S. brands leveraged their "connected customer" strategy, utilizing technology and making shopping faster, more convenient and personalized. They achieved +56% growth in digital customers and 69% online sales growth in 2021. The GIANT Company also rolled out the Flashfood app across all stores.

Elevate healthy and sustainable

During the year, the U.S. brands unveiled new health and sustainability goals as part of a purpose-driven strategy to enable customers to make healthier choices, create greater product transparency, eliminate waste and take bold climate action, in support of developing a more sustainable food supply chain.

As part of this, the brands partnered with HowGood to bring customers an easy-to-use environmental and social impact rating system.

The brands continued to focus on eliminating hunger and food waste through partnerships with Feeding America, together committing to donate two billion meals through food rescue programs and donations.

Hannaford became the first large-scale supermarket chain in the northeast United States to achieve zero food waste to landfills.

The U.S. brands also continued to implement energy efficiency measures, such as LED lighting and improved refrigeration systems. They installed electric vehicle charging stations at several stores and plan to increase the number of these stations in coming years.

Cultivate best talent

With a focus on our D&I aspiration: 100% Gender Balanced, 100% Reflective of Markets, 100% Inclusive, our great local brands made remarkable steps on this journey during 2021.

For example, ADUSA Supply Chain is putting a renewed focus on the people at the heart of their businesses and how they cultivate a diverse, equitable and inclusive environment where all associates can thrive.

They leveraged a diversity, equity and inclusion (DE&I) maturity model to craft their strategy and anticipate progress towards more mature positions over the next three years. Leaders are actively engaged in DE&I work and engaging associates in discussion around these topics. In addition, ADUSA Supply Chain has robust sponsorship and mentorship programs in place and is leveraging DE&I data to drive progress.

In addition, the U.S. brands transitioned over 131,000 associates to SAP SuccessFactors 2, a unified HR and payroll platform during the year. They follow our businesses in the Netherlands, which transferred around 100,000 associates onto a unified platform in 2020.

Strengthen operational excellence

Ahold Delhaize USA is nearing the end of its three-year supply chain transformation journey. The network is now 65% self-managed, compared to 40% in 2019, and the team is on schedule to reach 85% in 2022. Ahold Delhaize USA is also building new facilities in key geographies to support the brands efficiently and effectively. By the end of 2022, the network will include 25 distribution centers and food processing facilities, 28 e-commerce fulfillment centers and 1,500 click-and-collect locations.

Highlights in 2021 were the opening of a state-of-the-art e-commerce fulfillment center by The GIANT Company and the opening of a one-million-square-foot distribution center in Connecticut that will enhance the supply to more than 450 Stop & Shop stores and e-commerce centers. The U.S. brands are on track to open two new fully automated frozen facilities next year.

As the U.S. brands expand, they deploy key technology capabilities, including robotics, machine learning, vertical integration and other technology solutions that boost efficiency and ultimately result in the faster delivery of fresher products to customers.

Financial review by segment

EUROPE

Net sales

€30.1bn

2020: €29.3bn 3.0% vs. 2020

2.8%[1]

Comparable sales growth (excluding gasoline sales)

2.8%

Operating income

€1,209mln

2020: €1,380mln (12.4)% vs. 2020

(12.6)%[1]

Underlying operating income

€1,306mln

2020: €1,325mln (1.4)% vs. 2020

(1.5)%[1]

Underlying operating margin

4.3%

2020: 4.5% (0.2) pp vs. 2020

(0.2) pp[1]

Net consumer online sales

€7.2bn

2020: €5.6bn 27.9% vs. 2020

27.9%[1]

1 At constant rates.

€ million	2021	2020	Change versus prior year	% change	% change at constant rates
Net sales	**30,147**	29,266	**881**	3.0%	**2.8%**
Of which online sales	**4,477**	3,579	**898**	25.1%	**25.1%**
Net consumer online sales	**7,173**	5,608	**1,565**	27.9%	**27.9%**
Comparable sales growth	**2.8%**	9.5%			
Comparable sales growth excluding gasoline	**2.8%**	9.6%			
Operating income	**1,209**	1,380	**(171)**	(12.4)%	**(12.6)%**
Adjusted for:					
Impairment losses and reversals – net	**13**	21	**(8)**		
(Gains) losses on leases and the sale of assets – net	**(21)**	(37)	**16**		
Restructuring and related charges and other items	**106**	(39)	**145**		
Underlying operating income	**1,306**	1,325	**(19)**	(1.4)%	**(1.5)%**
Underlying operating income margin	**4.3%**	4.5%			

Net sales overview on a pro forma basis	2021	2020	Change versus prior year	% change	% change at constant exchange rates
€ million	(52 weeks)	(52 weeks)			
Europe	30,147	28,879	1,268	4.4%	4.2%

Financial year 2021 consisted of 52 weeks, while 2020 consisted of 53 weeks. Net sales in 2020 were positively impacted by the additional week, while the impact on the operating margin was negligible. The additional week of sales in 2020 amounted to €387 million.

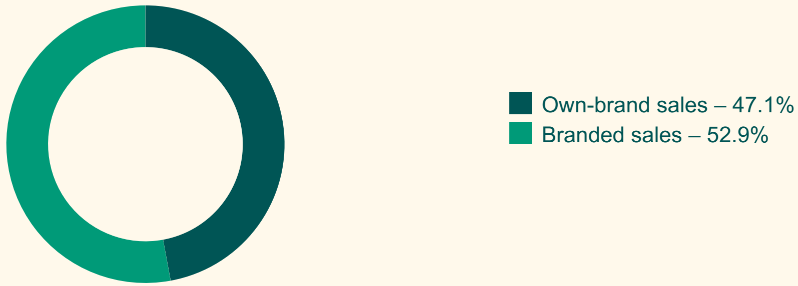
Net sales in 2021 were €30,147 million, up by €881 million or 3.0% compared to 2020. At constant exchange rates, net sales were up by 2.8%. Sales growth was driven by the increased demand related to COVID-19, the acquisition of 38 DEEN stores in the Netherlands and by strong execution of our distribution and store operations. In Europe, the pandemic has had a more mixed impact on the different brands compared to our brands in the United States, and the effect of COVID-19 has been more balanced, with additional sales matching the related costs.

Online sales were €4,477, up by 25.1% compared to last year, mainly driven by the strong performance of our online brands, bol.com and ah.nl. Bol.com experienced strong net consumer online sales growth of 26.6% in 2021. This growth comes on top of the very high growth of 56.8% in 2020. The brand's business in Belgium and its third-party platform – which currently offers a marketplace to more than 48,500 Plaza partners in the Netherlands and Belgium – remain important growth drivers. Other brands also saw a rapid growth in online sales, partially driven by higher demand due to COVID-19, complementing the total online sales growth.

Financial review by segment
EUROPE

We have a relatively high own-brand share across Europe, which has enabled our brands to offer value to customers during the current period of heightened insecurity, characterized by higher unemployment and tightening consumer wallets. In 2021, own-brand sales comprised 47.1% of total sales.

Own-brand sales



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

Comparable sales excluding gasoline increased by 2.8%, mainly driven by higher volumes related to COVID-19 and strong online sales. Across Europe, we saw strong comparable sales growth excluding gasoline, with bol.com, Albert Heijn and the Czech Republic as the largest contributors. Two-year stack comparable sales for our Europe segment grew by 12.3% in 2021.

Net sales by category

Operating income decreased by €171 million, or 12.4%, to €1,209 million, affected by the following items that Ahold Delhaize adjusts to arrive at underlying operating income:

- Impairment losses and reversals – net: In 2021, impairment charges amounted to €13 million, mainly related to underperforming stores in Greece, the Czech Republic, and the Netherlands. In 2020, impairment charges were mainly related to underperforming stores in the Czech Republic, Greece and Romania.
- (Gains) losses on leases and the sale of assets – net: In 2021, this total net gain was €21 million, mainly related to the Netherlands (€8 million) and the Czech Republic (€8 million). In 2020, results were mainly related to a sale and partial leaseback in Belgium (€18 million) and the Czech Republic (€17 million).
- Restructuring and related charges and other items: In 2021, the charges amounted to €106 million, and included one-off items mainly related to restructuring and settlements in the Netherlands (€36 million) and in Belgium (€66 million). In 2020, charges included one-off items at various brands mainly related to restructurings and settlements and were more than offset by a €105 million income related to the pension plan amendment in the Netherlands.

In 2021, underlying operating income in Europe was €1,306 million, down by €19 million, or 1.4%, compared to 2020. Underlying operating margin in Europe was 4.3% in 2021, down 0.2 percentage points compared to 2020. In Europe, some of our brands, including those in Romania and our brands' convenience formats (Albert Heijn to go and Shop & Go), were negatively impacted by COVID-19 to a greater extent, suffering from decreased traffic, the absence of tourists and the trend of people moving from the city to the countryside during lockdown periods. Margins were mainly impacted by higher underlying operating expenses, particularly driven by higher labor, operational and administrative expenses related to COVID-19. To a lesser extent, margins were negatively impacted by the floods in Belgium. This was partly offset by better gross margins driven by lower cost of product and savings from our Save for Our Customers program.

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

Financial review by segment
EUROPE

Growth drivers in action

Drive omnichannel growth

Our European brands are leveraging technology to strengthen their ecosystem, accelerate the personalized omnichannel experience to increase customer loyalty, and provide growth opportunities and new income streams.

We are offering innovative loyalty programs throughout our European brands; for example, SuperPlus at Delhaize, through which more than two million consumers get discounts and rewards when buying healthy products and Albert Heijn's new premium subscription program.

We are making great progress in expanding our delivery services. For example, Albert Heijn rolled out its no-fee home delivery "Compact" service to additional markets, and Mega Image and Alfa Beta are piloting fast delivery.

Albert Heijn completed the acquisition of 38 DEEN stores and remodeled approximately 60 stores to its new fresh and technology-focused format. In addition, bol.com added roughly 7,500 merchants in 2021, bringing the total to more than 48,500 merchant partners.

Elevate healthy and sustainable

We have made great progress in elevating healthy and sustainable throughout our European brands in 2021.

For example, according to the Sustainable Brand Index™, Albert Heijn was named the most sustainable supermarket chain in the Netherlands for the fifth time in a row. In the Czech Republic, Albert was recognized as the market leader for its wide range of organic products.

To minimize product packaging, the Albert store in Chodov gives customers the choice to use reusable, smart, closable containers for purchasing unwrapped drugstore items and toiletries, such as soap, shampoo, washing powder, baking soda, detergents and several different cleaning agents.

Alfa Beta installed more than 350 charging stations at its stores so customers can charge their electric cars while doing their grocery shopping.

Lastly, bol.com began utilizing a multi-packaging machine that saves packaging material, leading to fewer delivery trips and reducing the brand's overall CO_2 emissions.

Cultivate best talent

The acquisition of DEEN led to the expansion of Albert Heijn and welcomed 4,700 new associates in the Netherlands. Colleagues across functions worked hard to ensure a smooth onboarding of new associates by working on contracts, organizing master classes, making technical changes to the system, and much more – all in addition to handling the regular onboarding of associates within the brand.

To create a more welcoming and inclusive workplace, several European brands rolled out the Young Ahold Delhaize Business Resource Group to inspire and promote fun events that contribute to the development of young team members. For example, AB in Greece launched the Young Alfa Beta group, which already has about 200 members. This Business Resource Group is aimed at building a network for young associates to encourage engagement and empowerment, generate fresh ideas and innovations, empower diversity and inclusion, support the development of key skills and mindsets, enable members to engage with leaders, and hopefully become a magnet for recruiting new talent.

Strengthen operational excellence

Our brands are continuously exploring opportunities to drive synergies and scale across Europe. For example, in 2021, our Benelux brands rolled out four sourcing partnerships in fresh categories that will lead to around €18 million of savings per year.

The European brands have strategic initiatives in place to gain more scale benefits from sourcing through joint negotiations and (regional) own-brand ranges.

To continuously simplify and improve operational processes, the brands rolled out more than 400 Robotics Process Automation units (RPAs), launched chat bots, experimented with native language generation and piloted automated cleaning technologies in stores and warehouses.

The brands are improving productivity through automation and standardization. For example, they have activated a harmonized merchandising optimization program, focused on standardizing commercial tooling and insights within our European brands. They are further standardizing back-office processes and procurement of not-for-resale products.

Our brands continue to share best practices; for example, Alfa Beta implemented Albert Heijn's dry misting solution to keep produce fresh in its stores.

Financial review by segment

GLOBAL SUPPORT OFFICE

€ million	2021	2020	Change versus prior year	% change
Global Support Office costs	**(119)**	(195)	76	(39.0)%
(Gains) losses on leases and the sale of assets – net	**6**	—	6	NM
Restructuring and related charges and other items	**—**	2	(2)	NM
Underlying Global Support Office costs	**(125)**	(197)	72	(36.5)%
of which related to self-insurance activities	**35**	(39)	74	NM
Underlying Global Support Office costs excluding self-insurance	**(160)**	(158)	(2)	1.1%

Global Support Office costs in 2021 were €119 million, down €76 million compared to the prior year, driven by a better insurance result of €74 million. Due to COVID-19, there was a significant drop in the discount rates as of March 2020. In 2021, the discount rates are slowly recovering to pre-COVID-19 levels.

Underlying Global Support Office costs were €125 million, €72 million lower than 2020. The €74 million increase in self-insurance activities was the result of a significant increase in discount rates. Underlying Global Support Office costs excluding self-insurance were €160 million, up €2 million versus last year.

Financial review by segment

GLOBAL SUPPORT OFFICE

Growth drivers in action

Drive omnichannel growth

In 2021, we built capabilities to support our brands in building a better omnichannel customer experience, optimizing the businesses and unlocking additional income streams. This will create a virtuous circle that keeps improving our brands' proposition to customers. As we continue our omnichannel and digital transformation, these capabilities will unlock significant new opportunities in areas like automation, loyalty, personalization, and new services and increased relevancy for the brands' customers.

In addition, to deliver towards our long-term e-commerce ambition, in 2021, we moved from an incremental view of e-commerce profitability to a fully allocated one, with a global standard profit and loss statement across all the brands for full comparability, best-practice sharing and a clear roadmap towards our ambitious goal.

Elevate healthy and sustainable

During 2021, we continued to increase our focus on environmental, social and governance topics. We updated our Healthy and Sustainable strategy, working towards healthier people and a healthier planet. We announced plans to reduce our carbon emissions further and become net zero for scope 1 and 2 by 2040 and for scope 3 by 2050. We increased our ambition on healthy own-brand sales to over 55% by 2025 and remain focused on further reducing food waste and increasing the percentage of recyclable, re-usable and / or compostable own-brand plastic product packaging.

To make sure we are able to measure performance on our targets and commitments in an effective and efficient way, we investigated how we can improve the data collection processes within our brands and at group level. We held several workshops with the brands to identify improvements on KPI level, with the goal to ensure Ahold Delhaize and each brand can better steer and further improve ESG performance.

In the coming years, we will continue to implement the opportunities for improvement we have identified.

Cultivate best talent

Within the Ahold Delhaize brands and businesses, 41% of the workforce is part of Gen Z, and there is a lot to learn from this generation. As leaders, we are striving to support our Gen Z associates and involve them more in our decision-making processes.

We recently invited Dr. Eveline Crone, thought leader on Gen Z, to be a keynote speaker at our Ahold Delhaize Leadership event. She shared insights on this generation that we transformed into actionable steps. At the Global Support Office, we started a pilot that aims to train and equip our leaders to feel comfortable having conversations about mental well-being with their teams, while helping associates to get further insights into their own mental health through a self-screening tool. See more information in *COVID-19: Impact and our response*.

Strengthen operational excellence

In 2021, our Global Technology Sourcing & Vendor Management team leveraged Ahold Delhaize's scale through synergies on technology-related purchases across our brands and businesses.

The team achieved significant cost reduction by eliminating the duplication of maintenance and support costs across different enterprise technology vendor portfolios.

They were also able to drive down costs during the year by pursuing improved discounts, particularly in our cloud infrastructure footprint.

Performance review

OUTLOOK

SUMMARY

Below is a summary of the full-year outlook for 2022:

Performance measure	Outlook 2022
Underlying operating margin	At least 4%
Diluted underlying EPS growth	low- to mid-single-digit decline versus 2021
Save for Our Customers	>€850 million
Capital expenditures	~ €2.5 billion
Free cash flow[1]	~ €1.7 billion
Dividend payout ratio[2, 3]	40-50% and year-over-year increase in dividend per share
Share buyback[4]	€1 billion

1 Excludes M&A.
2 Calculated as a percentage of underlying income from continuing operations.
3 Management remains committed to the share buyback and dividend program, but given the uncertainty caused by COVID-19, they will continue to monitor macro-economic developments. The program is also subject to changes in corporate activities, such as material M&A activity.

CONTINUED SALES GROWTH EXPECTED IN 2022

COVID-19 is having lasting effects on consumer behavior, favoring more food-at-home consumption and increased online food penetration in comparison to pre-COVID-19 trends. Our omnichannel platform has played particularly well in this environment, enabling sales to grow in 2021 on top of an elevated 2020 sales base.

Given the strong levels of reinvestment we are making back into our business and omnichannel offerings, we forecast continued sales growth in 2022 and the years following. Our guidance calls for an incremental €10 billion of Group net sales through 2025 versus 2022, driven by our digital and online investments, the leveraging of our Benelux food/non-food ecosystem, and continued store remodeling activity.

MACRO-ECONOMIC INDICATORS SUPPORTIVE OF FOOD-AT-HOME DEMAND IN 2022

On a macro level, the International Monetary Fund (IMF) forecasts strong real GDP growth in both the U.S. and Europe during 2022 of 4.0% and 3.9%, respectively. This level of growth should translate into a good backdrop for our communities, as economic activity remains vibrant. However, consumers globally are contending with higher living expenses, as expressed by above average Consumer Price Index (CPI) rates, which in 2022 are forecasted by the IMF at +3.5% in the U.S. and +3.6% in Europe.

We continue to provide a strong range of offerings for consumers seeking value, given high own-brand penetration rates across our global brands. And with consumers' wallets being stretched by higher living costs, food-at-home demand is likely to remain strong in 2022 given its proposition as a cheaper alternative to eating outside of the home. This notion is supported by the USDA's 2022 forecast for CPI food-at-home inflation of +1.5% to +2.5% compared to projected food-away-from-home inflation of +3.5% to +4.5%, suggesting that shopping in grocery stores is expected to become relatively more affordable versus restaurants in 2022.

OMNICHANNEL STRATEGY EXPANDS FURTHER IN 2022

Our approach to being a leading local omnichannel food retailer continues to serve us well; this was highlighted in 2021, when our broad-based e-commerce solutions enabled our brands to drive share gains, due in part to changes in the way consumers shop.

We believe a lot of this behavior will persist, and are continuing to make significant investments in our omnichannel proposition, which is reflected in our 2022 outlook.

Specifically, we expect further growth in our e-commerce business during 2022, and are targeting a mid-teens increase in group net consumer online sales.

At the same time, we will also continue to reinvest in our brands' brick-and-mortar store locations. For example, Stop & Shop has plans to remodel an additional 40 stores in 2022 as part of the Reimagine Stop & Shop program.

OPERATIONAL EXCELLENCE TO DRIVE SUSTAINED INDUSTRY-LEADING MARGINS IN 2022

In 2022, we expect to sustain our industry-leading underlying operating margins of at least 4%. This outlook reflects a balanced approach with cost savings largely offsetting cost pressures.

After achieving cumulative savings of more than €2.5 billion over the past three years, our Save for Our Customers program is expected to yield a cumulative €4.0 billion in cost savings over the next four years. In 2022, savings are forecasted at above €850 million, and will be driven by our initiatives in joint sourcing, automation as well as data and media monetization, among others.

In the U.S., we are continuing to improve our supply chain capabilities by moving towards a fully integrated, self-distribution model in 2023. We are progressing on schedule, with 65% of our center-store volume currently self distributed, and 85% self distribution expected to be reached in 2022.

In Europe, we expect to have electronic shelf labelling at more than 80% of our brands' supermarkets by the end of 2022, allowing us to gain efficiencies and aid profitability. Additionally, we continue to identify opportunities to drive synergies and scale across Europe related to product sourcing.

We plan on improving online profit margins in 2022, as part of our ambition to make e-commerce profitable on a fully allocated channel basis by 2025. In Q4 2021, The GIANT Company opened a new e-commerce fulfillment center in the Philadelphia market as part of our brands' initiatives to drive growth and efficiencies in online operations.

These and other factors support our margin outlook.

Performance review
OUTLOOK

STRONG FREE CASH FLOW GENERATION EXPECTED IN 2022

Our performance outlook for 2022 translates into another round of strong cash flow generation, which is reflected in our free cash flow forecast of approximately €1.7 billion[1]. This comes as our Save for Our Customers program allows us to continuously improve our consumer value proposition and reinvest back into our omnichannel platform, to improve our digital and e-commerce capabilities and optimize our brick-and-mortar store and supply chain network. We expect our free cash flow generation to remain strong over the upcoming years as well, and are forecasting €6.0 billion in cumulative free cash flows over the four-year period from 2022 to 2025.

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

CAPITAL EXPENDITURE OF APPROXIMATELY €2.5 BILLION

We anticipate 2022 net capital expenditures of €2.5 billion versus €2.3 billion in 2021, with increased investments into our digital and online capabilities, as well as our healthy and sustainable initiatives. Over the next four years, we will maintain strong levels of reinvestment back into our businesses, with net capital expenditures expected to average 3.5% of sales.

RETURNING CAPITAL TO SHAREHOLDERS CONTINUES

The strong level of free cash flow embedded in our 2022 outlook supports our €1 billion share repurchase authorization announced in November 2021, as well as our dividend policy, which calls for sustainable growth in our annual cash dividend and a 40%-50% payout ratio from underlying net income.

We propose a cash dividend of €0.95 for the financial year 2021, an increase of 5.6% compared to 2020. If approved by the General Meeting of Shareholders, a final dividend of €0.52 per share will be paid on April 28, 2022. This is in addition to the interim dividend of €0.43 per share, which was paid on September 2, 2021.

CULTIVATE BEST TALENT TARGETS

The growth driver Cultivating best talent remains a strategic focus, as we believe the proper development and engagement of associates ultimately drives good returns for the business. It is also helping us address ESG topics that include: diversity and inclusion and associate safety, health and well-being. In 2022, we target the following metrics: an associate engagement score of 80% or greater; and an inclusive workplace score of 79% or greater. Over the course of 2022, we will adapt the associate engagement indices to better align with the brands' needs.

WE PLAN TO MAKE CONTINUED PROGRESS ON OUR ESG INITIATIVES IN 2022

In addition to our formal financial outlook, during 2022, we expect to continue to make progress on our Healthy and Sustainable strategy, for which the importance continues to increase throughout our organization. In 2022, we plan to make continued progress on increasing the percentage of own-brand healthy sales, further reduce food waste and reduce scope 1 and 2 carbon emissions in line with the commitment to become net zero for scope 1 and 2 carbon emissions by 2040. We strive towards continued improvements in diversity and inclusion, and doing our part to protect human rights.

We will continue to elevate our healthy and sustainable platform in 2022, and are targeting a 54.2% penetration rate of healthy own-brand sales; an 18% reduction in food waste; and a reduction in CO_2 emissions in line with our net-zero ambition. In 2022, we will continue to work on a detailed plan for our scope 3 carbon-equivalent emissions and work to increase the percentage of reusable, recyclable or compostable own-brand primary plastic product packaging as well as a more robust approach to sustainable agriculture.

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	2022 target	2025 target	2030 target
% of healthy own-brand food sales as a proportion of total own-brand food sales	54.2%	>55%	
Reduction in tonnes of food waste per food sales (t/€ million) against 2016 baseline	18%	32%	50%
% own-brand primary plastic product packaging that is reusable, recyclable or compostable		100%	
Absolute CO_2-equivalent emissions from own operations (scope 1 and 2) (thousand tonnes) against 2018 baseline			50%
% reduction in absolute CO_2-equivalent emissions from our value chain (scope 3) against 2018 baseline			15%

Performance review

INFORMATION ABOUT AHOLD DELHAIZE SHARES

SHARES AND LISTINGS

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

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

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

Structure: Sponsored Level I ADR

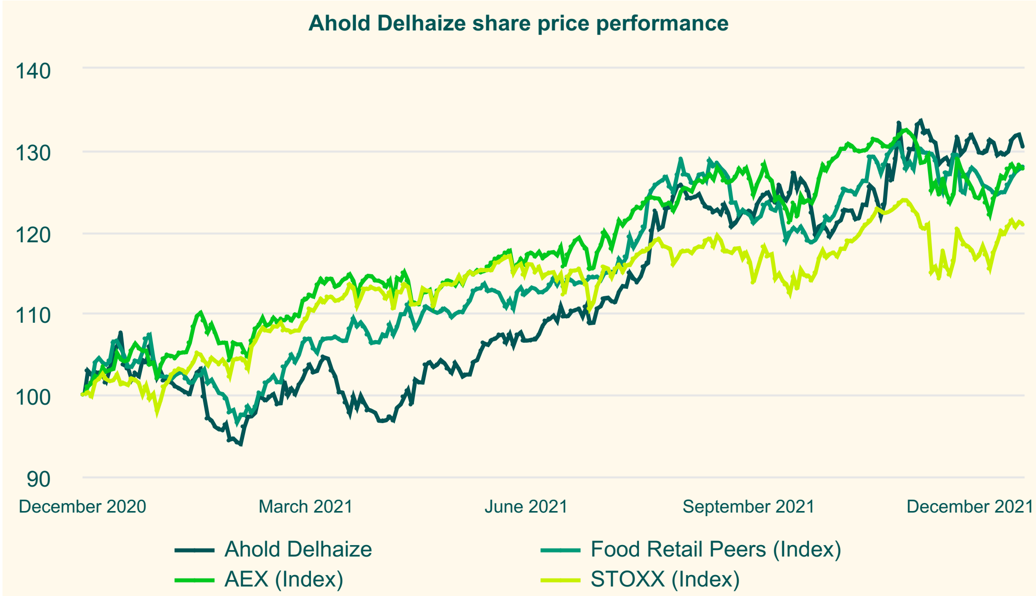
J.P. Morgan (the Depositary) acts as the depositary bank for Ahold Delhaize's ADR program. Please also see *Contact information* for details on how to contact J.P. Morgan regarding the ADR program.

SHARE PERFORMANCE IN 2021

On December 31, 2021, the closing price of an Ahold Delhaize ordinary share on Euronext Amsterdam was €30.14, a 30.4% increase compared to €23.11 on December 31, 2020. During the same period, the Euro STOXX 50 index increased by 21.0% and the AEX index increased by 27.7%.

During 2021, Ahold Delhaize shares traded on Euronext Amsterdam at an average closing price of €25.98 and an average daily trading volume of 3.1 million shares. Ahold Delhaize's market capitalization was €30.5 billion at year-end 2021. The highest closing price for Ahold Delhaize's shares on Euronext Amsterdam was €30.86 on November, 23, 2021, and the lowest was €21.72 on March 3, 2021.

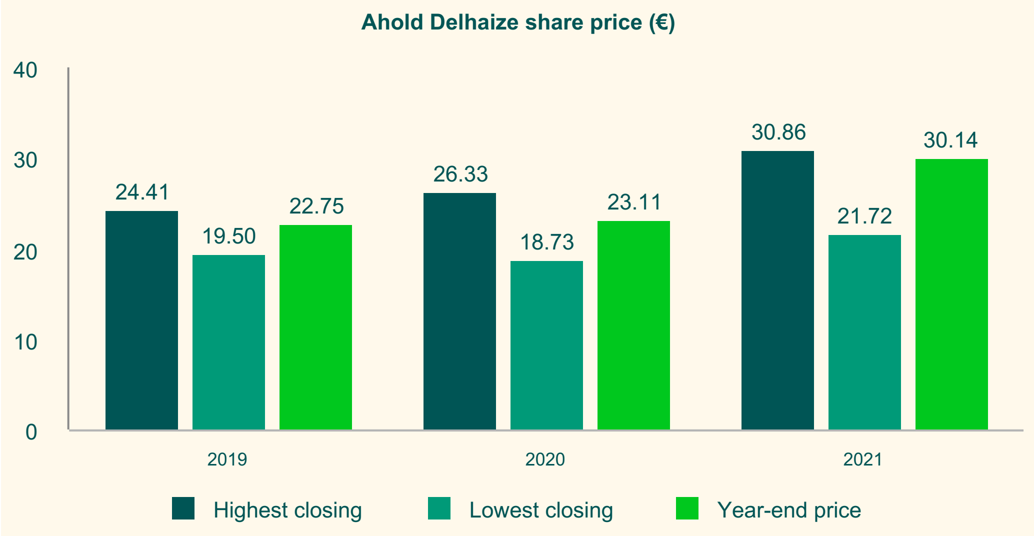
The complete list of the select peer group includes: Walmart Inc., Kroger Co., Tesco Plc., Costco Wholesale Corporation, Carrefour SA, J Sainsbury Plc., Target Corporation, Albertsons Companies, Inc and Casino SA. The chart represents the performance of Ahold Delhaize shares along with the AEX, Euro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



On December 31, 2021, the closing price of Ahold Delhaize's ADR was 21.2% higher than the closing price on December 31, 2020 ($28.28). In the same period, the Dow Jones Index increased by 18.7% and the S&P 500 increased by 26.9%. In 2021, the average daily trading volume of Ahold Delhaize American Depositary Receipts (ADRs) was 78,254.

Performance review

INFORMATION ABOUT AHOLD DELHAIZE SHARES



Performance of Ahold Delhaize's common shares on Euronext Amsterdam

	2021	2020
Closing common share price at calendar year-end (in €)	**30.14**	23.11
Average closing common share price (in €)	**25.98**	23.52
Highest closing common share price (in €)	**30.86**	26.33
Lowest closing common share price (in €)	**21.72**	18.73
Average daily trading volume	**3,103,721**	4,003,668
Market capitalization (€ million)	**30,482**	24,197

Source: FactSet

EARNINGS PER SHARE

During 2021, Ahold Delhaize realized a basic income from continuing operations per share of €2.18 and diluted income from continuing operations per share of €2.17. Basic underlying income from continuing operations was €2.20 per share, and diluted underlying income from continuing operations was €2.19 per share. This difference between our reported and underlying income from continuing operations is related to a net €16 million of one-time charges.

SHARE CAPITAL

During 2021, Ahold Delhaize's issued and outstanding share capital decreased by approximately 36 million common shares to 1,011 million common shares. This decrease resulted mainly from the share buyback of €1 billion as announced on December 4, 2019, marginally offset by the issuance of shares for the Company's share-based compensation program.

The common shares issued decreased by 55 million to 1,046 million at the end of 2021. The difference between the common shares outstanding and common shares issued are the treasury shares.

As of January 2, 2022, there were 34,387 thousand shares held in treasury, the majority held by Ahold Delhaize to cover the equity-based long-term incentive plan.

Ahold Delhaize's authorized share capital as of January 2, 2022, comprised the following:

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

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

Distribution of shares

SHAREHOLDERS BY REGION[1]:

%	January 2022	January 2021
U.K./Ireland	**15.8**	**12.4**
North America	**28.0**	**32.0**
Rest of Europe	**9.8**	**9.5**
France	**7.3**	**6.6**
The Netherlands[2]	**5.3**	**5.5**
Rest of the world	**3.4**	**4.5**
Germany	**5.5**	**5.3**
Undisclosed[2]	**24.8**	**24.2**

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

Performance review

INFORMATION ABOUT AHOLD DELHAIZE SHARES

SIGNIFICANT OWNERSHIP OF VOTING SHARES

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

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

60% 75% 95%

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

The following table lists the shareholders on record in the AFM register on February 21, 2022, that hold an interest of 3% or more in the share capital of the Company[1].

- Koninklijke Ahold Delhaize N.V. – 3.05% shareholding (0% voting rights) disclosed on December 7, 2021
- P.E. Singer – 3.04% shareholding (3.04% voting rights) disclosed on November 15, 2021
- BlackRock, Inc. – 5.84% shareholding (6.99% voting rights) disclosed on August 23, 2021
- State Street Corporation – 3.49% shareholding (2.70% voting rights) disclosed on July 18, 2019

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

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

Shareholder returns

On April 14, 2021, the General Meeting of Shareholders approved the dividend over 2020 of €0.90 per common share. The interim dividend of €0.50 per common share was paid on August 27, 2020. The final dividend of €0.40 per common share was paid on April 29, 2021.

We propose a cash dividend of €0.95 for the financial year 2021, an increase of 5.6% compared to 2020, reflecting our ambition of sustainable growth of the dividend per share. This represents a payout ratio of 42%, based on the expected dividend payment on 52 weeks of underlying income from continuing operations.

If approved by the General Meeting of Shareholders, a final dividend of €0.52 per share will be paid on April 28, 2022. This is in addition to the interim dividend of €0.43 per share, which was paid on September 2, 2021.

SHAREHOLDERS KEY PERFORMANCE INDICATORS 2017-2021

	2021	2020	2019	2018	2017
Dividend per common share[1]	**0.95**	0.90	0.76	0.70	0.63
Final dividend	**0.52**	0.40	0.46	0.70	0.63
Interim dividend	**0.43**	0.50	0.30	N/A	N/A
Dividend yield	**3.2%**	3.9%	3.3%	3.2%	3.4%
Payout ratio	**42%**	40%	44%	42%	47%

1 2021 dividend subject to the approval of the annual General Meeting of Shareholders.

Share buyback

On November 4, 2020, Ahold Delhaize announced it would return €1 billion to shareholders by means of a share buyback program, which was completed on December 13, 2021. An additional €1 billion share buyback program was announced on November 15, 2021, which is expected to be completed before the end of 2022. Maintaining a balanced approach between funding growth in key channels and returning excess liquidity to shareholders is part of Ahold Delhaize's financial framework to support our Leading Together strategy. The purpose of the program is to reduce Ahold Delhaize's capital, by cancelling all or part of the common shares acquired through the program.

Performance review

MULTIPLE-YEAR OVERVIEW

The multiple-year overview is provided for ten years; however, the figures prior to 2018 are not comparable because they have not been restated for the impact of IFRS 16. In addition, it should be noted that years prior to 2016 only relate to the former Ahold business. The former Delhaize business is included as of July 24, 2016.

RESULTS, CASH FLOW AND OTHER INFORMATION

€ million, except per share data, exchange rates and percentages	2021	2020	2019	2018 restated[1]	2017[1]	2016[1,2]	2015[1]	2014[1]	2013[1]	2012[1]
Net sales	**75,601**	74,736	66,260	62,791	62,890	49,695	38,203	32,774	32,615	32,682
Of which online sales	**7,704**	5,547	3,493	2,817	2,393	1,991	1,646	1,267	1,086	830
Net sales growth at constant exchange rates[3]	**5.0%**	12.3%	2.3%	2.5%	28.9%	32.3%	2.3%	0.8%	2.0%	3.6%
Operating income	**3,320**	2,191	2,662	2,623	2,225	1,584	1,318	1,250	1,239	1,336
Underlying operating income margin	**4.4%**	4.8%	4.2%	4.4%	3.9%	3.8%	3.8%	3.9%	4.2%	4.3%
Net financial expense	**(517)**	(485)	(528)	(487)	(297)	(541)	(265)	(235)	(291)	(208)
Income from continuing operations	**2,246**	1,397	1,767	1,797	1,817	830	849	791	805	869
Income (loss) from discontinued operations	**—**	—	(1)	(17)	—	—	2	(197)	1,732	46
Net income	**2,246**	1,397	1,766	1,780	1,817	830	851	594	2,537	915
Earnings and dividend per share										
Net income per common share (basic)	**2.18**	1.31	1.60	1.51	1.45	0.81	1.04	0.68	2.48	0.88
Net income per common share (diluted)	**2.17**	1.30	1.59	1.49	1.43	0.81	1.02	0.67	2.39	0.85
Income from continuing operations per common share (basic)	**2.18**	1.31	1.60	1.53	1.45	0.81	1.04	0.90	0.79	0.84
Income from continuing operations per common share (diluted)	**2.17**	1.30	1.59	1.51	1.43	0.81	1.02	0.88	0.77	0.81
Dividend per common share	**0.95**	0.90	0.76	0.70	0.63	0.57	0.52	0.48	0.47	0.44
Cash flows										
Free cash flow	**1,618**	2,199	1,843	2,165	1,926	1,441	1,184	1,055	1,109	1,051
Net cash from operating, investing and financing activities	**(218)**	(383)	535	(1,587)	827	2,114	73	(1,005)	681	(511)
Capital expenditures (including acquisitions)[4]	**5,776**	4,456	3,604	2,838	1,822	16,775	1,172	1,006	843	1,876
Capital expenditures as % of net sales	**7.6%**	6.0%	5.4%	4.5%	2.9%	33.8%	3.1%	3.1%	2.6%	5.7%
Regular capital expenditures[5]	**4,187**	4,448	3,512	2,772	1,723	1,377	811	740	830	929
Regular capital expenditures as % of net sales	**5.5%**	6.0%	5.3%	4.4%	2.7%	2.8%	2.1%	2.3%	2.5%	2.8%
Average exchange rate (€ per $)	**0.8461**	0.8770	0.8934	0.8476	0.8868	0.9038	0.9001	0.7529	0.7533	0.7782

1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated for the impact of the implementation of IFRS 16 Leases.
2 Included former Delhaize business as of July 24, 2016.
3 Net sales growth in 2021, 2020, 2016 and 2015 is adjusted for the impact of week 53 in 2020 and 2015. Net sales growth in 2021 and 2016 is calculated based on a 52-week comparison to 2020 and 2015 respectively. Net sales growth in 2020 and 2015 is calculated based on a 53-week comparison to 2019 and 2014, respectively.
4 The amounts represent additions to property, plant and equipment; right-of-use assets; investment property; and intangible assets. The amounts exclude discontinued operations.
5 The amounts represent additions to property, plant and equipment; right-of-use assets; investment property; and intangible assets, excluding the impact from acquisitions. The amounts exclude discontinued operations.

Performance review
MULTIPLE-YEAR OVERVIEW

BALANCE SHEET AND OTHER INFORMATION

€ million, except for number of stores and otherwise indicated	January 2, 2022	January 3, 2021	December 29, 2019	December 30, 2018, restated[1]	December 31, 2017[1]	January 1, 2017[1]	January 3, 2016[1]	December 28, 2014[1]	December 29, 2013[1]	December 30, 2012[1]
Group equity	**13,721**	12,432	14,083	14,205	15,170	16,276	5,621	4,844	6,520	5,146
Share buyback[2]	**(995)**	(1,001)	(1,002)	(1,997)	(998)	—	(161)	(1,232)	(768)	(277)
Gross debt	**17,089**	14,554	15,445	14,485	7,250	7,561	3,502	3,197	3,021	3,246
Cash, cash equivalents, and short-term deposits and similar instruments and investments in debt instruments – current portion	**3,143**	3,119	3,863	3,507	4,747	4,317	2,354	1,886	3,963	1,886
Net debt	**13,946**	11,434	11,581	10,978	2,503	3,244	1,148	1,311	(942)	1,360
Total assets	**45,712**	40,692	41,490	39,830	33,871	36,275	15,880	14,138	15,142	14,572
Number of stores[3]	**7,452**	7,137	6,967	6,769	6,637	6,556	3,253	3,206	3,131	3,074
Number of employees (in thousand FTEs)[3]	**259**	249	232	225	224	225	129	126	123	125
Number of employees (in thousands headcount)[3]	**413**	414	380	372	369	370	236	227	222	225
Common shares outstanding (in millions)[2]	**1,011**	1,047	1,088	1,130	1,228	1,272	818	823	982	1,039
Share price at Euronext (€)	**30.14**	23.11	22.75	22.07	18.34	20.03	19.48	14.66	13.22	10.16
Market capitalization[2]	**30,482**	24,197	24,751	24,938	22,508	25,484	15,944	12,059	12,989	10,551
Year-end exchange rate (€ per $)	**0.8795**	0.8187	0.8947	0.8738	0.8330	0.9506	0.9208	0.8213	0.7277	0.7566

1 2018 figures have been restated to reflect the impact of the implementation of IFRS 16 Leases. Financial information prior to 2018 has not been restated for the impact of the implementation of IFRS 16 Leases.
2 In 2016 and 2014, an additional €1,001 million and €1,007 million, respectively, were returned to shareholders through a capital repayment.
3 At December 29, 2013, the number of stores and employees include discontinued operations (Slovakia).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE INFORMATION

We provide five years of data, since, in 2016, the merger between Ahold and Delhaize was finalized. During 2016, all KPIs and targets for Ahold and Delhaize were measured according to a different set of definitions and scopes, which made these non-comparable. Starting in 2017, all metrics and definitions were aligned and all brands that are part of Ahold Delhaize reported in the same way.

	2021	2020	2019	2018	2017
Sales of own-brand foods that meet guidelines for good nutritional value (€ million)	**12,511**	11,516	9,982	9,533	9,302
% of healthy own-brand food sales of total own-brand food sales[1,2]	**53.6%**	49.8%	47.9 %	47.0 %	46.0%
% reduction in tonnes of food waste per food sales (t/MEUR)[3]	**18%**	17%	9%	5%	3%
% reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2)[4]	**31%**	23%	8%	Baseline	N/A

1 2017 to 2019 figures include Peapod.
2 Healthy sales percentage for 2021 is impacted by the transition to the Nutri-Score methodology instead of Choices in our European brands. See *ESG statements* for more information.
3 The reduction is measured against the 2016 baseline of 5.48 tonnes/MEUR. See *ESG statements* for more information.
4The reduction is measured against the 2018 baseline of 4,073 ktonnes. 2018 baseline, 2019 and 2020 figures are restated. See *ESG statements* for more information.

Performance review

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FINANCIAL PERFORMANCE MEASURES

The financial information included in this Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the European Union and as explained in Note 2 and Note 3 to the consolidated financial statements as well as in the individual footnotes, unless otherwise indicated.

This Annual Report also includes alternative performance measures (also known as non-GAAP measures). The definitions of these financial and non-financial alternative performance measures can be found below.

FINANCIAL ALTERNATIVE PERFORMANCE MEASURES

Management believes that financial alternative performance (non-GAAP) measures allow for a better understanding of Ahold Delhaize's operating and financial performance. These alternative performance measures should be considered in addition to, but not as substitutes for, the most directly comparable IFRS measures.

Basic and diluted underlying income per share from continuing operations

Underlying income per share from continuing operations is calculated as underlying income from continuing operations, divided by the weighted average number of shares outstanding, also referred to as "underlying earnings per share" or "underlying EPS."

Diluted underlying income per share from continuing operations is calculated as diluted underlying income from continuing operations, divided by the diluted weighted average number of common shares outstanding, also referred to as "diluted underlying EPS."

Comparable sales

Comparable sales are net sales, in local currency, from exactly the same stores – including remodeled stores and stores that are replaced within the same market area – and online sales in existing market areas for the most recent comparable period. Ahold Delhaize measures a store for comparable sales after it is open for a full 56 weeks. Comparable stores are locations that were open for both the full time period being reported on and the full comparable time period in the preceding year. In 2021, comparable sales growth is calculated by adjusting 2020 to a 52-week period.

Comparable sales excludes Value Added Tax (VAT).

For markets that sell gasoline, Ahold Delhaize also calculates the comparable sales excluding gasoline sales, to eliminate gasoline price volatility in the comparison.

Comparable sales and comparable sales excluding gasoline sales are not reflected in Ahold Delhaize's financial statements. However, the Company believes that disclosing comparable sales and comparable sales excluding gasoline sales provides additional useful analytical information to investors regarding the operating performance of Ahold Delhaize as it neutralizes the impact of, for example, newly acquired stores, in the calculation of sales growth.

Earnings before interest, taxes, depreciation and amortization, or EBITDA

Ahold Delhaize defines EBITDA as operating income / (loss) plus depreciation and amortization. EBITDA is considered to be a useful measure for investors to analyze profitability by eliminating the effects of financing (i.e., net financial expense), capital investments and the impact of the purchase price allocation (i.e., depreciation and amortization).

Food sales

Food sales contains all net sales, excluding the following categories: pet food, flowers and plants, tobacco, and non-food products including health and beauty and cleaning products. Sales taxes and value-added taxes are excluded from food sales reported in the ESG statements.

Free cash flow

Ahold Delhaize defines free cash flow as operating cash flows from continuing operations minus net capital expenditures, net repayment of lease liabilities and receivables (both interest and principal portions) and net interest paid plus dividends received.

Ahold Delhaize has included free cash flow as the Company believes it is a useful measure for investors, because it provides insight into the cash flows available to, among other things, reduce debt and pay dividends. Free cash flow is derived from the financial statements; however, this is not a measure calculated in accordance with IFRS and may not be comparable to similar measures presented by other companies. Accordingly, free cash flow should not be considered as an alternative to operating cash flow.

Global Support Office costs

Global Support Office (GSO) costs relate to the responsibilities of the Global Support Office, including Finance, Strategy, Mergers & Acquisitions, Internal Audit, Legal, Compliance, Human Resources, Information Technology, Insurance, Tax, Treasury, Communications, Investor Relations, Health and Sustainability and the majority of the Executive Committee. Global Support Office costs also include results from other activities coordinated centrally but not allocated to any subsidiary. Underlying Global Support Office costs exclude impairments of non-current assets, gains (losses) on leases and the sale of assets, and restructuring and related charges and other items, including business acquisition transaction costs.

Net consumer online sales

Net consumer online sales is defined as online sales including sales of third parties via bol.com's Plaza and other initiatives, such as Ship2Me in the U.S. Net consumer online sales excludes Value Added Tax (VAT). Ahold Delhaize's management believes that this measure provides more insight into the growth of our online businesses.

Net debt

Net debt is the difference between (i) the sum of loans, lease liabilities and short-term debt (i.e., gross debt) and (ii) cash, cash equivalents, current portion of investment in debt instruments, and short-term deposits and similar instruments. In management's view, because cash, cash equivalents, current portion of investments in debt instruments, and short-term deposits and similar instruments can be used, among other things, to repay indebtedness, netting this against gross debt is a useful measure for investors to judge Ahold Delhaize's leverage. Net debt may include certain cash items that are not readily available for repaying debt.

Net sales at constant exchange rates

Net sales at constant exchange rates excludes the impact of using different currency exchange rates to translate the financial information of Ahold Delhaize subsidiaries or joint ventures to euros. Ahold Delhaize's management believes this measure provides a better insight into the operating performance of Ahold Delhaize's foreign subsidiaries or joint ventures.

Net sales by category

Net sales are specified into predefined sales categories: perishable, non-perishable, non-food, gasoline and pharmacy.

Category definitions:

- Perishable includes: produce, dairy (fresh), meat, deli, bakery, seafood and frozen.
- Non-perishables include: grocery, dairy (long-life) and beer and wine.
- Non-food includes: floral, pet food, health and beauty care, kitchen and cookware, gardening tools, general merchandise articles, electronics, newspapers and magazines, tobacco, etc.
- Gasoline includes: gasoline sales only.
- Pharmacy includes: pharmacy sales only.

Net sales in local currency

In certain instances, net sales are presented in local currency. Ahold Delhaize's management believes this measure provides a better insight into the operating performance of Ahold Delhaize's foreign subsidiaries.

Online grocery penetration

Online grocery penetration is calculated as online sales as a percentage of net sales, excluding sales for gasoline, bol.com, Etos and Gall & Gall. Ahold Delhaize's management believes that this measure provides insights into the value of our online grocery business.

Online sales

Online sales are net sales generated through electronic ordering by the final customer at the fair value of the consideration received or receivable.

Online sales includes both business-to-consumer and business-to-business sales as long as the purchaser is the end user, sales generated through third-party platforms (e.g., Instacart and eMag), delivery fee income, other income derived from online sales generated through third-party platforms (e.g., price markups), and fees and commissions when Ahold Delhaize acts as an agent.

Online sales excludes Value Added Tax (VAT).

Operating income in local currency

In certain instances, operating income is presented in local currency. Ahold Delhaize's management believes this measure provides better insight into the operating performance of Ahold Delhaize's foreign subsidiaries.

Own-brand sales

Net sales of own-brand products, which include: private labels, fancy brands (proprietary private labels that are a fantasy name owned by Ahold Delhaize), exclusive brands (brands that are not international, national or regional brands), store-prepared products (in-store food preparation, even if derived from branded stock), non-branded products (such as bulk fruit and vegetables or no name non-food products) and promotional items relating to the former. In short, every product that is not an international, national or regional brand is considered to be an own-brand product.

Regular CapEx expenditure

The amounts represent additions to property, plant and equipment; right-of-use assets; investment property; and intangible assets. The amounts exclude acquisition capital expenditure.

Return on capital

Return on capital (RoC) is calculated as underlying operating income before depreciation and amortization divided by the annual rolling average of the sum of company-owned property, plant and equipment at purchase price, intangible assets (excluding goodwill) at purchase price, operating working capital components and repayment of lease liabilities, divided by 8%.

Two-year stack

Two-year comparable sales growth is a stack of the comparable sales growth excluding gasoline in the current year period added to the comparable sales growth excluding gasoline in the prior year period. This measure may be helpful in improving the understanding of trends in periods that are affected by variations in prior-year growth rates.

Underlying earnings before interest, taxes, depreciation and amortization, or underlying EBITDA and margin

Ahold Delhaize defines underlying EBITDA as underlying operating income plus depreciation and amortization. Underlying EBITDA is considered to be a useful measure for investors to analyze profitability by eliminating the effects of financing (i.e., net financial expense), capital investments and the impact of the purchase price allocation (i.e., depreciation and amortization). Underlying EBITDA margin is calculated as underlying EBITDA as a percentage of net sales.

Underlying income from continuing operations

Ahold Delhaize defines underlying income from continuing operations as income from continuing operations adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance, as well as material non-recurring finance costs and income tax expense, and the potential effect of income tax on all these items.

Underlying operating income and margin

Underlying operating income is defined as total operating income, adjusted for impairments of non-current assets, gains and losses on the sale of assets, gains and losses on leases and subleases, restructuring and related charges, and other items considered not to be directly related to the underlying operating performance.

Ahold Delhaize's management believes this measure provides better insight into the underlying operating performance of the Company's operations. Underlying operating income margin is calculated as underlying operating income as a percentage of net sales.

Performance review
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NON-FINANCIAL ALTERNATIVE PERFORMANCE MEASURES

The specific definitions outlined below add context to our non-financial alternative performance measures and other metrics used in this report.

Acceptable standards and certifications for commodities

Ahold Delhaize defines acceptable standards as multi-stakeholder initiatives or standards supported by multiple stakeholders. They include third-party verification and focus on mitigating the main environmental and/or social issues associated with a commodity's production. Acceptable standards are globally consistent and focus on continuously improving production and supply chain practices. Acceptable standards for tea, coffee and cocoa include Rainforest Alliance/UTZ Fair Trade USA/Fairtrade/FLO-CERT/Fairtrade Sourcing Program or equivalent standards. Acceptable standards for palm oil include RSPO Principles & Criteria and equivalent standards. Acceptable standards for wood fiber are the Forest Stewardship Council (FSC) Chain of Custody, Program for Endorsement of Forest Certification (PEFC) and Sustainable Forestry Initiative (SFI) or equivalent standards. Acceptable standards for soy are RTRS standard for Responsible Soy Production and ProTerra, or equivalent standards. The majority of credits we purchase are area-based RTRS credits from the Cerrado Region. Acceptable standards for seafood products include certification against a program that is recognized by the Global Sustainable Seafood Initiative (GSSI) and cover all Aquaculture Stewardship Council (ASC) farm standards.

Associate

Associates with a legal contract or active pay status (U.S.-specific) with Ahold Delhaize or its brands. This excludes external associates and contingent workers and includes expats counted in their home country.

Associates include seasonal workers, student workers (including summer season students), part-time and full-time associates, both short-term and long-term contracted associates and associates with an active pay status (U.S.-specific) as well as associates whose contract is currently suspended (e.g., for time credit or long-term illness).

Associates who have an employment contract with independent operators of affiliated or franchised stores and students who are on a non-remunerated internship are excluded from the reported figures in this section.

Associate engagement benchmarks

We use two global benchmarks for our associate engagement survey: Global Retail, which comprises companies in the 5300 Retail industry classification benchmark that operate in multiple countries and have both a brick-and-mortar and online presence, and High Performance Norm, which comprises companies in the top quartile (75th percentile) of the Perceptyx Global normative benchmark database.

Associate engagement survey

Associate engagement is measured through an annual survey of all associates employed by Ahold Delhaize and its brands. A number of items in the survey are used to derive and calculate an associate engagement score:

- Healthy workplace: associates are asked about the support they receive to have healthier lives.
- Inclusive workplace: associates are asked about the support they receive to have a more inclusive workplace.
- Associate development: associates are asked about the support they receive to develop their skills and careers with Ahold Delhaize.
- Engagement: associates are asked about how they feel about Ahold Delhaize.

Associate turnover

This metric expresses the number of people lost through resignation, attrition and other means compared to the total number of people in the organization. It includes all turnover, regardless of reason and is reported in percentage. The formula is: total number of inactive associates / total number of associates within a given time period.

Balanced candidate slates (50/50)

In a balanced candidate slate, 50% of the final candidates must be from a diverse/underrepresented population (female, person of color/ethnic/multinational) and at least two of the candidates in the final slate must be diverse.

Cash contributions

The monetary amount paid by a company in support of charitable donations in the form of direct cash donations or grants and payments for materials and services. It includes support of cultural institutions, matched employee giving, employee involvement costs, memberships and subscriptions to community-related organizations and cause-related marketing campaigns.

Charitable donations

Donations of cash, products, services, equipment or other company resources to local, national and international charitable appeals, sponsorships that are not part of a marketing strategy, grants and costs of employee volunteering that fall outside of a core community strategy, company matching of employee donations and the costs of facilitating donations by customers and suppliers.

Community investments

Long-term strategic involvement in, and partnership with, community organizations to address a limited range of social issues chosen by the Company to protect its long-term corporate interests and enhance its reputation. Examples of community investments include: memberships in and subscriptions to charitable organizations, grants and donations, secondments to a partner community organization, supporting in-house training, use of company premises for partner organizations and cost of supporting and promoting employee volunteering programs.

Business-related activities in the community, usually undertaken by commercial departments to directly support the success of the Company, promoting its corporate and brand identities and other policies, in partnership with charities and community-based organizations. Only the contribution to charity or community organizations is considered, not the total cost of the marketing campaign or similar.

Examples of commercial initiatives include: the sponsorship of events, publications and activities that promote corporate brands or corporate identity, cause-related marketing and activities to promote sales, support for universities, and research and other charitable institutions, and exceptional one-off gifts of property and other assets.

Performance review

GLOSSARY

CO_2 emissions/CO_2 equivalent (CO_2e)

The CO_2 (carbon dioxide) emissions data we report consists of a calculated CO_2 equivalent: actual CO_2 emitted plus equivalent emissions from other greenhouse gases (such as CH_4, N_2O and F-gases). We report according to the Greenhouse Gas (GHG) Protocol Corporate Standard.

Ethnicity representation by level (VP+, Director, Manager, Overall) U.S. ONLY

Associates identifying as American, Asian, Hispanic or Latino, African-American, Native Hawaiian/Other Pacific Islander, White, Other, Not Registered, Two or more races and Unknown. Within the U.S., this metric shows the representation within EEOC classifications, by organizational level.

Food Loss and Waste Protocol

A multi-stakeholder effort to develop the global accounting and reporting standard (known as the FLW Standard) for quantifying food and associated inedible parts removed from the food supply chain (referred to for simplicity's sake as "food loss and waste"). For more information, see *www.flwprotocol.org*.

Food waste

As defined by the UN Food and Agriculture Organization (FAO), food waste is any removal of food from the food supply chain that is or was at some point fit for human consumption, but has been disposed or has spoiled or expired, mainly as a result of economic behavior, poor stock management or neglect. In our calculations, in contrast to shrink, food waste excludes donations from hunger relief organizations, theft and cash shortages.

We measure food waste using the *Food Loss and Waste Protocol*. Food waste includes waste used for animal feed, bio-based materials, anaerobic digestion, composting/aerobic digestion, controlled combustion and landfill.

Free from products

"Free from" products exclude certain ingredients, such as allergens, synthetic colors or artificial flavors. The excluded ingredients are normally referenced on the packaging or product marketing materials.

Full time

Associates who work full time (= one FTE), as measured by contract hours/standard weekly working hours, are considered full time.

Gen Z

Generation Z, also called Gen Z, is the generational cohort following millennials, born in 1997+.

Global Reporting Initiative (GRI)

An independent international not-for-profit organization that developed the GRI Sustainability Reporting Standards and works to support their implementation.

Greenhouse gases

Gases such as carbon dioxide or methane that contribute to climate change.

Healthy products

Own-brand healthy food sales include all own-brand products that earn one, two or three Guiding Stars (in the U.S. market) or earn an A or B score from Nutri-Score (in Europe). Total own-brand food sales include food sales from company-operated stores as well as franchise stores.

More information on Guiding Stars can be found at *www.guidingstars.com*.

Inclusive workplace: associate perception

Associates' perception of the inclusivity of their workplace

The metric shows the percentage of associates who strongly agree or agree with the following index questions in the associate engagement survey:

- My manager treats all associates with respect.
- At my company, diversity is valued.
- My team members work well together.
- I am encouraged to share my ideas around improving our work environment.
- There are career opportunities for me at my company.

Last-stage of production (LSOP) unit

The entity that performs the last stage of production or processing in the supply chain where food and non-food safety and/or working conditions are impacted. The LSOP is:

- For food safety: the location where the final consumer product (including packing) is handled.
- For non-food safety: the location where the final consumer product (excluding packing) is assembled.
- For social compliance: the location where labor is involved in producing or processing the final product, excluding (re-)packing in a non-high-risk country.

National brands

Products that are distributed nationally under a brand name owned by the producer or distributor.

Number of injuries that result in lost days

Number of injuries that result in days lost that are directly related to work-related accidents per 100 full-time equivalents. The number of days lost are days scheduled to be worked according to each associate's schedule. An injury is a non-fatal or fatal injury arising in the course of work.

Performance review
GLOSSARY

Occupational illness frequency rate
Work-related illnesses or diseases occurring in the course or scope of employment. Occupational illnesses or diseases are only measured if a patient requires a medical professional to administer direct care or evaluate the illness or disease. In the U.S., information from our local claims management or insurance providers is used to monitor performance in this area. Since local claims management or insurance providers need to comply with local legislation, the acceptance of illnesses or diseases as work-related can deviate across brands. Occupational illnesses are calculated per one million hours worked.

Organic food products
Food that meets specific, governmental standards relative to the use of synthetic pesticides, fertilizers or any other chemicals and the way natural resources (soil, animals, energy and water) are treated in the production process. An "organic" product is a product that is certified as organic by a certifying body recognized by the government.

Own brands
Own-brand products at Ahold Delhaize company-operated and affiliated stores include: private labels, fancy brands (proprietary private labels that are a fantasy name owned by Ahold Delhaize), exclusive brands (brands that are not international, national or regional brands), store-prepared products (in-store food preparation, even if derived from branded stock), non-branded products (such as bulk fruit and vegetables or no name non-food products) and promotional items related to the non-branded products.

In short, every product that is not an international, national or regional brand is considered to be an own-brand product.

Ozone-friendly refrigerant
A refrigerant that has no ozone depletion potential (ODP = 0), meaning there is no degradation to the ozone layer. The data are based on the 2015 Report from United Nations Environment Programme (UNEP), "TOC Refrigeration, A/C and Heat Pumps Assessment Report 2015."

Part time
Associates who work less than full time (< one FTE), as measured by contract hours/standard weekly working hours, are considered part time.

Pick-up point and click-and-collect points
A pick-up point (PUP) is a location that serves as a point where customers can pick up groceries they have ordered online. PUPs exclude bol.com, Etos and Gall & Gall locations.

PUPs with pick-from-store (PFS) capability are also referred to as click-and-collect points.

Plastic packaging
According to ISO 21067, packaging is a product to be used for the containment, protection, handling, delivery, storage, transport and presentation of goods, from raw materials to processed goods, from the producer to the user or consumer, including processor, assembler or other intermediary. Plastic packaging is packaging of which the main structural element is made of plastic.

Private label products
Private label products are a sub-set of Ahold Delhaize own brands, consisting of products with a visible proprietary label from an Ahold Delhaize brand.

Reflective of our markets: associate perception
Associates' perception of whether they work in a diverse team that fully reflects the community and customers our brands serve.

The metric shows the percentage of associates who strongly agree or agree with the following index questions in the associate engagement survey:

- I am part of a diverse team that fully reflects the community and customers we serve.
- My company recruits a diverse talent pool.
- My company promotes associates with diverse backgrounds.

Sales area
The sum of the store areas (in square meters or square footage) where products are sold and services provided, taken at the end of the year.

Scope 1 (direct GHG emissions)
Emissions from sources that are owned or controlled by Ahold Delhaize. Scope 1 emissions include emissions from refrigerant leakages, owned trucking and on-site fuel usage (natural gas, propane and light fuel).

Scope 2 (indirect GHG emissions)
Emissions from the generation of purchased electricity, heat or steam consumed by the Company. They are not "direct" emissions in that they arise from third-party installations but are attributed to the Company's operations as the end user of the electricity, heat or steam.

Scope 3 (indirect GHG emissions)
Scope 3 emissions are the result of activities from assets not owned or controlled by our Group, but that indirectly impact our value chain. For example, this includes products our brands source from suppliers, and emissions generated when customers use them. Scope 3 emissions, also referred to as value chain emissions, represent the vast majority of total GHG emissions in food retail.

Stock keeping unit (SKU)
A stock keeping unit (SKU) is a specific type of product, with attributes that distinguish it from other SKUs.

We include SKUs that were active only for a limited period of time during the reporting period, SKUs that were active at a certain point in time during the reporting period, even though not active anymore at the end of the reporting period or at the time of the data collection, seasonal products, and SKUs that are only sold in our franchise/affiliated stores. Excluded SKUs are SKUs that are sold in company-operated stores selling only wholesale, promotional products and secondary SKUs.

Performance review

GLOSSARY

Sustainable Development Goals (SDGs)

The United Nations SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The 17 goals replace the Millennium Development Goals and are set on a 2016-2030 time frame.

Tenure

Tenure, as disclosed for the Management Board, Executive Committee and Supervisory Board, is calculated as the length of time members have been members of the applicable bodies.

For members of the Supervisory Board, their tenure includes their tenure in the Board of Directors of the former Delhaize Group, prior to their appointment to the Supervisory Board of Ahold Delhaize.

Tonnes of food waste donated

Includes only food products to feed people (excludes animal feed). It includes food donations to food banks and other food donations to feed people and excludes third-party donations (from customers, suppliers and associates).

Waste

Includes all waste, regardless of the waste management (recycling, incineration or landfill). It is broken down by percentage sent to landfill, recycled and sent to incinerators that produce energy. Waste data covers all types of facilities (stores, distribution centers and offices). Information about all waste disposal methods has been determined through information provided by the waste disposal contractors.

Waste recycling

All methods that do not include sending waste to landfill or incineration. For food waste, this includes four methods: recycling through animal feed, recycling through biogas generation, composting and rendering. For other waste streams, such as cardboard, paper, plastic and other waste, recycling refers to applied methods for each specific waste type.

TERMS AND ABBREVIATIONS

In addition to the non-financial alternative performance measures defined above, the following concepts or terminologies are used in our *ESG statements* and elsewhere in this report.

amfori BSCI

The amfori Business Social Compliance Initiative (BSCI) is a non-profit organization that supports more than 1,000 international companies in the process of monitoring and improving working conditions in the global supply chain through its own auditing program. .

AMS

AMS is an Amsterdam-based, non-profit, strategic buying alliance that currently works on behalf of nine top European food retailers. Since 1988, the alliance has been initiating, managing and coordinating joint-buying activities for its shareholders and, later, for EURO SHOPPER™ distributor members as well.

Biodiversity

The variety of plant and animal species on earth or as measured for a specific ecosystem. According to the Food and Agriculture Organization (FAO), biodiversity for food and agriculture is indispensable to food security and sustainable development. It supplies many vital ecosystem services, such as creating and maintaining healthy soils, pollinating plants, controlling pests and providing a habitat for wildlife, including for fish and other species that are vital to food production and agricultural livelihoods.

Deforestation and land conversion are closely linked to biodiversity.

Business Resource Group (BRG)

BRGs are groups of associates who join together in their workplace based on shared characteristics, life experiences, etc. to provide support, enhancing career development and contributing to personal development and the feeling of belonging/inclusiveness in the work environment.

CapEx

Capital expenditure.

CDP

Carbon Disclosure Project.

CGF

Consumer Goods Forum.

Deforestation

Deforestation is a loss of natural forest as a result of:

1. Conversion to agriculture or other non-forest land use
2. Conversion to a tree plantation
3. Severe and sustained degradation

Defra

UK Department for Environment, Food & Rural Affairs.

Eligible economic activity

An EU Taxonomy-eligible activity refers to activities that are described in the EU Taxonomy Delegated Acts adopted pursuant to the six environmental objectives of the EU Taxonomy, irrespective of whether those economic activities meet the relevant Technical Screening Criteria as laid down in those delegated acts.

ESG

Environmental, Social and Governance.

ESMA

European Securities and Markets Authority.

EU Taxonomy for sustainable activities (EU Taxonomy)

The EU Taxonomy is a classification system establishing a list of environmentally sustainable economic activities.

Food Loss and Waste Protocol

This global accounting and reporting standard, also known as the FLW Standard, was developed through a multi-stakeholder effort. It is used for quantifying food and associated inedible parts removed from the food supply chain (referred to for simplicity's sake as "food loss and waste"). For more information, see *www.flwprotocol.org*.

GFSI

Global Food Safety Initiative: a Consumer Goods Forum Coalition of Action that enables continuous improvement of food safety management across the supply chain, through benchmarking, collaboration and harmonization of food safety certification programs.

Global Support Office (GSO)

The name of Ahold Delhaize's headquarters, based in Zaandam, the Netherlands. The company also has regional offices in Brussels and Geneva, and some GSO associates work out of the U.S. brands.

Performance review

GLOSSARY

GRC
Governance, Risk Management and Compliance.

IPCC
Intergovernmental Panel on Climate Change.

JMR
The acronym refers to "JMR -Gestão de Empresas de Retalho, SGPS. S.A.," Ahold Delhaize's joint venture in Portugal operating 399 stores under the Pingo Doce brand. The joint venture partner in JMR is Jerónimo Martins, SGPS, S.A.

Land conversion
Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure or function.

1. Deforestation is one form of land conversion (conversion of natural forests).
2. Includes severe degradation from the introduction of management practices that result in a substantial and sustained change in the ecosystem's former species composition, structure or function.
3. Change to natural ecosystems that meets this definition is considered to be conversion, regardless of whether or not it is legal.

LGBTQ+
LGBTQ+ is an acronym for lesbian, gay, bisexual, transgender, queer or questioning and others. These terms are used to describe a person's sexual orientation or gender identity.

Location-based approach
The GHG Protocol scope 2 Guidance defines the location-based approach as "a method that reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)."

Market-based approach
The GHG Protocol scope 2 Guidance defines the market-based approach as "a method that reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims. Markets differ as to what contractual instruments are commonly available or used by companies to purchase energy or claim specific attributes about it, but they can include energy attribute certificates (RECs, GOs, etc.), direct contracts (for both low-carbon, renewable, or fossil fuel generation), supplier-specific emission rates and other default emission factors representing the untracked or unclaimed energy and emissions (termed the 'residual mix') if a company does not have other contractual information that meets the scope 2 Quality Criteria."

MEP
Multi-employer plan.

NGOs
Non-governmental organizations.

Non-eligible economic activity
A non-eligible economic activity means any economic activity that is not described in the EU Taxonomy Delegated Acts adopted pursuant to the six environmental objectives of the EU Taxonomy.

OpEx
Operating expenditure.

Plaza partners
Plaza partners active on bol.com's platform, measured by the number of partners that have fulfilled at least one order in the last year, including orders followed by a cancellation.

Power purchase agreement (PPA)
A power purchase agreement (PPA) or electricity power agreement, is a contract between two parties, one that generates electricity (the seller) and one that is looking to purchase electricity (the buyer). The PPA defines all of the commercial terms for the sale of electricity between the two parties.

Science Based Targets initiative (SBTi)
The SBTi is a partnership between the CDP, the United Nations Global Compact (UNGC), WRI and the World Wide Fund for Nature (WWF). SBTi provides a framework to help specify how much and how quickly organizations need to reduce their greenhouse gas emissions to stay within the 1.5°C maximum rise in global temperature.

TCFD
Task Force on Climate-related Financial Disclosures.

World Business Council for Sustainable Development (WBCSD) / World Resources Institute (WRI) and Greenhouse Gas (GHG) Protocol
Though the Greenhouse Gas (GHG) Protocol, World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) work with businesses to develop standards and tools that help companies measure, manage, report and reduce their carbon emissions. The protocol covers the accounting and reporting of the six greenhouse gases covered by the Kyoto Protocol and helps to increase the consistency and transparency in GHG accounting and reporting among various companies and GHG programs. For more information, see *ghgprotocol.org/corporate-standard*

GOVERNANCE

REMUNERATION

Governance

OUR MANAGEMENT BOARD AND EXECUTIVE COMMITTEE

Our Management Board has the responsibility for the overall management of the Company. It is also responsible for the actions and decisions of the Executive Committee, which manages our general affairs and ensures effective implementation of the strategy and achievement of the Company's objectives. The Management Board and Executive Committee together support our business, meet the needs of our stakeholders and ensure we comply with relevant rules and regulations. For a more detailed description of the responsibilities and requirements, see the Rules of Procedure in the Governance section of our website at *www.aholddelhaize.com*

FRANS MULLER

President and Chief Executive Officer; Chair and member, Management Board and Executive Committee

Appointed: July 24, 2016 (appointed as CEO: April 11, 2018)

Career background

Before his appointment as President and CEO in 2018, Frans served as Deputy CEO and Chief Integration Officer since 2016. He was also Acting Chief Operating Officer for Delhaize America from October 2016 until January 2018. Prior to the merger between Ahold and Delhaize, Frans served as President and CEO of Delhaize Group.

Before joining Delhaize Group, Frans spent more than 15 years in various leadership positions for German retailer Metro AG, including as managing director Makro, president Asia Pacific and Russia / Ukraine, CEO Metro Group Buying and, most recently, member of the board of Metro AG and CEO Metro Cash & Carry. Earlier in his career, Frans held management and executive positions at KLM Cargo in Amsterdam, Frankfurt, Vienna and Singapore.

Other board memberships

Chairman of the board, Vlerick Business School; vice co-chair, board of directors and member, governance committee, Consumer Goods Forum (CGF); co-sponsor, CGF Coalition of Healthier Lives.

Age: 60
Nationality: Dutch

NATALIE KNIGHT

Chief Financial Officer; Member Management Board and Executive Committee

Appointed: April 8, 2020

Career background

Before being appointed CFO, Natalie started at Ahold Delhaize as Executive Vice President Finance and Member of the Executive Committee on March 1, 2020.

Prior to joining Ahold Delhaize, Natalie was CFO and member of the executive management team at Arla Foods in Denmark since January 2016, responsible for the financial and legal teams and global IT. Before that, she spent 17 years at adidas AG in Germany and the U.S., in senior finance positions, including senior vice president group functions finance, senior vice president commercial and brand finance, CFO adidas North America and vice president investor relations and M&A.

Earlier in her career, Natalie held investor relations roles at BASF and Bankgesellschaft Berlin.

Age: 51
Nationality: American

KEVIN HOLT

Chief Executive Officer Ahold Delhaize USA; Member Management Board and Executive Committee

Appointed: July 24, 2016

Career background

Before being appointed CEO Ahold Delhaize USA, Kevin was Chief Operating Officer of Ahold USA since October 2016, after serving as Chief Operating Officer of Delhaize America since July 24, 2016. He had earlier served as Executive Vice President of Delhaize Group and CEO of Delhaize America, starting in 2014.

Kevin served as president of retail operations for SuperValu before joining Delhaize Group. Earlier in his career, Kevin worked for three years in executive leadership positions with Sears Holding Company and 14 years with Meijer, serving in various leadership roles, and spent nine years delivering technology solutions at NCR.

Other board memberships

Member, board of directors, Food Marketing Institute

Age: 63
Nationality: American

WOUTER KOLK

Chief Executive Officer Europe and Indonesia; Member Management Board and Executive Committee

Appointed: October 1, 2018

Career background

Before being appointed CEO Europe and Indonesia, Wouter had been Chief Operating Officer the Netherlands and Belgium and member of the Executive Committee of Ahold Delhaize since September 8, 2017.

Wouter re-joined Ahold in 2013 as Executive Vice President Specialty Stores and New Markets at Albert Heijn following a six-year period as CEO of international retailer WE Fashion. He became CEO Albert Heijn in January 2015.

Wouter first started at Ahold in 1991, and over the next 16 years served in several international commercial and general management roles, including Commercial Director Asia-Pacific based in Singapore, Regional Director Albert Heijn, General Manager Gall & Gall and General Manager of Etos.

Other board memberships

Chairman, supervisory council, concert hall Paradiso.

Age: 55
Nationality: Dutch

Governance

OUR MANAGEMENT BOARD AND EXECUTIVE COMMITTEE

JAN ERNST DE GROOT

Chief Legal Officer; Member Executive Committee

Appointed: February 1, 2015

Career background
Jan Ernst de Groot has served as Chief Legal Officer and member of Ahold Delhaize's Executive Committee since 2016, the same role he held at Ahold since 2015. Prior to that, Jan Ernst served in corporate and commercial roles on the executive boards of KLM Royal Dutch Airlines and TNT Express. He started his career at law firm De Brauw Blackstone Westbroek. Jan Ernst is responsible for leadership on the Company's legal affairs, compliance and ethics, corporate governance, food safety, workplace safety, and public affairs.

Other board memberships
Member, executive board, VNO-NCW Confederation of Netherlands Industry and Employers; member, supervisory board, ADG Dienstengroep; chair, supervisory council, ARK Rewilding; chair, supervisory council, Wetlands International.

Age: 58
Nationality: Dutch

NATALIA WALLENBERG

Chief Human Resources Officer; Member Executive Committee

Appointed: January 17, 2022

Career background
Natalia Wallenberg started as Chief Human Resources Officer and member of Ahold Delhaize's Executive Committee on January 17, 2022. Natalia is responsible for the development of Ahold Delhaize's people strategy ensuring the Company's growth, associate development and engagement, and its positive contribution to the society and planet overall.

Prior to joining Ahold Delhaize, Natalia spent more than nine years at global agricultural technology business, Syngenta Group, most recently as Global Head of Human Resources for the Crop Protection division, based in Basel, Switzerland. She also served for three years as Global Head of HR for the Syngenta Seed Division, based in Minneapolis, Minnesota and Chicago, Illinois. Prior to Syngenta, Natalia served in HR leadership roles at Renaissance Capital and IKEA Real Estate, both located in Moscow, Russia.

Age: 39
Nationality: Belarusian

BEN WISHART

Global Chief Information Officer; Member Executive Committee

Appointed: January 1, 2018

Career background
Ben joined Ahold in 2013 in the role of Global Chief Information Officer and has continued in this role for Ahold Delhaize. He is responsible for leadership and governance on technology matters globally, including strategy and solution delivery, enabling digital platforms, cyber defense and sourcing.

He previously served as chief information officer of Morrisons plc and Whitbread plc and held various senior Information Technology roles at Tesco plc following early career roles in consulting with Cap Gemini and sales and marketing with American Express.

Other board memberships
Independent non-executive director; member, nomination, remuneration and audit committee; and chair, cyber and IT sub-committee, PayPoint.

Age: 59
Nationality: British

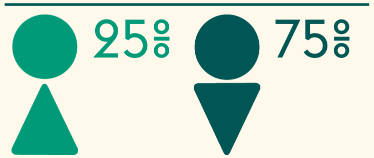
MANAGEMENT BOARD COMPOSITION: NATIONALITY

Dutch	2
American	2

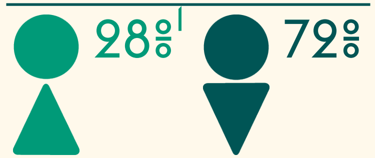
EXECUTIVE COMMITTEE COMPOSITION: NATIONALITY

Dutch	3
American	2
British	1
Belarusian	1

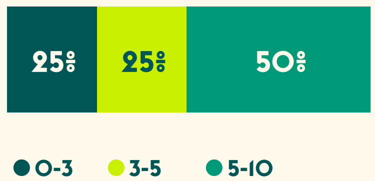
MANAGEMENT BOARD COMPOSITION: GENDER



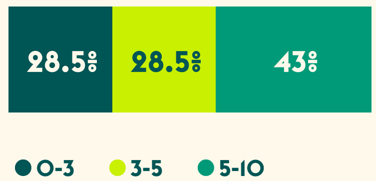
EXECUTIVE COMMITTEE COMPOSITION: GENDER



MANAGEMENT BOARD COMPOSITION: TENURE (YEARS)[1]



EXECUTIVE COMMITTEE COMPOSITION: TENURE (YEARS)



1 The composition reflects the years since first appointment as a member of the Management Board (see Reappointment schedule Management Board).

1 At the end of the financial year 2021, the gender split of the Executive Committee was 83% male and 17% female, as Natalia Wallenberg was appointed to the Executive Committee effective January 17, 2022.

Governance

OUR SUPERVISORY BOARD

The Supervisory Board is responsible for supervising and advising our Management Board and overseeing the general course of affairs, strategy, operational performance and corporate governance of the Company. The Supervisory Board is guided in its duties by the interests of the Company and the enterprise connected with the Company, taking into consideration the overall well-being of the enterprise and the relevant interests of all its stakeholders. For a more detailed description of the responsibilities and requirements, see the Rules of Procedure in the Governance section of our website at *www.aholddelhaize.com*

PETER AGNEFJÄLL

Chair; Member of the Remuneration Committee, and Governance and Nomination Committee

Appointed: April 10, 2019

Career background
Peter served as president and CEO of the IKEA Group from 2013 to 2017. He started his career there as a trainee in 1995 and, over the years, held several senior management positions within the company.

Other board memberships
Member board of directors, Orkla ASA; member, advisory board, Deichmann Group; advisor to the private equity team of Abu Dhabi Investment Authority.

Age: 50
Nationality: Swedish

BILL McEWAN

Vice Chair; Chair of the Remuneration Committee; Member of the Sustainability Committee

Appointed: July 24, 2016

Career background
Bill served on Delhaize's Board of Directors as of 2011 and was Chair of its Remuneration Committee. He is the former president and CEO of Sobeys Inc., and was a member of the board of directors of its parent company, Empire Company Limited. Between 1989 and 2000, Bill held senior marketing and merchandising roles with Coca-Cola Limited, Coca-Cola Bottling and The Great Atlantic and Pacific Tea Company (A&P), including as president of A&P's Canadian operations and president and CEO of its U.S. Atlantic Region.

Other board memberships
Board director, chair governance committee and member audit and finance and independent committees, Interac Corp.; board director, chair of human resources committee, Agrifoods International Cooperatives.

Age: 65
Nationality: Canadian

RENÉ HOOFT GRAAFLAND

Chair of the Audit, Finance and Risk Committee; Member of the Sustainability Committee

Appointed: January 1, 2015

Career background
René previously held the position of CFO and member of the executive board of Heineken N.V. until April 2015. Before being appointed as a member of Heineken's executive board in 2002, he held various international management positions with the company in Europe, Asia and Africa.

Other board memberships
Member, supervisory board and audit committee, Koninklijke FrieslandCampina N.V.; chairman, supervisory board, Lucas Bols N.V.; chairman of the boards of the Royal Theatre Carré Fund and the Stichting African Parks Foundation; member, Dutch Corporate Governance Code Monitoring Committee.

Age: 66
Nationality: Dutch

KATIE DOYLE

Chair of the Sustainability Committee; Member of the Governance and Nomination Committee

Appointed: April 10, 2019

Career background
Katie brings 30 years of experience leading and advising consumer companies in the health and wellness space, executing omnichannel and digital-first strategies. Katie was most recently the CEO of Swanson Health Products and previously led Abbott Laboratories' Nutrition division as a Senior Vice President and Corporate Officer. Prior to these roles, she was Partner at McKinsey & Company, working with consumer goods and retail clients globally.

Other board memberships
Non-executive director, Perrigo; non-executive director, FoodScience Corporation; board of advisors League, board of trustees, Museum of Science and Industry Chicago; member, The Economic Club of Chicago; member, The Chicago Network.

Age: 54
Nationality: American

Governance
OUR SUPERVISORY BOARD

HELEN WEIR

Chair of the Governance and Nomination Committee;
Member of the Audit, Finance and Risk Committee

Appointed: April 8, 2020

Career background
Helen has had a distinguished career as finance director of a number of large consumer-focused companies, including Marks and Spencer plc where she also had responsibility for IT, John Lewis Partnership, Lloyds Banking Group plc and Kingfisher plc.

Other board memberships
Non-executive director, Greencore Group plc.; chair audit committee, Compass Limited; senior independent director, Superdry Plc; trustee, Marie Curie.

Age: 59
Nationality: British

MARY ANNE CITRINO

Member of the Audit, Finance and Risk Committee, and Remuneration Committee

Appointed: July 24, 2016

Career background
Mary Anne previously served on Ahold's Supervisory Board starting on March 14, 2016. She is a senior advisor to Blackstone and joined the Blackstone Advisory Partners Group as senior managing director in 2004.

Mary Anne worked at Morgan Stanley for over 20 years, as global head of consumer products investment banking, co-head of healthcare services investment banking, and as a mergers and acquisitions analyst.

Other board memberships
Member, board of directors and public issues committee and chair, governance and nominating committee, Aluminum Company of America Inc.; chair, audit committee and member, finance, investment and technology committee, Hewlett Packard, Inc.

Age: 62
Nationality: American

FRANK VAN ZANTEN

Member of the Remuneration Committee and Governance and Nomination Committee

Appointed: April 8, 2020

Career background
Frank has been CEO of Bunzl plc. (FTSE-100), a specialist international distribution and services group, since 2016. Frank joined Bunzl in 1994 when the company acquired his family-owned business in the Netherlands and he subsequently assumed responsibility for a number of businesses in other countries. In 2002, he became CEO of PontMeyer NV, a listed company in the Netherlands, before re-joining Bunzl in 2005 as managing director of the continental Europe business area.

Age: 55
Nationality: Dutch

BALA SUBRAMANIAN

Member of the Governance and Nomination Committee and Sustainability Committee

Appointed: April 14, 2021

Career background
Bala is chief digital officer of AT&T, a U.S.-based provider of telecommunication services. Before that, he led the digital transformation at Best Buy, a U.S.-based retailer of technology and entertainment products and services.

Other board memberships
Member, board of directors, audit and remuneration committees, Cars.com.

Age: 50
Nationality: American

JAN ZIJDERVELD

Member of the Audit, Finance and Risk Committee and Sustainability Committee

Appointed: April 14, 2021

Career background
Jan spent almost 30 years at Unilever, in senior management positions in seven countries, most recently as CEO and president of Unilever Europe and member of the executive team. He also served as CEO of Avon from 2018-2020

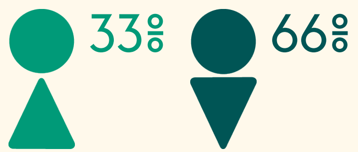
Other board memberships
Non-executive director, Pandora; non-executive director, Epic Acquisition Corp; senior advisor Private Equity.

Age: 57
Nationality: Dutch

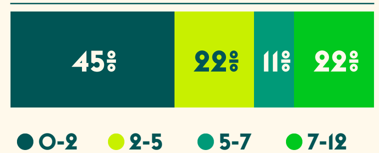
SUPERVISORY BOARD COMPOSITION: NATIONALITY

Dutch	3	British	1	Swedish	1
American	3	Canadian	1		

SUPERVISORY BOARD COMPOSITION: GENDER



SUPERVISORY BOARD COMPOSITION: TENURE (YEARS)



Governance

CORPORATE GOVERNANCE

We have designed our corporate governance structure to best support our business, meet the needs of our stakeholders and comply with laws and regulations.

This section contains an overview of our corporate governance structure and includes information required under the Dutch Corporate Governance Code 2016 ("Dutch Corporate Governance Code").

GOVERNANCE STRUCTURE

Koninklijke Ahold Delhaize N.V. (the "Company" or "Ahold Delhaize") is a public company under Dutch law, structured to execute our strategy and to balance local, regional and global decision-making.

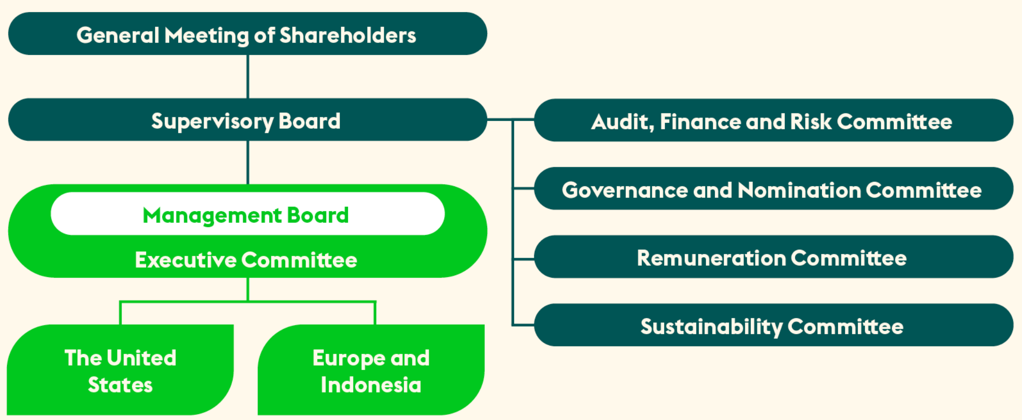
In 2021, our Company comprised a Global Support Office and two reportable segments: The United States and Europe, each of which are made up of a number of local brands.

Ahold Delhaize has a two-tier board structure with a Supervisory Board and Management Board that are accountable to our shareholders. Our Management Board has ultimate responsibility for the overall management of Ahold Delhaize. The Supervisory Board supervises and advises the Management Board.

The Executive Committee comprises our Management Board and other key officers of the Company, led by the Chief Executive Officer. The Executive Committee has been established to involve a broader leadership team in the decision-making process and to optimize strategic alignment and operational execution while having the flexibility to adapt to developments in the business and across the Company and the industry.

The following diagram shows Ahold Delhaize's governance structure. A list of subsidiaries, joint ventures and associates is included in *Note 35* to the consolidated financial statements.

Governance structure



MANAGEMENT BOARD AND EXECUTIVE COMMITTEE

The Management Board and Executive Committee together support our business, meet the needs of our stakeholders and ensure we comply with relevant rules and regulations. The members of the Executive Committee are regularly invited to the meetings of the Supervisory Board by invitation of the Chair of the Supervisory Board and attend the Supervisory Board Committee meetings relevant to their respective responsibilities.

According to our Articles of Association, the Management Board must consist of at least three members. For a more detailed description of the responsibilities and the requirements of the Management Board and the Executive Committee, see the Rules of Procedure in the Governance section of Ahold Delhaize's public website at *www.aholddelhaize.com*.

Composition of the Management Board and Executive Committee

The current members of the Management Board and Executive Committee are presented on the previous pages. On January 17, 2022, Natalia Wallenberg joined the Company as Chief Human Resources Officer. She succeeded Abbe Luersman, who left the Company as of February 1, 2021, and who we thanked for her contributions during the annual General Meeting of Shareholders on April 14, 2021. In the interim period, Frans Muller served as Chief Human Resources Officer. As per October 15, 2021, Chief Digital Officer Farhan Siddiqi left the Company.

Currently, Ahold Delhaize has a Management Board that is 25% female, and an Executive Committee that is 28% female. We recognize this leaves room for improvement, which is reflected in our broad and bold aspiration for diversity and inclusion. Generally, we aim to reflect the markets we serve, and have a workplace where all voices are heard and valued, we find purpose in our work, we have equitable access to opportunities, and we can grow and contribute to our fullest. We aspire to be a company that is 100% gender balanced, 100% reflective of the markets we serve and 100% inclusive. For more information on our diversity and inclusion aspiration, see *In focus: Diversity and inclusion*.

Appointment, suspension and dismissal

The General Meeting of Shareholders can appoint, suspend or dismiss a Management Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved, but an absolute majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes exercised, regardless of the number of shares represented at the meeting, is required to adopt the proposal.

Management Board members are appointed for four-year terms and may be reappointed for additional terms not exceeding four years. The Supervisory Board may at any time suspend a Management Board member. The other members of the Executive Committee are appointed, suspended and dismissed by the Supervisory Board, at the proposal of the CEO.

Remuneration

On April 10, 2019, Ahold Delhaize's General Meeting of Shareholders adopted the current remuneration policy for Management Board members. The Principles and Procedures were adopted by the General Meeting of Shareholders on April 8, 2020.

You can find the details of this policy in *Remuneration policy*. For detailed information on the individual remuneration of Management Board members, see *2021 Remuneration* and *Note 31* and *Note 32* to the consolidated financial statements for information on an aggregated basis.

Reappointment schedule Management Board

Name	Effective date of first appointment	Year of possible reappointment
Frans Muller	July 24, 2016	2023
Natalie Knight	April 8, 2020	2024
Kevin Holt	July 24, 2016	2024[1]
Wouter Kolk	October 1, 2018	2022

1 At the General Meeting of Shareholders on April 14, 2020, Kevin Holt was reappointed to the Management Board in view of several long-term strategic and operational initiatives that are ongoing at Ahold Delhaize USA. Should his role in these initiatives be concluded before the end of the four-year term, Kevin and the Company have the option to end his assignment as per the annual General Meeting of Shareholders on April 13, 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. In view of the current state of the above initiatives, both parties have agreed to extend the option by one year, up to and including the annual General Meeting of Shareholders to be held in 2023.

Evaluation

In early 2022, the Management Board and the Executive Committee conducted a self-assessment. To facilitate the self-assessment, a questionnaire was filled out by all members. The consolidated output of the questionnaire was used to facilitate a structured dialogue chaired by the CEO. The dialogue also took into account the collected feedback from direct reports of the Executive Committee members and from the company-wide associate engagement survey.

Overall, the Executive Committee concluded that they function well as a team. Opinions are shared openly and discussed in a constructive manner. Compared to last year, there was consensus that the decision-making process has become more effective, and that the increased digital interaction has provided for new and more efficient ways of interacting.

Items for improvement included team diversity, clarity and consistency of decision-making, meeting frequency, and spending more time together on key strategic topics. The Executive Committee decided that they will address these items in a more in-depth way during a multi-day offsite meeting, when travel restrictions allow, and will evaluate progress by the end of the year.

SUPERVISORY BOARD

The Supervisory Board is responsible for supervising and advising the Management Board and overseeing the general course of affairs, strategy, operational performance and corporate governance of the Company. Ahold Delhaize's Articles of Association require the approval of the Supervisory Board for certain major resolutions by the Management Board, including:

- Issuance of shares
- Repurchases of shares, and any reduction in issued and outstanding capital
- Allocation of duties within the Management Board and the adoption or amendment of the Rules of Procedure of the Management Board and the Executive Committee
- Significant changes in the identity or the nature of the Company or its enterprise

The Supervisory Board is responsible for monitoring and assessing its own performance. More detailed information on the Supervisory Board can be found in the *Supervisory Board report*. The Rules of Procedure of the Supervisory Board are available in the *Governance* section of Ahold Delhaize's public website at *www.aholddelhaize.com.*

Appointment, suspension and dismissal

The General Meeting of Shareholders can appoint, suspend or dismiss a Supervisory Board member by an absolute majority of votes cast, upon a proposal made by the Supervisory Board. If another party makes the proposal, an absolute majority of votes cast, representing at least one-third of the issued share capital, is required. If this qualified majority is not achieved but an absolute majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes exercised is required, regardless of the number of shares represented at the meeting.

A Supervisory Board member is appointed for a four-year term and may be reappointed for another four-year period. The Supervisory Board member may subsequently be reappointed for a period of two years, which may be extended by, at most, two years, provided such appointments and reappointments contribute to a more diverse composition of the Supervisory Board.

Committees of the Supervisory Board

The Supervisory Board has four committees that are appointed by the Supervisory Board from its own members. Following an evaluation of the effectiveness of its committees, the Supervisory Board decided to re-integrate the Risk Committee into the Audit and Finance Committee, and to focus the Sustainability and Innovation Committee on health and sustainability. Innovation topics and progress are discussed by the full Supervisory Board on the basis of integrated updates by the Management Board.

CORPORATE GOVERNANCE

AUDIT, FINANCE AND RISK COMMITTEE

The Audit, Finance and Risk Committee assists the Supervisory Board in fulfilling its oversight responsibility for, among others, the integrity and quality of Ahold Delhaize's financial statements, financial reporting process, system of internal business controls, risk management and control systems, and significant enterprise risks. The Audit, Finance and Risk Committee determines how the external independent auditor should be involved in the content and publication of financial reports other than the financial statements. The Committee reports to the Supervisory Board annually on its cooperation with the external independent auditor, including on the auditor's independence. The Supervisory Board takes these reports into account when deciding on the nomination for the (re)appointment of the external independent auditor.

GOVERNANCE AND NOMINATION COMMITTEE

The Governance and Nomination Committee advises the Supervisory Board on the following responsibilities in relation to the members of the Supervisory Board, the Management Board and the Executive Committee: preparing the selection criteria and appointment procedures, periodically evaluating the scope and composition, including diversity, of the three bodies, proposing the profile of the Supervisory Board, periodically assessing the performance of individual Supervisory Board members and reporting the results to the Supervisory Board; developing succession planning, proposing the (re-)appointments of members, and supervising the Executive Committee's policy in relation to the selection and appointment criteria for senior management. The Committee is also responsible for evaluating the Company's corporate governance and reporting the results to the Supervisory Board, and it assists the Supervisory Board in overseeing risks related to leadership composition and succession, attraction and retention of people and the governance of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee advises the Supervisory Board in relation to remuneration of the Supervisory Board and Management Board. These responsibilities include analyzing the possible outcomes of the variable remuneration components and how they affect remuneration and preparing proposals for the Supervisory Board concerning remuneration and remuneration policy to be adopted by the General Meeting. The Remuneration Committee prepares proposals for the Supervisory Board concerning the terms of employment, total compensation and performance criteria and application thereof of the individual members of the Management Board and reviews the terms of remuneration proposed by the CEO for the members of the Executive Committee who are not also members of the Management Board. In addition, the Committee prepares proposals for the Supervisory Board on any share or stock option compensation plans – ensuring they are aligned with Ahold Delhaize's strategy and applied consistently across the organization – and oversees the total cost of approved compensation programs.

SUSTAINABILITY COMMITTEE

The Sustainability Committee advises the Supervisory Board in relation to the Company's sustainability long-term vision, strategy and target setting. It monitors the Company's performance on sustainability targets. The Sustainability Committee is responsible for monitoring the Company's talent, leadership and culture development in the field of sustainability and assisting the Supervisory Board in fulfilling its oversight responsibilities for risks related to the topic.

For the full charter of each of these committees, see the complete *Rules of Procedure* of the Supervisory Board of Koninklijke Ahold Delhaize N.V. on our website.

Conflict of interest

A member of the Supervisory Board is required to immediately report any potential conflict of interest to the Chair of the Supervisory Board and the other members of the Supervisory Board and provide them with all relevant information. Similarly, in the event of a potential conflict of interest concerning a member of the Management Board, he or she is required to immediately report this to the Chair of the Supervisory Board and to the other members of the Management Board and provide them with all relevant information.

Should a conflict of interest arise, the Supervisory Board or the relevant Management Board member may not participate in the discussions and decision-making process on subjects or transactions relating to the conflict of interest.

We will record any such facts or transactions in the annual report for the relevant year, with reference to the conflict of interest and a confirmation that we have complied with best practice provisions 2.7.3 and 2.7.4 of the Dutch Corporate Governance Code. During 2021, no member of the Supervisory Board or the Management Board had a conflict of interest that was of material significance to the Company.

In addition, no transactions between the Company and legal or natural persons who hold at least 10% of the shares in the Company occurred in 2021, corresponding to the best practice provision 2.7.5 of the Code.

SHARES AND SHAREHOLDERS' RIGHTS

General Meeting of Shareholders

Ahold Delhaize's shareholders exercise their rights through annual and extraordinary General Meetings of Shareholders. The Company is required to convene an annual General Meeting of Shareholders in the Netherlands each year, no later than six months after the end of the Company's financial year. Extraordinary General Meetings of Shareholders may be convened at any time by the Supervisory Board, the Management Board, or at the request of one or more shareholders (and/or holders of depository receipts) representing at least 10% of the issued and outstanding share capital.

The agenda for the annual General Meeting of Shareholders must contain certain matters as specified in Ahold Delhaize's Articles of Association and under Dutch law, including the adoption of our annual financial statements. The General Meeting of Shareholders is also entitled to vote on important decisions regarding Ahold Delhaize's identity or character, including major acquisitions and divestments.

Shareholders (and/or holders of depository receipts) are entitled to propose items for the agenda of a General Meeting of Shareholders provided that they hold at least 1% of the issued share capital or the shares or depository receipts that they hold represent a market value of at least €50 million. Proposals for agenda items for a General Meeting of Shareholders must be submitted at least 60 days prior to the date of the meeting.

Adoption of resolutions

Subject to certain exceptions provided by Dutch law or our Articles of Association, resolutions are passed by an absolute majority of votes cast without a requirement for a quorum.

Proposals submitted to the agenda by shareholders require an absolute majority of votes cast at the annual General Meeting of Shareholders representing at least one-third of the issued shares. If this qualified majority is not achieved but an absolute majority of the votes exercised was in favor of the proposal, then a second meeting may be held. In the second meeting, an absolute majority of votes exercised is required to adopt the proposal, regardless of the number of shares represented at the meeting (unless the law or our Articles of Association provide otherwise).

A resolution to dissolve the Company may be adopted by the General Meeting of Shareholders following a proposal of the Management Board made with the approval of the Supervisory Board. Any proposed resolution to wind up the Company must be disclosed in the notice calling the General Meeting of Shareholders at which that proposal is to be considered.

Voting rights

Each common share entitles its holder to cast one vote. Dutch law prescribes a record date to be set 28 days prior to the date of the General Meeting of Shareholders to determine whether a person may attend and exercise the rights relating to the General Meeting of Shareholders. Shareholders registered at that date are entitled to attend and to exercise their rights as shareholders in relation to the General Meeting of Shareholders, regardless of a sale of shares after the record date. Shareholders may be represented by written proxy.

We encourage participation in our General Meetings of Shareholders. We use J.P. Morgan Chase Bank N.A., the Depositary for the Company's ADR facility, to enable ADR holders to exercise their voting rights, which are represented by the common shares underlying the ADRs.

Neither Ahold Delhaize nor any of its subsidiaries may cast a vote on any share they hold in the Company. These shares are not taken into account for the purpose of determining how many shareholders are represented or how much of the share capital is represented at the General Meeting of Shareholders.

Cumulative preferred shares

In March 1989, the Company entered into an agreement with the Dutch foundation Stichting Continuïteit Ahold Delhaize ("SCAD"), as amended and restated in April 1994, March 1997, December 2001, December 2003 and May 2018 (the "Option Agreement"). The Option Agreement was designed to, in accordance with the purpose of SCAD under its articles, potentially exercise influence in the event of a public offer or a potential change of control over the Company, to safeguard the interests of the Company and its stakeholders and to potentially avert, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, independence or identity.

Pursuant to the Option Agreement, SCAD has been granted an option to acquire cumulative preferred shares from the Company from time to time for no consideration.

SCAD and the members of its board are independent from the Company. The current members of the board of SCAD are:

Name	Principal or former occupation
G.H.N.L. van Woerkom, Chair	Former Chair of Detailhandel Nederland
B. Vree, Vice-Chair	Former CEO APM Terminals Europe
B.M.A. van Hussen	Lawyer and former M&A partner at DLA Piper
C.M.S. Smits-Nusteling	Former CFO KPN

For further details on Ahold Delhaize's cumulative preferred shares, including restrictions on transfer, see *Note 21* to the consolidated financial statements. The related documents are available on our public website at *www.aholddelhaize.com.*

Issuance of additional shares and preemptive rights

Shares may be issued following a resolution by the General Meeting of Shareholders on a proposal of the Management Board made with the approval of the Supervisory Board. The General Meeting of Shareholders may resolve to delegate this authority to the Management Board for a period of time not exceeding five years. A resolution of the General Meeting of Shareholders to issue shares, or to authorize the Management Board to do so, is also subject to the approval of each class of shares whose rights would be adversely affected by the proposed issuance or delegation. On April 14, 2021, the General Meeting of Shareholders approved a delegation of this authority to the Management Board, relating to the issuance and/or granting of rights to acquire common shares up to a maximum of 10% of the issued share capital until and including October 14, 2022, and subject to the approval of the Supervisory Board.

Upon the issuance of new common shares, holders of Ahold Delhaize's common shares have a preemptive right to subscribe to common shares in proportion to the total amount of their existing holdings of Ahold Delhaize's common shares. According to the Company's Articles of Association, this preemptive right does not apply to any issuance of shares to associates. The General Meeting of Shareholders may decide to restrict or exclude preemptive rights. The General Meeting of Shareholders may also resolve to designate the Management Board as the corporate body authorized to restrict or exclude preemptive rights for a period not exceeding five years.

On April 14, 2021, the General Meeting of Shareholders delegated to the Management Board, subject to the approval of the Supervisory Board, the authority to restrict or exclude the preemptive rights of holders of common shares upon the issuance of common shares and/or upon the granting of rights to subscribe for common shares until and including October 14, 2022.

CORPORATE GOVERNANCE

Repurchase by Ahold Delhaize of its own shares

Ahold Delhaize may only acquire fully paid-up shares of any class in its capital for consideration following authorization by the General Meeting of Shareholders and subject to the approval of the Supervisory Board and certain provisions of Dutch law and the Company's Articles of Association, if:

1. Shareholders' equity minus the payment required to make the acquisition is not less than the sum of paid-in and called-up capital and any reserves required by Dutch law or Ahold Delhaize's Articles of Association; and
2. Ahold Delhaize and its subsidiaries would not, as a result, hold a number of shares exceeding a total nominal value of 10% of the issued share capital.

In line with the above, the Management Board was authorized by the General Meeting of Shareholders on April 14, 2021, to acquire a number of common shares in the Company until and including October 14, 2022. Such acquisition of common shares, at the stock exchange or otherwise, will take place at a price between par value and 110% of the opening price of the shares at AEX by NYSE Euronext on the date of their acquisition, provided that the Company and its subsidiaries will not hold more than 10% of the issued capital. Ahold Delhaize may acquire shares in its capital for no consideration or for the purpose of transferring these shares to associates through share plans or option plans, without authorization of the General Meeting of Shareholders.

Major shareholders

Ahold Delhaize is not directly or indirectly owned or controlled by another corporation or by any government. The Company does not know of any arrangements that may, at a subsequent date, result in a change of control, except as described under *Cumulative preferred shares*.

Articles of Association

Our Articles of Association outline certain of the Company's basic principles relating to corporate governance and organization. The current text of the Articles of Association is available at the Trade Register of the Chamber of Commerce and Industry for Amsterdam and on our public website at *www.aholddelhaize.com.*

The Articles of Association may be amended by the General Meeting of Shareholders. A resolution to amend the Articles of Association may be adopted by an absolute majority of the votes cast upon a proposal of the Management Board. If another party makes the proposal, an absolute majority of votes cast representing at least one-third of the issued share capital is required. If this qualified majority is not achieved but an absolute majority of the votes is in favor of the proposal, then a second meeting may be held. In the second meeting, only an absolute majority of votes, regardless of the number of shares represented at the meeting, is required.

The prior approval of a meeting of holders of a particular class of shares is required for a proposal to amend the Articles of Association that makes any change in the rights that vest in the holders of shares of that particular class.

Right of inquiry

The thresholds for shareholders to exercise the right of inquiry ("het enquêterecht") are based on article 2:346 subclause 1 under c of the Dutch Civil Code, regardless of the current nominal share capital of the Company. More information on the nominal value of shares can be found in *Note 21* to the consolidated financial statements.

External independent auditor

The General Meeting of Shareholders appoints the external independent auditor. The Audit, Finance and Risk Committee recommends to the Supervisory Board the external independent auditor to be proposed for (re)appointment by the General Meeting of Shareholders. In addition, the Audit, Finance and Risk Committee evaluates and, where appropriate, recommends the replacement of the external independent auditor.

On April 14, 2021, the General Meeting of Shareholders appointed PricewaterhouseCoopers Accountants N.V. as external independent auditor for the Company for the financial year 2021.

DECREE ARTICLE 10 EU TAKEOVER DIRECTIVE

According to the Decree Article 10 EU Takeover Directive, we are required to report on, among other things, our capital structure; restrictions on voting rights and the transfer of securities; significant shareholdings in Ahold Delhaize; the rules governing the appointment and dismissal of members of the Management Board and the Supervisory Board and the amendment of the Articles of Association; the powers of the Management Board (in particular the power to issue shares or to repurchase shares); significant agreements to which Ahold Delhaize is a party and which are put into effect, changed or dissolved upon a change of control of Ahold Delhaize following a takeover bid; and any agreements between Ahold Delhaize and the members of the Management Board or associates providing for compensation if their employment ceases because of a takeover bid.

The information required by the Decree Article 10 EU Takeover Directive is included in this *Corporate governance* section, in the *Information about Ahold Delhaize share* section, as well as in the notes referred to in these sections or included in the description of any relevant contract.

COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE

Ahold Delhaize complies with the relevant principles and best practices of the Dutch Corporate Governance Code applicable to the Company in 2021, as reported in the *Governance* section. The Dutch Corporate Governance Code can be found at *www.mccg.nl*.

At the Extraordinary General Meeting of Shareholders on March 3, 2004, our shareholders consented to apply the Dutch Corporate Governance Code. Ahold Delhaize continues to seek ways to improve its corporate governance.

CORPORATE GOVERNANCE STATEMENT

The Dutch Corporate Governance Code requires companies to publish a statement concerning their approach to corporate governance and compliance with the Code. This is referred to in article 2a of the decree on additional requirements for management reports "Besluit inhoud bestuursverslag" last amended on January 1, 2018 (the "Decree"). The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree, which are incorporated and repeated here by reference, can be found in the following sections of this Annual Report:

- The information concerning compliance with the Dutch Corporate Governance Code, as required by article 3 of the Decree, can be found in the section *Compliance with the Dutch Corporate Governance Code*.
- The information concerning Ahold Delhaize's diversity policy, as required by article 3a sub d of the Decree, can be found in the *Management Board and Executive Committee* and *Supervisory Board* sections of *Corporate governance* as well as in the *Supervisory Board report*.
- The information concerning Ahold Delhaize's risk management and control frameworks relating to the financial reporting process, as required by article 3a sub a of the Decree, can be found in the relevant section under *How we manage risk.*
- The information regarding the functioning of Ahold Delhaize's General Meeting of Shareholders and the authority and rights of our shareholders, as required by article 3a sub b of the Decree, can be found in the relevant sections under *Shares and shareholders' rights*.
- The information regarding the composition and functioning of Ahold Delhaize's Management Board, Executive Committee and Supervisory Board and its committees, as required by article 3a sub c of the Decree, can be found in the *Management Board and Executive Committee* and *Supervisory Board* sections included in *Corporate governance* as well as in the *Supervisory Board report.*
- The information concerning the inclusion of the information required by the Decree Article 10 EU Takeover Directive, as required by article 3b of the Decree, can be found in the section *Decree Article 10 EU Takeover Directive*.

Governance

LETTER FROM THE CHAIR OF THE SUPERVISORY BOARD

Dear shareholder,

I'm pleased to present our Supervisory Board report for 2021.

Looking back on my first full year as Chair of the Supervisory Board, I'm proud of and grateful to associates at all of Ahold Delhaize's brands, who rose to the challenges we faced to take care of customers and communities, as COVID-19 continued to impact us all. People at the local brands worked very hard to ensure customers were able to get the products they needed, in a safe and convenient way.

A highlight of the year was the next chapter of the Company's Leading Together strategy, which was introduced at the Investor Day in November. Leadership across the Company presented accelerated plans and targets towards 2025, aimed at further unleashing the incredible power of Ahold Delhaize's model, with brands that are close to the customer working alongside support businesses that enable them to harness economies of scale. Another important development, after reviewing the strategic opportunities with the Management Board, was the intention to build on bol.com's success and explore a subsidiary IPO for the brand. We are excited, as this development could help bol.com achieve its growth potential, while at the same time raising funds to support Ahold Delhaize's ability to execute on its winning strategy.

Over the past year, I've seen first-hand how Ahold Delhaize has put its sustainability strategy at the heart of the Company. I share the vision that what is healthy and sustainable should be accessible to everyone. I was pleased that Ahold Delhaize further invested in and strengthened its commitment to a healthy and sustainable food retail system in 2021, bringing forward – by a decade, from 2050 to 2040 – its target to reach net-zero carbon emissions across its own operations, and pledging to reach net-zero carbon emissions across the supply chain by 2050. I believe this is a very important investment in the Company's long-term ability to create value for all its stakeholders.

During 2021, we were also happy to welcome Bala Subramanian and Jan Zijderveld to the Board. Bala brings experience in transforming large companies towards omnichannel and digital businesses, a great asset as Ahold Delhaize continues to develop its omnichannel offering. Jan comes to us with extensive international experience, consumer insights in a broad range of products and valuable knowledge of the global retail space.

We are pleased that we have nominated Pauline van der Meer Mohr for appointment at the Annual General Meeting of Shareholders in April 2022 to further strengthen the Supervisory Board. At the same time, Mary Anne Citrino will retire and we would like to thank her for her outstanding contribution to the Company.

As we look ahead to 2022, COVID-19 remains a challenge in the markets Ahold Delhaize brands serve and will bring continued uncertainty. However, I believe that the next chapter of the Leading Together strategy will guide and support our teams in all areas of the business in living up to their shared values and helping customers eat well, save time and live better.

In conclusion, I would like to thank the Management Board, the Executive Committee, but, most of all, associates at the local brands and businesses whose hard work and resilience enabled the Company to fulfill its role in society again this year and made all of the achievements I've mentioned possible.

On behalf of the Supervisory Board,

Peter Agnefjäll

Governance

SUPERVISORY BOARD REPORT

COMPOSITION OF THE SUPERVISORY BOARD

The composition of Ahold Delhaize's Supervisory Board should suit the nature of the Company's strategy, business, activities and organizational structure. The Board's full profile is published on the Company's public website at www.aholddelhaize.com and updated regularly. The Supervisory Board is responsible for determining its optimal number of members. In the current industry context, and given the combined qualifications of the members in view of the Supervisory Board's requirements, a maximum of 10 members is preferred. The Supervisory Board currently comprises nine members.

After the General Meeting of Shareholders on April 14, 2021, Ben Noteboom and Dominique Leroy stepped down from the Supervisory Board; at the same meeting, Bala Subramanian and Jan Zijderveld were appointed by our shareholders. With Bala's appointment, the Supervisory Board strengthened its digital skills and competencies and, at the same time, broadened its diversity. Jan Zijderveld brings expertise and knowledge in international supply chains and fast-moving consumer goods. In deviation of provision 4.4.4 of the Dutch Corporate Governance Code, Bala and Jan were not present during the meeting due to the pandemic.

In accordance with provision 2.1.5 of the Dutch Corporate Governance Code, Ahold Delhaize's diversity policy states that the composition of the Supervisory Board and the combined experience and expertise of its members should reflect the profile of the Company as it relates to nationality, age, education, gender and professional background.

Currently, three Board members are female and six are male and the Supervisory Board comprises five different nationalities. We recognize this leaves room for improvement, which is reflected in our broad and bold aspiration for diversity and inclusion. Generally, the Company and its businesses aim to reflect the markets they serve, and have a workplace where all voices are heard and valued, they find purpose in their work, have equitable access to opportunities, and can grow and contribute to their fullest. Ahold Delhaize aspires to be a company that is 100% gender balanced, 100% reflective of the markets served and 100% inclusive. For more information on diversity and inclusion at Ahold Delhaize, see *In focus: Diversity and inclusion*.

Ongoing education

As part of ongoing education, the Company organized several deep dives for the Supervisory Board in 2021. These deep dives gave the Supervisory Board the opportunity to get acquainted with senior officers and key talents of the Company and its great local brands and, in turn, gave these associates exposure to the Supervisory Board. The sessions helped the Supervisory Board to get a feel for how the Company's culture has been preserved during these challenging times. Among others, the deep dives included a cyber security update presented by the Company's Global Information Security Officer, a presentation by the Global Safety Officer on occupational health and safety, and a workshop on the background, risks and potential future consequences of the pandemic.

Our new Board members followed a thorough multi-day introduction program, during which they were introduced to the members of the Executive Committee, key officers at the GSO and Retail Business Services and a number of leaders of the great local brands.

Evaluation

The Supervisory Board conducted a self-assessment in early 2022 to evaluate its own performance as well as the performance of its committees and individual members, including the interaction with the Management Board. The self-assessment was facilitated by an independent external party that conducts multiple board evaluations. This party held interviews with each member of the Supervisory Board, each member of the Management Board and the Company Secretary. The results of the evaluation were presented to, and discussed by, the Supervisory Board during a dedicated meeting in February 2022.

The overall feedback from the evaluation was positive. Each member enjoyed performing their role and the cooperation with each other; any disagreement was constructive and respectful. The composition of the Supervisory Board provided for a wealth of expertise and experience. The Supervisory Board was also positive about its relationship with management. All members of the Supervisory Board expressed a strong wish and sense of responsibility to contribute, in spite of the limited opportunities to meet in person due to pandemic-related travel restrictions.

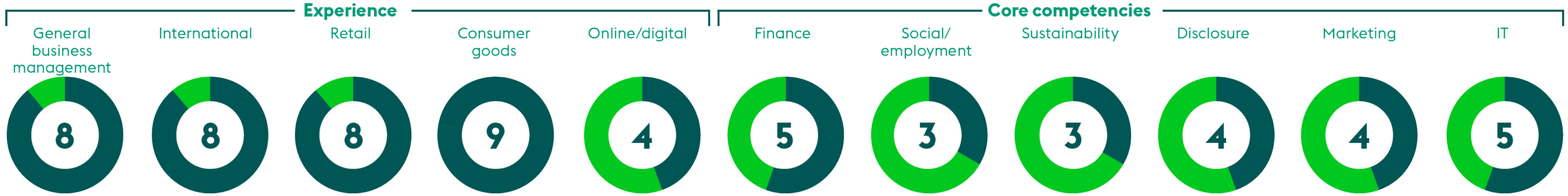
The Supervisory Board identified a number of opportunities for improvement and several key topics and focus areas. Firstly, it was felt that, in a rapidly changing retail landscape that brings new opportunities and challenges, it is essential that the Supervisory Board continues to invest sufficient time to discuss the company's purpose, vision and long-term strategy. The omnichannel market context, succession planning and talent development were identified as strategy-related areas requiring more focus in 2022 and onwards. Also, it was concluded that the diversity of the Supervisory Board and of the Company's leadership teams, in a broader sense, must remain a focus point in the coming years. And finally, it was felt that interactions with the Management Board and achieving clarity around mutual expectations would benefit from reinforced processes and spending more time together in person, as soon as travel restrictions allow.

The Supervisory Board will continue to discuss the conclusions and opportunities throughout the year ahead.

Governance
SUPERVISORY BOARD REPORT

Supervisory Board profile

	Experience					Core competencies					
Name	General business management	International	Retail	Consumer goods	Online/digital	Finance	Social/employment	Sustainability	Disclosure	Marketing	IT
Peter Agnefjäll	*	*	*	*	*		*	*			*
Bill McEwan	*	*	*	*				*	*	*	
René Hooft Graafland	*	*		*		*			*	*	
Katie Doyle	*	*	*	*	*	*		*		*	*
Helen Weir	*	*	*	*	*	*	*		*		*
Mary Anne Citrino			*	*		*					
Frank van Zanten	*	*	*	*			*		*	*	*
Bala Subramanian	*	*	*	*	*						*
Jan Zijderveld	*	*	*	*		*					



Reappointment schedule Supervisory Board[1]

Name	Date of birth	Effective date of first appointment	Reappointment for second and third term	End of current appointment
Peter Agnefjäll	April 21, 1971	April 10, 2019		2023
Bill McEwan	July 28, 1956	July 24, 2016	2020	2022
René Hooft Graafland	September 24, 1955	January 1, 2015	2018	2022
Katie Doyle	October 20, 1967	April 10, 2019		2023
Helen Weir	August, 17, 1962	April 8, 2020		2024
Mary Anne Citrino	April 24, 1959	March 14, 2016	2020	2024
Frank van Zanten	February 24, 1967	April 8, 2020		2024
Bala Subramanian	October 10, 1971	April 14, 2021		2025
Jan Zijderveld	May 9, 1964	April 14, 2021		2025

1 In its decision to nominate its members for reappointment, the Supervisory Board takes into account their tenure in the Board of Directors of the former Delhaize Group, prior to their appointment to the Supervisory Board.

SUPERVISORY BOARD REPORT

SUPERVISORY BOARD ENGAGEMENT

Due to the continued impact of the COVID-19 pandemic, the majority of Supervisory Board meetings took place through collective video calls. A total of 15 Board meetings took place. The meeting in September was organized in a hybrid mode, with the European Board members attending the meeting collectively and in-person in Zaandam, the Netherlands, and the U.S.-based members participating collectively and in-person from Philadelphia, Pennsylvania in the United States. In November, we held an ordinary in-person meeting in Zaandam, the Netherlands. In connection with the in-person meetings, business visits and sessions with senior leadership and talents were organized. All meetings were attended by the Management Board and several other members of the Executive Committee. Senior management and key talents of the Company were also regularly invited to present on specific topics.

The Supervisory Board focused on a number of key topics and dilemmas during 2021. The Supervisory Board and management regularly discussed opportunities to ensure that the vision and strategy of the Company drive long-term sustainable growth. The topics discussed included the importance of local relative market share positions, a strong omnichannel customer value proposition, the need to transform and build critical capabilities and the need to drive efficiency and scale to secure capacity to invest. Ultimately, these deliberations resulted in the next chapter of the Company's **Leading Together** strategy, as announced during Investor Day on November 15, 2021.

As part of the strategy discussions, the Supervisory Board addressed the strategic opportunities for bol.com and, after an extensive and thorough review, the Supervisory Board and management decided to explore a **subsidiary IPO of bol.com** in 2022. Among the elements discussed, the Supervisory Board stressed the need for bol.com to play an important role in strategic partnership with other Company brands in the Benelux, which will require the Company to retain significant control over bol.com in the long term.

During 2021, the Supervisory Board discussed and challenged management on its **Healthy and Sustainable strategy**. At several meetings, the Supervisory Board, through its Sustainability Committee, discussed dilemmas, including the challenge of getting the right data from the brands to set appropriate baselines and targets, and the significant funding required for the relevant investments. These discussions resulted in the Company bringing forward its scope 1 and 2 targets by committing to reach net-zero carbon emissions across its own operations no later than 2040 and setting the ambition to become a net-zero business across its entire supply chain, products and services by 2050 (scope 3).

Since the beginning of the COVID-19 pandemic, the Supervisory Board received periodic updates from management on the impact, risks and actions undertaken by the Company in response to the pandemic.

The Supervisory Board regularly reviewed the topic of **succession planning**, both in general and specifically for the Management Board and Supervisory Board, in relation to expiring terms. This resulted in the proposal to recruit a new member to the Supervisory Board and to nominate Bill McEwan and René Hooft Graafland for additional terms (of one and two years respectively) in view of their skills and experience for the next stage of the Company's Leading Together strategy as well as in the interest of continuity, given the number of recent and upcoming changes to the composition. An important factor in the discussions on succession planning is **diversity**, and the Supervisory Board and Management Board regularly assessed opportunities to increase the aspirations in this area based on the consensus that it is essential to have diverse teams to drive results and to be reflective of the communities served by the Company.

January: In preparation for the holistic review of the Company's strategy, management organized interviews with the individual members of the Supervisory Board to gain their input and perspectives, which were used to prepare the deep dive sessions that followed throughout 2021.

February: During a two-day virtual meeting, the Supervisory Board discussed and approved Ahold Delhaize's 2020 Q4/full year results, the dividend proposal and the issuance of a sustainability-linked bond to underscore the Company's commitment to its Healthy and Sustainable strategy. The Supervisory Board and management reflected on the input management obtained on the strategy refresh during the interviews they held in January. Upon the recommendation of the Remuneration Committee, the Supervisory Board resolved to approve the Company's performance and short-term incentive multiplier for 2020 and the 2021 salary adjustments for the Executive Committee members. Lastly, the Supervisory Board approved the nomination of Bala Subramanian and Jan Zijderveld for appointment to the Supervisory Board.

In a separate call in February, the Annual Report 2020 and the Agenda with the explanatory notes for the 2021 General Meeting of Shareholders in April were approved.

March: During the March meeting, the Supervisory Board and management discussed the strategy refresh, including the potential of a subsidiary IPO of bol.com.

April: The Supervisory Board received an update on bol.com's growth plans, prepared itself for the General Meeting of Shareholders and discussed and approved the roles and composition of the Supervisory Board committees.

May: During May, the Supervisory Board approved the Q1 2021 interim report and discussed the report of the Audit, Finance and Risk Committee, including the report of the external independent auditor and internal auditor. The Supervisory Board received an update on the U.S. transformation program and approved the appointment of a new Head of Internal Audit, upon recommendation of the Audit, Finance and Risk Committee. Lastly, the Supervisory Board discussed a litigation update.

June: During this meeting, the Supervisory Board received an update on the latest developments and trends in the capital markets from two external parties and participated in a FreshDirect deep dive to discuss learnings and best practices gained following the acquisition.

Governance
SUPERVISORY BOARD REPORT

August: During this meeting, the Supervisory Board approved the Q2 2021 interim results and the interim dividend payment. Further to the completed audit tender selection process, the Supervisory Board approved the proposal to appoint KPMG Accountants N.V. as the new external auditor as of 2023. In addition, the Supervisory Board and management discussed e-commerce profitability and reflected on the levers, such as optimizing delivery solutions. The Supervisory Board received an Enterprise Risk Management update that included the increased cyber risks due to intensified cyber crime. Lastly, upon the recommendation of the Governance and Nomination Committee, and at the proposal of the CEO, the Supervisory Board appointed Natalia Wallenberg as member of the Executive Committee.

September: This meeting was organized in a hybrid fashion. Over the course of three days, the members were able to spend time in person in two separate groups (one out of Zaandam, the Netherlands, and one out of Philadelphia, Pennsylvania in the United States) as well as together virtually. The time spent with the full Board collectively, was used to participate in deep-dive sessions on Stop & Shop and Peapod Digital Labs and discuss and prepare Investor Day 2021, during which the strategy refresh would be presented. In addition, the Supervisory Board received an update on Ahold Delhaize's Technology function. The members of the Supervisory Board present in Zaandam participated in an extensive store visit program in the Netherlands and an interview carousel with senior executives. The members present in Philadelphia visited the GIANT Heirloom store format and a micro fulfillment center.

November: During a three-day in-person meeting in Zaandam, the Supervisory Board discussed and approved the budget for 2022 and the long-term plan for 2023 and 2024. The Supervisory Board and management discussed the strategy refresh in view of the upcoming Investor Day on November 15, 2021, and the Supervisory Board approved pursuing a subsidiary IPO of bol.com. In addition, the Supervisory Board approved the acquisition by bol.com of a majority stake in delivery expert Cycloon and the 2022 remodel program for Stop & Shop. During the third day of the meeting, a delegation of the Supervisory Board visited the bol.com fulfillment center in Waalwijk, the Netherlands, and a number of Albert Heijn and Delhaize stores in Belgium.

In addition, throughout the year, the Supervisory Board discussed topics of a strategic nature and held several private meetings without other attendees. The private sessions were, among other things, used to evaluate the functioning of the Management Board and the Executive Committee and their individual members as well as the functioning of the Supervisory Board itself. The CEO was regularly invited to (parts of) the private meetings to discuss the performance of the Management Board and the Executive Committee.

During 2021, the Chair and the CEO continued to hold weekly one-on-one meetings to discuss progress on a variety of topics.

Lastly, the external independent auditor attended the meetings in February 2021, at which the 2020 Annual Report and financial statements were brought forward for adoption by the shareholders at the General Meeting of Shareholders. The external independent auditor also attended the quarterly meetings, at which the financial results were discussed.

ATTENDANCE

Except for a limited number of occasions, and for valid reasons, Supervisory Board members attended all Supervisory Board meetings in 2021. In all cases, the Supervisory Board members who were not able to attend made sure they were represented. All Supervisory Board members made adequate time available to give sufficient attention to matters concerning the Company.

Board attendance	Supervisory Board		Audit, Finance and Risk Committee		Governance and Nomination Committee		Remuneration Committee		Sustainability Committee	
Number of meetings:	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Agnefjäll	15	15			4	4	6	6		
Bill McEwan	15	15					6	6	2	2
René Hooft Graafland	15	14	5	5					2	2
Katie Doyle	15	15	2	2	3	3			2	2
Helen Weir	15	14	5	5	3	3	2	2		
Mary Anne Citrino	15	15	5	5	1	1	4	4		
Frank van Zanten	15	14			3	3	6	6		
Bala Subramanian	10	10			3	3			2	2
Jan Zijderveld	10	10	3	3					2	2
Dominique Leroy	5	4			1	1				
Ben Noteboom	5	5			1	1	2	1		

INDEPENDENCE

The Supervisory Board confirms that, during 2021, as well as on the date of publication of this report, Supervisory Board members were independent within the meaning of provision 2.1.8 of the Dutch Corporate Governance Code.

REMUNERATION

The annual remuneration of the Supervisory Board members was determined by the General Meeting of Shareholders on April 8, 2020. For more information on the remuneration policy of the Supervisory Board, see *Remuneration policy for the Supervisory Board*.

SHARE POSITIONS

The following Supervisory Board members held shares in the Company during 2021.

Member	Position
Peter Agnefjäll	7,200 common shares
Bill McEwan	7,125 American Depository Receipts

The positions were held for the long term and remained unchanged during 2021.

COMMITTEES OF THE SUPERVISORY BOARD

The committees of the Supervisory Board are assigned specific tasks, have advisory powers and provide the Supervisory Board with regular updates on their meetings. Following an evaluation of the effectiveness of its committees, the Supervisory Board decided to re-integrate the Risk Committee into the Audit and Finance Committee, and to focus the Sustainability and Innovation Committee on health and sustainability. Innovation topics and progress is discussed by the full Supervisory Board on the basis of integrated updates by management. The current composition is detailed in the following table.

	Audit, Finance and Risk Committee	Governance and Nomination Committee	Remuneration Committee	Sustainability Committee
Peter Agnefjäll (Chair)		Member	Member	
Bill McEwan			Chair	Member
René Hooft Graafland	Chair			Member
Katie Doyle		Member		Chair
Helen Weir	Member	Chair		
Mary Anne Citrino	Member		Member	
Frank van Zanten		Member	Member	
Bala Subramanian		Member		Member
Jan Zijderveld	Member			Member

Audit, Finance and Risk Committee

The CEO, the CFO, the Chief Legal Officer, the Senior Vice President Internal Audit, the Senior Vice President Tax and Accounting and representatives of the external independent auditor are invited to, and attend, the Audit, Finance and Risk Committee meetings.

In 2021, the Audit, Finance and Risk Committee held one meeting in person and four video meetings. The attendance rate of the members of this Committee was 100%. Throughout the year, the Committee closely monitored the financial closing process and reviewed the publication of quarterly results. The Committee received several updates on the risk profile of the Company and its financial position. During every meeting, the Committee received an update on compliance and ethics, internal audit, risk and control, product integrity, asset protection, health and safety, cyber security and data privacy. The Committee discussed trends, incidents and incident response. During its meeting in August, the Committee participated in a cyber escape room exercise, led by the Global Chief Information Security Officer, to educate its members on the latest cyber crime developments. Throughout 2021, the Committee participated in the tender selection process for a new external auditor, to be nominated for approval during the General Meeting of Shareholders in 2022. Lastly, the Committee assessed the functioning of the Internal Audit function and the independent external auditor, based on a survey that was filled out by key officers of the Company who frequently interact with these functions.

The Audit, Finance and Risk Committee and its Chair held several private meetings together with the CFO, the Senior Vice President Internal Audit and the external independent auditor.

The Supervisory Board has determined that René Hooft Graafland, Mary Anne Citrino, Helen Weir and Jan Zijderveld are "Audit Committee Financial Experts" within the meaning of provision 2.1.4 of the Dutch Corporate Governance Code.

Governance and Nomination Committee

In 2021, the Committee held four meetings to which the CEO, also acting as interim Chief Human Resources Officer, among others, was invited to attend. In addition, the Committee held four private meetings. The attendance rate of the members of this Committee was 100%. The Committee evaluated the performance of the members of the Supervisory Board and the Executive Committee and approved the 2021 goals for the members of the Management Board and the Executive Committee. The Committee received several updates on succession and talent planning and diversity. Together with management, the Committee reflected on the outcome of the associate engagement survey.

In view of the upcoming expiration of the term of Wouter Kolk, the Committee engaged in several sessions with the CEO to determine the optimal composition of the Management Board, and recommended the nomination of Wouter Kolk for another term of four years at the General Meeting of Shareholders in 2022. In addition, the Committee recruited and recommended Pauline van der Meer Mohr for nomination as a new member of the Supervisory Board and recommended Bill McEwan and René Hooft Graafland for nomination for additional terms at the same General Meeting of Shareholders.

Governance

SUPERVISORY BOARD REPORT

Remuneration Committee

In 2021, the Committee held six meetings, all of which the CEO, also in his capacity as interim Chief HR Officer, was invited to attend. The attendance rate of the members of the Committee was 96%. The Committee discussed and supported the salary recommendations for members of the Management Board and the Executive Committee, as well as the incentive targets for 2021. In addition to the regular topics, the Committee organized several deep dive sessions with the purpose of establishing a contemporary remuneration policy for the Management Board and Supervisory Board in support of the long-term strategy of Company that should drive value for its stakeholders. Topics discussed during the workshops included ESG components, mix in variable versus fixed pay and long-term versus short-term incentives. The preliminary results of the workshops were discussed and endorsed by the Supervisory Board and were validated during extensive stakeholder engagement sessions. The Supervisory Board will propose new remuneration policies for the Management Board and the Supervisory Board to the General Meeting of Shareholders in 2022 for adoption.

Sustainability Committee

During 2021, the Committee held two meetings and the attendance rate of its members was 100%. During the first meeting, the Committee welcomed the new Global Head of Health and Sustainability, who presented her first impressions of the Company and her initial ideas on a new Healthy and Sustainable strategy to be presented at Investor Day 2021. The second meeting was used to discuss the Healthy and Sustainable elements that would be presented at Investor Day, including the increased focus on health and sustainability and bringing the net-zero target forward to 2040 for direct carbon emissions from the Company's own operations. All meetings included an update on the ESG landscape, including regulatory and investor trends.

Conclusion

The Supervisory Board is of the opinion that during the year 2021, its composition, mix and depth of available expertise, working processes, level and frequency of engagement across all prominent Ahold Delhaize activities, and access to necessary and relevant information and the Company's management and staff were satisfactory. This enabled the Supervisory Board to carry out its duties towards all of the Company's stakeholders, in a strong year during which the Company continued to live up to its promise to help customers eat well, save time and live better, while delivering strong financial results at the same time.

We are grateful to Ahold Delhaize's shareholders for their continued trust in and support of the Company, its strategy and its management.

Most of all, the Supervisory Board would like to acknowledge the exceptional circumstances the Company and its great local brands operated in again this year and to express its gratitude to associates and management for their passion and dedication in delivering on Ahold Delhaize's promises to customers and all its other stakeholders.

Supervisory Board
Zaandam, the Netherlands

March 1, 2022

Governance

HOW WE MANAGE RISK

Ahold Delhaize has a diverse portfolio of brands, geographic footprint and business structure. Because of this, it is critically important that we manage risks in a proactive and responsible way to ensure we can deliver on our Leading Together strategy.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

Our Governance, Risk Management and Compliance (GRC) Framework is tailored to our structure and designed to respond to the dynamic needs of our brand-centric business. It gives our management a transparent view of the risks we take, face and manage and that have a strategic impact on our great local brands and our global organization.

The GRC Framework consists of global policies and controls as well as a GRC Committee structure at global and brand levels that serves as a forum for identifying, addressing and monitoring relevant risks in all corners of our business.

The global GRC Committee is responsible for reviewing Ahold Delhaize's governance, risk management and compliance processes. The GRC Committee is chaired by the Chief Legal Officer and (i) advises the Management Board and Executive Committee on matters concerning the GRC Framework, including an overall GRC vision and strategy, (ii) oversees activities to develop and maintain a fit-for-purpose GRC Framework and (iii) engages with Ahold Delhaize's senior management on important developments in the context of governance, risk and compliance.

ENTERPRISE RISK MANAGEMENT

Through our Enterprise Risk Management (ERM) program, which is embedded in the execution of our strategy, the leadership of each of our brands and global functions review their strategic, operational, financial and regulatory risks and mitigating actions twice per year. Our Executive Committee performs a semi-annual review of all the risks reported by the brands and the outcome is aggregated into an ERM report that is presented to the Management Board and Supervisory Board, as required by the Dutch Corporate Governance Code. Ahold Delhaize's ERM program drives the formation of policies, procedures and controls, the scope of internal audit activities, and the business planning and performance process.

Governance, Risk Management and Compliance Framework

Governance

HOW WE MANAGE RISK

RISK APPETITE

Our risk appetite is defined by our Supervisory Board and Management Board and is integrated into the businesses through our strategy, global policies, procedures, controls and budgets. Our appetite for each risk is determined by considering key opportunities and potential threats to achieving our strategic objectives and can be categorized as follows:

Strategic

Strategic risks originate from trends, developments or events that could prevent us from executing and realizing our strategic objectives.

Risk appetite: average-above average

Ahold Delhaize has a diverse portfolio of brands, geographic footprint and business structure. Because of this, it is critically important that we manage risks in a proactive and responsible way to ensure we can deliver on our Leading Together strategy.

We use fact-based analysis that derives insights from our different markets and brands to support our strategic decision-making process in a way that considers the financial, economic, social and political developments that may impact our ability to achieve our strategic objectives.

Operational

Operational risks include unforeseen incidents that could result from failures in internal processes or systems, human error or adverse external events and could negatively impact the day-to-day operation of our business.

Risk appetite: low

We strive to minimize the possibility of business disruptions and the related impact of operational failures.

We establish and manage a GRC Framework with global policies that regulate the achievement of our objectives at local and global level.

We constantly review and invest in our structure and processes to ensure they are fit for purpose and address any identified operational risk.

Financial

Financial risks include uncertainty of financial returns on investments, reduction in liquidity, erosion of profits, potential financial losses due to financing policies, and other external factors such as the macroeconomic environment, unreliability of suppliers, economic restrictions, and reduction of the customer base.

Risk appetite: low

Ahold Delhaize has a prudent financial strategy focused on maintaining our solid investment-grade credit rating. We are averse to any risks that could jeopardize the integrity of our financial reporting. Our financial risk management, risk appetite and sensitivities are further detailed in *Note 30* of the consolidated financial statements.

Compliance

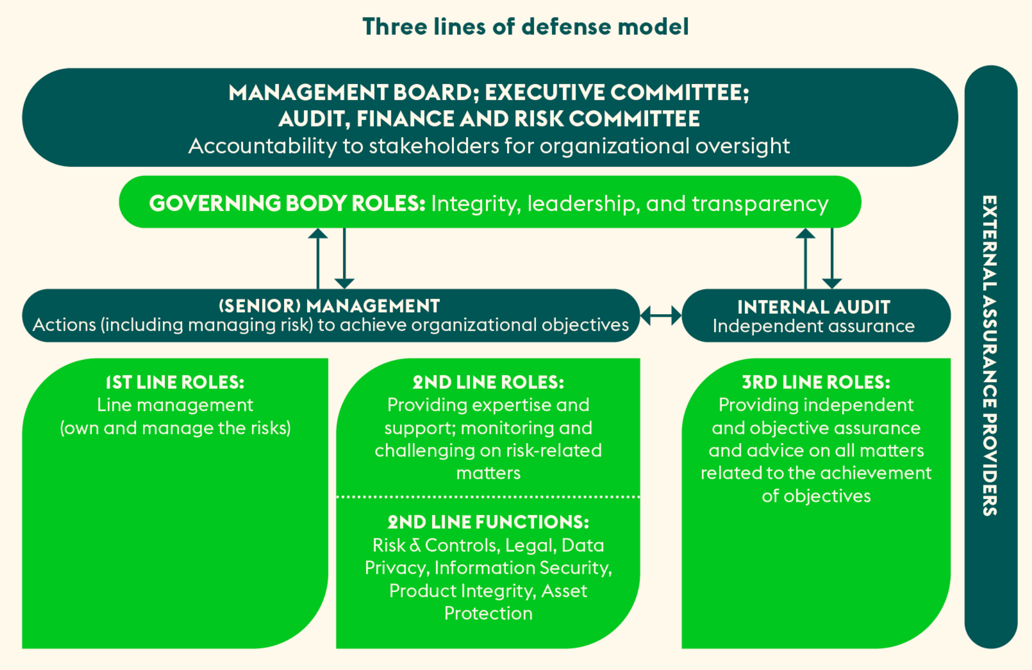
Compliance risks relate to unanticipated failures to comply with applicable laws and regulations as well as our own policies and procedures.

Risk appetite: very low

At Ahold Delhaize, our values are an essential part of our strategic framework. We strive to behave according to our values as we go about our daily work. One of our values is "integrity," which means that the Company and all its associates do the right thing to earn customers' trust. We strive for full compliance with laws and regulations and with our policies and procedures everywhere we do business.

Governance
HOW WE MANAGE RISK

GRC framework
The Ahold Delhaize control framework incorporates risk assessment, control activities and monitoring into our business practices at entity-wide and functional levels. We have adopted a "Three lines of defense" model (see chart below) to provide reasonable assurance that risks to achieving important objectives are identified and mitigated.



Monitoring and assurance
A key element of our GRC framework is monitoring and assurance. We use a comprehensive business planning and performance review process to monitor the Company's performance. This process covers the adoption of strategy, budgeting and the reporting of current and projected results. We assess business performance according to both financial and non-financial (including sustainability) targets. In order to meet business needs and the requirements of the Dutch Corporate Governance Code, we have a Group-wide management certification process in place, which requires that the executive management team members at each of our reporting entities send letters of representation to the Financial Disclosure Committee on a quarterly basis. These letters confirm whether the reporting entities follow Ahold Delhaize's Code of Ethics, policies on fraud prevention and detection, accounting and internal control standards, and disclosure requirements.

Reporting
All our businesses are required to maintain and manage a sound internal control environment with robust policies, procedures and controls and a strong financial discipline. The control framework is regularly monitored by our second line of defense through testing activities and the results are reported to brand and global GRC committees as well as to the Audit and Finance Committee.

Both our Risk & Controls and Internal Audit functions help to ensure that we maintain and improve the integrity and effectiveness of our system of risk management and internal control. Internal Audit undertakes regular risk-based, objective and critical audits. These functions also monitor the effectiveness of corrective actions undertaken by management.

COMPLIANCE AND INTEGRITY
See *In focus: Ethics and human rights* for more detail on compliance and integrity.

Governance
DECLARATIONS

INTRODUCTION

This 2021 Ahold Delhaize Annual Report dated March 1, 2022, (the Annual Report) comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision "Wet op het financieel toezicht."

For the consolidated and the parent company's 2021 financial statements "jaarrekening" within the meaning of section 2:361 of the Dutch Civil Code, see *Performance: Financial statements*. The members of the Management Board and the Supervisory Board have signed the 2021 financial statements pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code. The following sections of this Annual Report together form the management report, or the "bestuursverslag" within the meaning of section 2:391 of the Dutch Civil Code:

- *Strategic report*
- *Our Management Board and Executive Committee*
- *Our Supervisory Board*
- *Corporate governance*
- *How we manage risk*
- *Remuneration* and
- the subsection *Remuneration* included in the *Supervisory Board report* and
- *ESG statements*.

For other information, or "overige gegevens" within the meaning of section 2:392 of the Dutch Civil Code, see section *Other information* under *Performance*.

DECLARATIONS

The members of the Management Board, as required by section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision, confirm that to the best of their knowledge:

- The 2021 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The management report included in this Annual Report gives a true and fair view of the position of the Company and the undertakings included in the consolidation taken as a whole as of January 2, 2022, and of the development and performance of the business for the financial year then ended.
- The management report includes a description of the principal risks and uncertainties that the Company faces.

ANNUAL DECLARATION ON INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS

The Management Board, as required by section 1.4.3 of the Dutch Corporate Governance Code, makes the following declaration:

The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve important business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. This report provides sufficient insights into any significant deficiencies in the effectiveness of the internal risk management and control systems. Management is not aware of any critical failings of these systems during 2021.

This report includes those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of the report.

With respect to financial reporting based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis and management has assessed whether the risk management and control systems provide reasonable assurance that the 2021 financial statements do not contain any material misstatements. This assessment was based on the criteria set out in COSO: Internal Control – Integrated Framework 2013 and our internal control framework. It included tests of the design and operating effectiveness of entity-level controls, transactional controls at significant locations and relevant general computer controls. Any control weaknesses not fully remediated at year-end were evaluated. Based on this assessment, the Management Board determined that the Company's financial reporting systems are adequately designed, operated effectively in 2021 and provide reasonable assurance that the financial statements are free of material misstatement.

Management Board

Frans Muller, President and Chief Executive Officer

Natalie Knight, Chief Financial Officer

Kevin Holt, Chief Executive Officer Ahold Delhaize USA

Wouter Kolk, Chief Executive Officer Europe and Indonesia

Governance
DECLARATIONS

This Annual Report, including the 2021 financial statements, which are audited by PricewaterhouseCoopers Accountants N.V., has been presented to the Supervisory Board.

The 2021 financial statements and the independent auditor's report relating to the audit of the 2021 financial statements were discussed with the Audit, Finance and Risk Committee in the presence of the Management Board and the external independent auditor. The Supervisory Board recommends that the General Meeting of Shareholders adopt the 2021 financial statements included in this Annual Report and recommends the proposal to pay a cash dividend for the financial year 2021 of €0.95 per common share. An amount of €0.43 per common share was paid as interim dividend on September 2, 2021. The remaining amount of €0.52 per common share shall be payable on April 28, 2022.

Supervisory Board

Peter Agnefjäll (Chair)

Bill McEwan (Vice Chair)

René Hooft Graafland

Katie Doyle

Helen Weir

Mary Anne Citrino

Frank van Zanten

Bala Subramanian

Jan Zijderveld

GOVERNANCE

REMUNERATION

Remuneration

LETTER FROM THE REMUNERATION COMMITTEE CHAIR

Dear shareholder,

I am pleased to introduce our 2021 Remuneration report. In the sections below, I reflect on another eventful year, during which Ahold Delhaize made good progress on its Leading Together strategy, and look forward to how the Company can accelerate on these ambitions in 2022, supported by the new Remuneration Policies that will be proposed for adoption at our annual General Meeting of Shareholders in April.

Looking back on 2021

As discussed throughout this Annual Report, the COVID-19 pandemic continued to pose extraordinary challenges to our brands' customers, operations, associates and communities in 2021. Our brands and their markets were also confronted with rising inflation, labor issues and shortages, supply chain upheaval and natural disasters. We are extremely proud of how, in the face of these difficulties, our brands were able to safely meet customer needs while protecting associates and supporting communities with purpose, passion and perseverance.

2021 PAY INCREASES

At the outset of the year, the Remuneration Committee conducted its regular review of the Management Board's remuneration. We considered external and internal salary movements, Company and individual performance, and the determination and assessment of internal pay ratios. The base salaries for Frans Muller, Kevin Holt and Wouter Kolk were increased by 2.5%, in line with market cost-of-living increases for the U.S., the Netherlands and Belgium. The Committee concluded that a more significant increase was required to bring Natalie Knight closer to our policy's positioning of "at or near the median" of our labor market peer group. Consequently, Natalie's base salary was increased by 7.5%.

CEO AND MANAGEMENT BOARD PERFORMANCE

Throughout the year, the Management Board oversaw the implementation of Ahold Delhaize's Leading Together strategy while supporting the local brands in safeguarding and taking care of customers, associates and communities, ensuring access to food, managing the surge in online sales growth, adding extra stores and dealing with high absenteeism rates and mental health concerns related to the pandemic. In addition to managing the business in extraordinarily challenging times, the Management Board introduced a refreshed long-term strategy and key commitments during our Investor Day, announced plans to explore a subsidiary IPO for bol.com, and set out a bold ESG ambition and plans to work towards a net-zero scenario by 2050.

Due to the rapidly changing COVID-19 situation, travel to the U.S. was significantly restricted for most of the year. In consideration of our significant business presence in the U.S., Frans Muller was granted a U.S. National Interest Exception on several occasions, allowing him to travel to the country and regularly engage with regional and brand leadership teams, supporting ongoing operations and long-term strategic initiatives, such as the integration of FreshDirect and Ahold Delhaize USA's supply chain transformation program.

As in previous years, CEO and Management Board performance were monitored and evaluated according to a rigorous process. Driven by the strategic plan, performance objectives and targets were established and thoroughly reviewed at the outset of the year by the respective Supervisory Board Committees before full Supervisory Board approval. They were structured around shared objectives on key financial, ESG, NPS and associate engagement targets, individual goals in each of the four strategic growth drivers, and development goals aimed at continuously improving leadership, both individually and as a team.

As the year came to a close, the Governance and Nomination Committee conducted a formal Management Board evaluation process. CEO performance was managed in close collaboration with the Supervisory Board Chair and included broader Supervisory Board participation and input. Each member's individual review included a self-assessment against the defined objectives and metrics, CEO assessment and performance rating, and formal review by the Committee.

Remuneration
LETTER FROM THE REMUNERATION COMMITTEE CHAIR

The outcomes of this process were taken into account in the determination of Management Board remuneration for 2022. Management remuneration determinations are neither led by, nor do they target, a precise position based on benchmarking data. Benchmarking only provides a substantive reference point that informs the determination of fixed and variable compensation to ensure that we remain in line with competitive market pay levels. We continue to position Management Board members' total remuneration "at or near the median" of our peer group.

2021 ANNUAL CASH INCENTIVE AND SHARE GRANTS VESTING IN 2022

Following the exceptional 2020 results that resulted in a maximum annual cash incentive payout, the Committee undertook to set challenging performance conditions for the 2021 annual cash incentive that gave consideration to the enduring economic uncertainty associated with the COVID-19 pandemic. By establishing wider performance intervals, we aimed to reduce the potential and/or likelihood of windfall gains or extraordinary shortfalls.

While we anticipated normalization during 2021, the pandemic effects persisted, with surges in cases during the winter and in early fall and relatively lower infection levels in between. Consequently, the impact of the pandemic on business performance proved much greater than we had anticipated and predicted in our full-year target-setting process.

As the year unfolded, it became clear that the results for the 2021 annual cash incentive would finish well ahead of plan, with payout at the maximum level, as in 2020. After careful consideration, the Committee decided to exercise prudent and appropriate discretion by adjusting the overall payout downward to 125% of target. The Committee believes this adjusted payout level more accurately reflects actual Management Board performance and mitigates more substantial windfall gains that we determined should be attributed to the effects of the pandemic.

The 2019 GRO share grant will vest on the day after the 2022 annual General Meeting of Shareholders (AGM). Heightened earnings per share growth exceeded the maximum performance threshold, while return on capital and the share of healthy food sales also exceeded target. Results for total shareholder return fell just short of plan. The overall vesting outcome for the 2019 GRO share grant is 126% of target.

Looking forward

NEW REMUNERATION POLICIES FOR THE MANAGEMENT AND SUPERVISORY BOARDS

Over the course of 2021, the Committee undertook an end-to-end assessment of the current Management Board and Supervisory Board Remuneration policies. We determined that a comprehensive review was an opportunity to progressively update our policies to be consistent with, and support, the Company's newly refreshed Leading Together strategy.

The current Remuneration Policy for the Management Board was adopted by the 2019 AGM and was intended to run for four years up to the 2023 AGM. However, in consideration of the Company's updated strategic direction, stakeholder feedback and the need for the Company to remain attractive to top leaders, the Committee and full Supervisory Board believe several enhancements are necessary. Accordingly, a new Remuneration Policy will be proposed for adoption at the 2022 AGM.

We believe the new Remuneration Policy is structured to further increase long-term focus and place greater emphasis on ESG factors, which are an important part of how Ahold Delhaize measures success. This is in line with the next chapter of the Company's Leading Together strategy, announced at the Investor Day in November 2021, and a deepened focus on health and sustainability. It also further aligns the interest of the Management Board with those of the Company's shareholders and features increased disclosures on short- and long-term performance. Having consulted with stakeholders, shareholders, and proxy advisers before finalizing the new Remuneration Policy, we believe it will earn support from the majority of our shareholders. The new policy and a detailed report on our stakeholder consultations are outlined in the 2022 AGM agenda and explanatory notes.

We will also propose a new Remuneration Policy for the Supervisory Board for adoption at the 2022 AGM. The current Supervisory Board remuneration levels have not been updated since the merger between Royal Ahold and Delhaize Group in 2016 (except for a reduction of the base fees for the Chair and Vice Chair positions in 2019) and we seek to bring them in line with the expanding responsibilities of the Supervisory Board members and the increased demands on their time. Based on our consultations with shareholders and major proxy advisers, we believe this new policy will earn broad support. The new policy for the Supervisory Board is also outlined in the 2022 AGM agenda and explanatory notes.

PERFORMANCE CONDITIONS FOR 2022

The COVID-19 pandemic is expected to continue well into 2022 and its effect on business performance remains unpredictable. For 2022, we have set ambitious targets with wider performance intervals that again aim to reduce the potential for and likelihood of windfall gains and/or extraordinary shortfalls. The years 2020 and 2021 produced highly irregular performance challenges, conditions and outcomes. For 2022, we believe we have established robust performance targets with clear, specific and auditable metrics. However, the Supervisory Board also recognizes that the ongoing market volatility is likely to persist and we will continue to monitor business performance and internal and external conditions throughout the year and take appropriate action where, when and as we deem prudent and appropriate.

INCREASED LEVEL OF TRANSPARENCY AND DISCLOSURE

Ahold Delhaize has historically not disclosed the performance conditions for our short-term and long-term incentive plans, because we have always considered this information to be commercially sensitive. However, in our ongoing dialogue with major shareholders and proxy advisers, many expressed their dissatisfaction with this perceived lack of transparency and called on us to disclose targets and intervals. We believe this sentiment was reflected in the disappointing vote (80.38% of votes in favor) for the 2020 Remuneration report at the 2021 AGM.

We have carefully considered this feedback and, having addressed internal concerns, have now committed to full, ex-post disclosure of all targets and performance intervals for all metrics in both the short-term and long-term incentive plans, starting with next year's Annual Report. The 2022 Annual Report will be the first to report on the new Remuneration Policies, which we believe provides the optimal starting point for our enhanced disclosures.

I look forward to presenting this Remuneration report and our new Remuneration Policies at the annual General Meeting of Shareholders on April 13, 2022.

On behalf of the Remuneration Committee and the Supervisory Board, I thank you for your continued support of Ahold Delhaize.

Bill McEwan

Remuneration

EXECUTIVE REMUNERATION PRINCIPLES AND PROCEDURES

The Executive Remuneration Principles and Procedures were adopted by the General Meeting of Shareholders on April 8, 2020, (94.64% of votes in favor) and became an integral part of the Remuneration Policy for the Management Board and the Remuneration Policy for the Supervisory Board retroactively as of January 1, 2020.

The objective of the Company's Remuneration Policies is to attract, reward and retain the highly skilled and qualified senior management that Ahold Delhaize needs to achieve its strategic and operational objectives. Our Remuneration Policies balance the needs of our internal and external stakeholders and our commitment to making a sustainable contribution to society. The structure of the Remuneration Policies aligns the focus of the Company and its senior management with the interests of Ahold Delhaize's stakeholders and society at large. Compensation and awards are tied to and dependent on the Company's delivery of its Leading Together strategy in a socially responsible and sustainable manner. In designing the Remuneration Policies, we take into consideration societal and market trends.

OUR PRINCIPLES

Our Remuneration Policies are designed to be simple, effective and transparent. Their design is based on the guiding principles outlined below. Since the Company does not provide any variable remuneration to members of the Supervisory Board, some of these principles may apply to a lesser extent, or not apply at all, to the Supervisory Board's remuneration.

Alignment with the Company strategy

Compensation for the Management Board is structured with variable short- and long-term incentives tied to the realization of financial and non-financial performance criteria. These performance criteria should reflect the cornerstone elements of the Company's Leading Together strategy.

Pay for performance

Our Management Board Remuneration Policy supports a pay-for-performance culture while discouraging the Management Board from taking inappropriate risks. The short-term and long-term incentives incorporate claw-back provisions that allow the Supervisory Board to cancel or recover remuneration. Separation payments are limited to a one-year base salary.

Competitive pay

Ahold Delhaize competes for talent in an increasingly competitive global market. The competitiveness of our Remuneration Policies is benchmarked regularly against a relevant labor market peer group that reflects the Company's geographic operating areas and the markets most relevant to the recruitment and retention of top management. The target total remuneration level is typically at or near the median, while consideration is given to the size of Ahold Delhaize relative to the peer group.

Consistency

The structure of our Management Board remuneration is generally consistent with the remuneration structure for associates in senior management positions to ensure internal alignment and support a shared purpose.

Transparency

In our Annual Report and on our Company website, we provide an extensive disclosure of how the Remuneration Policies were implemented, including:

- Full disclosure of the peer group used for benchmarking purposes
- Transparency on the term, as well as the performance measures and weights used in the short-term and long-term incentive
- The realized performance per metric for the short-term and long-term incentive
- Extensive and detailed pay ratio disclosure – both internal and relative to our peers

Alignment with stakeholder interests

Our Remuneration Policies align the focus of the Company and its senior management with the interests of Ahold Delhaize's stakeholders and society at large. As a global company, we have a large variety of stakeholders. We strive to make a difference for the main stakeholders Ahold Delhaize impacts through the Company's purpose to help customers, associates and communities eat well, save time and live better. We also commit to transparency and high integrity with a broad list of stakeholders who have a strong interest in our Company, including shareholders, global and local suppliers, governments, and NGOs.

Our stakeholders help us to get better every day by challenging us, sharing insights into their concerns, offering feedback on how we are doing, and collaborating with us to solve problems. We engage with them in both formal and informal ways throughout the year on a wide range of topics (including societal, economic, and environmental impacts) and reflect on the feedback they provide.

Each year, we engage with our stakeholders, gathering input from associates, customers, investors and other external stakeholders, to assess our biggest impacts on society. Our materiality assessment helps us to ensure that our strategy and reporting are in line with our most significant impacts and stakeholder expectations. For more information on how we engage with our stakeholders see *Engaging with our stakeholders* and *Introduction to ESG*.

By setting robust five-year shareholding requirements and share ownership guidelines, the Remuneration Policies further support us in aligning the interests of members of the Management Board to the long-term interests of the Company's stakeholders.

Remuneration

EXECUTIVE REMUNERATION PRINCIPLES AND PROCEDURES

OUR PROCEDURES

Setting, revision and execution

The Remuneration Committee of the Supervisory Board is responsible for advising the Supervisory Board in relation to setting, revising and executing the Remuneration Policies for the Management Board and Supervisory Board. The Remuneration Committee actively monitors internal and external developments to determine whether the Remuneration Policies are still aligned to and supportive of the Company's strategic and operational objectives. If the Committee believes circumstances require, it may submit a proposal for the amendment of (one of) the Remuneration Policies to the Supervisory Board. If supported by the Supervisory Board, any and all proposals for amendment of (one of) the Remuneration Policies will subsequently be put to a vote by the General Meeting of Shareholders.

Discretion and derogation

Within the Remuneration Policy for the Management Board, the Supervisory Board may exercise discretion in the execution of the policy and the related incentive plans, including but not limited to:

- The adjustment of the base salaries of the members of the Management Board
- The substitution of companies in the labor market peer group and TSR peer group in case of delistings, mergers or other extraordinary circumstances
- The adjustment, positive or negative, of the performance of the incentive plans in case of unforeseen or unusual circumstances occurring during the performance period
- The determination of the underlying metrics of the Strategic imperatives performance measure in the short-term incentive and the sustainability performance measures in the long-term incentive.

In exceptional circumstances, in accordance with the principles of reasonableness and fairness, the Supervisory Board may, upon the recommendation of the Remuneration Committee, deviate from the Remuneration Policy for the Management Board. Any and all deviations must be carefully considered in alignment with the objectives and principles set out above and applied in a consistent manner. The remit of the Supervisory Board to deviate from the Remuneration Policy for the Management Board is limited to (a) one-off cash bonuses or equity awards in a recruiting context, and (b) offering alternative benefits such as pensions or insurances with an equivalent value in an international context. All other deviations from the policies must always be presented for approval by shareholders.

Risk assessment

We conduct a comprehensive analysis contemplating the various risks and scenarios associated with variable compensation elements on a regular basis. This includes the calculation of remuneration under different scenarios, considering different performance assumptions.

Compliance

The design and implementation of our Remuneration Policies are compliant with applicable laws and corporate governance requirements. Decisions related to remuneration are made in the context of the Company's Code of Ethics.

Management Board remuneration

REMUNERATION POLICY FOR THE MANAGEMENT BOARD

The Remuneration Policy for the Management Board was adopted by the General Meeting of Shareholders on April 10, 2019, (92.09% of votes in favor) and became effective retroactively as of January 1, 2019.

BENCHMARK PEER GROUP

As an international company, Ahold Delhaize must remain attractive for top leaders from the industry and beyond to continue to have a strong and diverse Management Board. The Management Board remuneration levels are benchmarked annually. The benchmark peer group consists of a total of 18 peer companies in Europe and the United States, as well as AEX- and BEL20-listed companies. This labor market peer group reflects the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. As a Dutch-headquartered company and considering the Company's Dutch and Belgian footprint, the AEX market practice in the Netherlands and BEL20 market practice in Belgium are included.

European peers	U.S. peers	AEX and BEL20
Tesco	Kroger	Unilever
Carrefour	Costco	Philips
Metro Cash & Carry	Target	Heineken
Casino Guichard-Perrachon	Walgreens Boots Alliance	Randstad
J Sainsbury	Best Buy	Akzo Nobel
W M Morrison	Lowe's Companies	AB InBev

To accommodate potential changes in the labor market peer group due to delistings, mergers, or other extraordinary circumstances, the Supervisory Board may exercise discretion to substitute comparable companies. In general, geographical composition leads in replacement determination. For example, if a U.S.-based company is dropped, it is generally replaced by another U.S.-based company.

We consider the composition (risk profile) of the Total Direct Compensation levels when benchmarking base salary levels. The target Total Direct Compensation level is typically at or near the median, while consideration is given to the size of Ahold Delhaize relative to the peer group, with a fixed-to-variable pay ratio that supports the pay-for-performance culture and a long-term strategic focus.

An individual exception to the Management Board Remuneration Policy is applied for the CEO Ahold Delhaize USA (Kevin Holt). The Supervisory Board has and will determine the remuneration for the CEO Ahold Delhaize USA on the basis of a local reference market, the U.S. retail labor market reference group.

TOTAL DIRECT COMPENSATION

The basic elements of the Total Direct Compensation provided to Management Board members are (1) a base salary, (2) an annual cash incentive, and (3) a long-term share-based program. In addition to the Total Direct Compensation, members of the Management Board are offered pensions and additional arrangements in line with local practices.

Base salary

The level of the base salary of the members of the Management Board is derived, as one component, from the benchmarking of Total Direct Compensation. Adjustment of individual base salaries is at the discretion of the Supervisory Board.

Annual cash incentive plan: Executive Committee Incentive Plan

The Management Board members participate in the cash-based Executive Committee Incentive Plan ("EIP").

The Company's priority and goal are to expand market share while focusing on margins to increase profitability and prudently managing capital spending and expenses to secure strong and sustainable cash flow. Consequently, the EIP employs three financial measures that reflect the fundamental key financial metrics of a retail organization: sales growth (30%), underlying operating margin (30%) and operating cash flow (20%). In addition, key strategic imperatives (20%) are included. In support of the pay-for-performance culture and in recognition of the Company's focus on margins, the underlying operating margin measure serves as a threshold.

The at-target pay-out as a percentage of base salary is 100%, contingent on the full achievement of the objectives, with a cap at 150% of the at-target value in the event of above-target performance.

Long-term share-based incentive plan: Global Reward Opportunity

The Management Board members participate in the Company's long-term share-based incentive plan: Global Reward Opportunity (GRO).

Under the GRO program, performance shares are granted as a three-year program. The vesting of these performance shares is subject to performance over three years. As of 2019, the GRO program employs three financial measures: return on capital (RoC) (35%), underlying earnings per share (EPS) growth (35%), and total shareholder return (TSR) (15%). In addition, a non-financial performance measure (15%) related to sustainability targets is included.

In line with market practice, the target value of long-term incentives granted varies per role. For the CEO, the target value is 235% of base salary; for the CEO Ahold Delhaize USA, the target value is 200% of base salary; for the CFO, the target value is 175% of base salary; and for the CEO Ahold Delhaize Europe and Indonesia, the target value is 150% of base salary.

An individual exception to the Management Board Remuneration Policy is applied for the CEO Ahold Delhaize USA (Kevin Holt). The target value of the long-term incentive for Kevin is 235% of base salary.

Management Board remuneration

REMUNERATION POLICY FOR THE MANAGEMENT BOARD

LINK TO RETURN ON CAPITAL

Of the total GRO award, 35% is linked to a three-year RoC target. As determined by performance, the number of performance shares that vest may range between zero and a maximum of 150% of the number of performance shares granted.

LINK TO EARNINGS PER SHARE GROWTH

Another 35% of the total GRO award is linked to a three-year earnings per share growth target. As determined by performance, the number of performance shares that vest may range between zero and a maximum of 150% of the number of performance shares granted.

LINK TO TOTAL SHAREHOLDER RETURN

Of the total GRO award, 15% is determined based on total shareholder return (share price growth and dividends paid over the performance period) benchmarked against a TSR performance peer group. The number of performance shares that vest is determined based on the Company's relative ranking within the peer group. An independent external advisor determines the ranking based on TSR performance. No performance shares will vest to Management Board members if the Company ranks below the sixth position in the performance peer group. The table below indicates the percentage of performance shares that may vest based on the Company's ranking.

TSR position	Payout
1	150%
2	125%
3	110%
4	100%
5	75%
6	50%
7-12	0%

All GRO performance shares will be measured against the established peer group.

TSR performance peer group

Tesco	Kroger
Carrefour	Costco
Metro Cash & Carry	Target
Casino Guichard Perrachon	Walgreens Boots Alliance
J Sainsbury	Walmart
W M Morrison	

To accommodate potential changes in the performance peer group due to delisting, mergers or other extraordinary circumstances, the Supervisory Board may exercise discretion to substitute comparable companies.

LINK TO SUSTAINABILITY

The final 15% of the total GRO award is determined based on the achievement of sustainability targets related to the Company's social responsibility and sustainability ambitions. Depending on performance, the number of performance shares that vest may range between zero and a maximum of 150% of the number of performance shares granted.

SHAREHOLDING REQUIREMENTS AND SHARE OWNERSHIP GUIDELINES

Management Board members must retain the shares awarded under the GRO program for a minimum of five years from the grant date. The sale of a portion of the shares is permissible to finance tax due at the date of vesting. The CEO is required to acquire and hold shares in the Company with a value at least equal to 300% of his or her annual base salary. All other members of the Management Board are required to hold shares in the Company with a value at least equal to 200% of their respective base salaries. The holding may be built up by retaining all after-tax shares from the GRO program and does not require personal share purchases.

CLAWBACK

A clawback provision is in place and may be applied to the Management Board members' annual cash incentive plan (EIP) as well as the long-term share-based incentive program (GRO).

PENSIONS AND OTHER CONTRACT TERMS

Pension

All existing pension arrangements in the Netherlands are in line with the applicable fiscal pension regulations. The pension plan for Management Board members is calculated in line with plans for all other associates of the Company in the Netherlands and is referred to as a defined benefit plan, based on career average salary. The current legal retirement age is between 68 and 71 (depending on year of birth), with the option for early retirement from age 55. The pensionable salary is capped at the legal maximum (2021: €112,189). Each Management Board member working under a Dutch contract pays a pension premium contribution identical to that of all other associates of the Company in the Netherlands. In addition, Management Board members receive a gross (age-dependent) pension allowance and can choose to participate in a Net Pension Arrangement by investing the net (after-tax) amount of the pension allowance. The Net Pension Arrangement is identical to that of all other associates of the Company in the Netherlands whose pensionable salary exceeds the cap. Participation in this Net Pension Arrangement is voluntary.

Members of the Management Board working under a non-Dutch contract are offered pensions in line with local practices.

Management Board remuneration

REMUNERATION POLICY FOR THE MANAGEMENT BOARD

Loans

The Company does not provide loans to members of the Management Board, nor does the Company issue guarantees to the benefit of members of the Management Board.

Additional arrangements

In addition to the remuneration of the Management Board members, a number of additional arrangements apply. These include expense allowances, insurance, use of company cars and, where applicable, expatriate allowances, which apply to other senior associates and are in line with market practice. In addition, third-party tax services are provided to ensure compliance with the relevant legislative requirements.

(Service) Agreements

The term of appointment for all Management Board members is four years. If the Company terminates the (service) agreement of any member of the Management Board, the severance payment is limited to one year's base salary. The agreement may be terminated by the Company with a notice period of 12 months and by the Management Board member with a notice period of six months.

Management Board remuneration

MANAGEMENT BOARD REMUNERATION AT A GLANCE

2021 posed extraordinary challenges to our brands' customers, operations, associates and communities. We are extremely proud of how our brands continued to provide safe places to shop and work and support communities under these difficult circumstances.

Financially, 2021 was a good year, which was reflected in the outcomes of the short-term and long-term incentives. After careful consideration, the Supervisory Board adjusted the overall payout of the short-term incentive downward to 125%. Overall, total remuneration for the members of the Management Board was slightly below the levels of the previous year.

Frans Muller, Chief Executive Officer

in € thousand

	Base salary (fixed)	Annual cash incentive (variable)	Long term incentive (variable)	Other	Pension	Total
2021	1,130	1,412	2,846	268	62	€5,718
2020	1,102	1,653	2,935	257	77	€6,024

Natalie Knight, Chief Financial Officer

in € thousand

	Base salary (fixed)	Annual cash incentive (variable)	Long term incentive (variable)	Other	Pension	Total
2021	709	887	1,103	291	107	€3,097
2020[1]	477	716	817	260	(1)	€2,269

1 Reflects the remuneration received for the period from Natalie's appointment to the Management Board on April 8, 2020, to the end of the year.

Kevin Holt, CEO Ahold Delhaize USA

in € thousand

	Base salary (fixed)	Annual cash incentive (variable)	Long term incentive (variable)	Other	Pension	Total
2021	943	1,179	2,242	247	257	€4,868
2020	954	1,431	2,259	406	220	€5,270

Wouter Kolk, CEO Ahold Delhaize Europe and Indonesia

in € thousand

	Base salary (fixed)	Annual cash incentive (variable)	Long term incentive (variable)	Other	Pension	Total
2021	736	920	1,138	162	40	€2,996
2020	718	1,077	1,129	182	36	€3,142

Base salary (fixed) Annual cash incentive (variable) Long term incentive (variable) Other Pension

Annual cash incentive ExCo Incentive Plan

Long-term equity-based incentive Global Reward Opportunity

Management Board remuneration

2021 MANAGEMENT BOARD REMUNERATION

The remuneration paid to the members of the Management Board in 2021 was in accordance with the Remuneration Policy for the Management Board. The individual exceptions for Kevin Holt as adopted by the General Meeting of Shareholders on April 12, 2017, and April 8, 2020, remained in force in 2021.

BASE SALARY

The annual base salaries of the members of the Management Board were reviewed by the Remuneration Committee in early 2021. The Committee considered external and internal salary movement, Company and individual performance, and the determination and assessment of internal pay ratios. It also sought the input of the individual Management Board members.

Based on their review, the Committee decided to increase the base salaries of Frans Muller, Kevin Holt and Wouter Kolk by 2.5%. The base salary of Natalie Knight was increased by 7.5%. These base salary increases became effective retroactively as of January 1, 2021.

Base salaries per Management Board member

€ thousand	2021	2020
Frans Muller Chief Executive Officer	**1,130**	1,102
Natalie Knight[1] Chief Financial Officer	**709**	477
Kevin Holt[2] CEO Ahold Delhaize USA	**943**	954
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia	**736**	718

1 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 base salary reported as member of the Management Board reflects a partial year as of the date of her appointment as member of the Management Board.
2 The 2021 and 2020 salaries have been converted from U.S. dollars into euros; for 2021, using the 2021 year-to-date average dollar-euro exchange rate of 0.8461; for 2020, using the 2020 year-to-date average dollar-euro exchange rate of 0.8770.

ANNUAL CASH INCENTIVE: EIP

The members of the Management Board participated in the annual cash-based Executive Committee Incentive Plan. Three performance measures were used to track the Company's financial performance during the year: sales growth (weight: 30%), underlying operating margin (weight: 30%), and operating cash flow (weight: 20%). In addition, healthy products, food waste and carbon emissions were included as strategic imperatives (combined weight: 20%) in support of the Company's Healthy and Sustainable ambitions.

Performance targets were set in the context of the Company's mid-term strategic and operational objectives. In light of the enduring uncertainty as a result of the COVID-19 pandemic, targets were set to be challenging yet realistic and intervals were widened to reduce the likelihood of windfall gains.

Ahold Delhaize does not currently disclose the actual targets per performance measure, as these qualify as commercially sensitive information.

The at-target payout as a percentage of base salary was 100%, contingent on the full achievement of the objectives. In the event of above-target performance, payout is limited to 150% of the target value.

The 2021 EIP finished well ahead of plan. After careful consideration, the Supervisory Board decided to adjust the overall payout downward to 125% of target. A further explanation of this decision is presented in the *letter from the Remuneration Committee Chair*.

Performance realized

		Performance multiplier	
Performance measure	Weight	2021	2020
Sales growth (ex. gasoline)	30%	Exceeded maximum	Exceeded maximum
Underlying operating margin	30%	144%	Exceeded maximum
Operating cash flow	20%	Exceeded maximum	Exceeded maximum
Strategic imperatives	20%	Exceeded maximum	Exceeded maximum
Total (%)	100%	125%	150%

The total performance multiplier for 2020 was capped at 150% in accordance with the Remuneration Policy for the Management Board.

Actual EIP payout

				2021	2020
€ thousand	Base salary	Target bonus	Performance multiplier	Actual bonus[1]	Actual bonus[2]
Frans Muller Chief Executive Officer	1,130	100% of base salary: 1,130	125%	**1,412**	1,653
Natalie Knight Chief Financial Officer	709	100% of base salary: 709	125%	**887**	716
Kevin Holt[3] CEO Ahold Delhaize USA	943	100% of base salary: 943	125%	**1,179**	1,431
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia	736	100% of base salary: 736	125%	**920**	1,077

1 The 2021 EIP represents accrued annual cash incentives to be paid in 2022, subject to shareholder approval of the financial statements.
2 The 2020 EIP represents the actual amount paid in 2021.
3 The 2021 and 2020 figures have been converted from U.S. dollars into euros; for 2021, using the 2021 year-to-date average dollar-euro exchange rate of 0.8461 and for 2020, using the 2020 year-to-date average dollar-euro exchange rate of 0.8770.

Management Board remuneration
2021 MANAGEMENT BOARD REMUNERATION

Definitions of EIP performance measures

Performance measure	Definition	Relevance to our strategy
Sales growth (ex. gasoline)	Sales growth (ex. gasoline) quantifies how much sales grew year-over-year, excluding gasoline sales, expressed as a percentage of last year's sales excluding gasoline.	Our goal is to expand market share, while at the same time focusing on margins to increase profitability, and manage capital spending and expenses prudently to secure a strong and sustainable cash flow that allows us to cover financial obligations, make investments in the business and remunerate existing shareholders.
Underlying operating margin	Underlying operating margin is the result of dividing underlying operating profit (excluding gasoline operating profit) by third-party sales (excluding gasoline sales).	
Operating cash flow	Operating cash flow is defined as the cash flows generated by the core operations of the Company, adjusted for net lease payments, and after tax.	
Strategic imperatives	Strategic imperatives are one or more variable performance measures that are defined annually by the Supervisory Board to highlight specific strategic and key business priorities of the Company. Taking into account feedback from our stakeholders about the importance they attach to ESG factors, three performance measures were selected for 2021 that reflect the Company's commitment to a healthy and sustainable future: • Healthy products: the percentage of healthy own-brand food sales as a proportion of total own-brand food sales. • Food waste: tonnes of food waste per €1 million food sales. • Carbon emissions: reduction of absolute scope 1 (direct) and 2 (indirect) CO_2 emissions. In 2020, net consumer online sales growth was the single strategic imperative.	2021: Our businesses flourish when our communities are healthy and resilient. We aim to make it easy and fun for customers and associates to eat healthier, while at the same time reducing our global footprint. • Healthy products: we employ this measure to drive performance in pursuit of our objective to facilitate healthier eating. • Food waste: we employ this measure to drive performance against our objective of reducing food waste. • Carbon emissions: we employ this measure to drive performance against our objective to reduce carbon emissions. In 2020, net consumer online sales growth reflected our focus on omnichannel growth.

For incentive purposes, sales growth performance is calculated using constant rates to ensure individuals are not rewarded nor penalized for foreign exchange rate developments, but only for true business performance.

For incentive purposes, we look at operating cash flow to reflect the true business performance of our operations.

In case of unforeseen or unusual circumstances occurring during the performance period that have an impact on the performance of the incentive plan as assessed at the end of the performance period, the Supervisory Board can consider an adjustment, in accordance with the principles of reasonableness and fairness.

LONG-TERM SHARE-BASED INCENTIVE: GRO

The members of the Management Board participated in Ahold Delhaize's long-term share-based incentive plan, the Global Reward Opportunity (GRO). Under the GRO plan, performance shares were granted with a three-year vesting period. The vesting of these shares is subject to Company performance over these three years.

Performance targets are determined for the three-year performance period based on the Company's strategy and long-term planning. Ahold Delhaize does not currently disclose the actual targets per performance measure, as these qualify as commercially sensitive information.

Award of new grants

The 2021 GRO share grant was made on April 15, 2021, the day after the 2021 annual General Meeting of Shareholders. The vesting of the 2021 GRO performance shares in 2024 will be subject to performance on three financial measures: RoC (weight: 35%), EPS (weight: 35%) and TSR (weight: 15%). In addition, non-financial performance measures (combined weight: 15%) are included in support of the Company's Healthy and Sustainable ambitions. For the 2021 share grant, Healthy and Sustainable is measured based on three equally weighted performance measures: healthy products, food waste and carbon emissions (see the table on page 168 for definitions).

2021 GRO SHARE GRANT AND MAXIMUM VESTING

	Performance shares					
	RoC (35%)	EPS (35%)	TSR (15%)	Sustainability (15%)	Total at-target grant	Total maximum vesting
Frans Muller Chief Executive Officer	82%	82%	35%	35%	235%	353%
Natalie Knight Chief Financial Officer	61%	61%	26%	26%	175%	263%
Kevin Holt[1] CEO Ahold Delhaize USA	82%	82%	35%	35%	235%	353%
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia	53%	53%	23%	23%	150%	225%

All percentages represent a percentage of base salary.

1 An individual exception that increases Kevin's total at-target grant to 235% of his annual base salary was adopted by the General Meeting of Shareholders on April 8, 2020.

Management Board remuneration

2021 MANAGEMENT BOARD REMUNERATION

2021 GRO SHARE GRANT CALCULATION – EXAMPLE: FRANS MULLER, CHIEF EXECUTIVE OFFICER

	At-target share grant (% of base salary)	Grant value (base salary at-target grant %)	Number of performance shares granted (grant value divided by six-month average share price)
RoC performance shares	82%	€929,148	39,013
EPS performance shares	82%	€929,148	39,013
TSR performance shares	35%	€398,206	16,720
Sustainability performance shares	35%	€398,206	16,720
Total	235%	€2,654,708	111,466

Table assumes a base salary of €1,129,663 and a six-month average share price of €23.82.

2021 GRO SHARE GRANT CALCULATION – EXAMPLE: NATALIE KNIGHT, CHIEF FINANCIAL OFFICER

	At-target share grant (% of base salary)	Grant value (base salary at-target grant %)	Number of performance shares granted (grant value divided by six-month average share price)
RoC performance shares	61%	€434,569	18,247
EPS performance shares	61%	€434,569	18,247
TSR performance shares	26%	€186,244	7,820
Sustainability performance shares	26%	€186,244	7,820
Total	175%	€1,241,626	52,134

Table assumes a base salary of €709,500 and a six-month average share price of €23.82.

Vesting of previous grants

The vesting of the 2018 and 2019 GRO grants was subject to performance on three financial performance measures: RoC (weight in 2018 grant: 40%; weight in 2019 grant: 35%), EPS (not included in 2018 grant; weight in 2019 grant: 35%), and TSR (weight in 2018 grant: 40%; weight in 2019 grant: 15%). Also taken into account was the Company's performance against sustainability targets (combined weight in 2018 grant: 20%; combined weight in 2019 grant: 15%). For the 2018 share grant, sustainability was measured on the basis of an equally weighted external and internal target: the Dow Jones Sustainability Index (the external target) measured how the Company performed on sustainability against peers in the sector, whereas the percentage of healthy own-brand food sales (the internal target) was the measure we used to drive performance in pursuit of the Company's objective to facilitate healthier eating. For the 2019 share grant, sustainability is measured on the basis of the percentage of healthy own-brand product sales.

PERFORMANCE REALIZED

	2019 grant (to vest in 2022)		2018 grant (vested in 2021)	
Performance measure	Weight	Performance multiplier	Weight	Performance multiplier
Return on capital	35%	130%	40%	Exceeded maximum
Underlying earnings per share growth	35%	Exceeded maximum	—%	—%
Total shareholder return	15%	75%	40%	80%
Sustainability[1]	15%	111%	20%	125%
Total (%)	100%	126%	100%	117%

1 For the 2018 grant, the overall sustainability performance multiplier is based on a 110% achievement against our Dow Jones Sustainability Index target, and a 140% achievement against our own-brand food sales from healthy products target.

Management Board remuneration

2021 MANAGEMENT BOARD REMUNERATION

2019 GRO SHARE GRANT (TO VEST IN 2022)[1]

	Total number of performance shares granted in 2019	Multiplier	Total number of performance shares to vest in 2022	Share price[2]	Estimated value in € thousand[2]
Frans Muller Chief Executive Officer					
2019 TSR grant	17,304	75%	12,978		
2019 RoC grant	40,374	130%	52,486		
2019 EPS grant	40,374	150%	60,561		
2019 Sustainability grant	17,304	111%	19,207		
Total vesting April 14, 2022	**115,356**		**145,232**	**€30.14**	**4,377**
Natalie Knight[3] Chief Financial Officer					
2019 TSR grant	3,999	75%	2,999		
2019 RoC grant	9,331	130%	12,130		
2019 EPS grant	9,331	150%	13,996		
2019 Sustainability grant	3,999	111%	4,438		
Total vesting April 14, 2022	**26,660**		**33,563**	**€30.14**	**1,012**
Kevin Holt CEO Ahold Delhaize USA					
2019 TSR grant	12,766	75%	9,574		
2019 RoC grant	29,787	130%	38,723		
2019 EPS grant	29,787	150%	44,680		
2019 Sustainability grant	12,766	111%	14,170		
Total vesting April 14, 2022	**85,106**		**107,147**	**€30.14**	**3,229**
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia					
2019 TSR grant	6,607	75%	4,955		
2019 RoC grant	15,416	130%	20,040		
2019 EPS grant	15,416	150%	23,124		
2019 Sustainability grant	6,607	111%	7,333		
Total vesting April 14, 2022	**44,046**		**55,452**	**€30.14**	**1,671**

1 The 2019 GRO grant was awarded on April 11, 2019.
2 The estimated value is based on the closing share price on the last trading day of the financial year (December 31, 2021) of €30.14. The actual value will be determined at vesting on April 14, 2022.
3 In recognition of Natalie's long-term incentive that was outstanding and forfeited at the time of her resignation at Arla Foods, Natalie received a one-off share grant in 2020 subject to the terms and conditions of the 2019 GRO grant.

2018 GRO SHARE GRANT (VESTED IN 2021)[1]

	Total number of performance shares granted in 2018	Multiplier	Total number of performance shares vested in 2021	Share price	Total value in € thousands[2]
Frans Muller Chief Executive Officer					
2018 TSR grant	51,408	80%	41,126		
2018 RoC grant	51,408	150%	77,112		
2018 Sustainability grant	25,704	125%	32,130		
Total vesting April 15, 2021	**128,520**		**150,368**	**€23.02**	**3,461**
Natalie Knight[3] Chief Financial Officer					
2018 TSR grant	10,663	80%	8,530		
2018 RoC grant	10,663	150%	15,994		
2018 Sustainability grant	5,332	125%	6,665		
Total vesting April 15, 2021	**26,658**		**31,189**	**€23.02**	**718**
Kevin Holt CEO Ahold Delhaize USA					
2018 TSR grant	38,066	80%	30,452		
2018 RoC grant	38,066	150%	57,099		
2018 Sustainability grant	19,033	125%	23,791		
Total vesting April 15, 2021	**95,165**		**111,342**	**€23.02**	**2,563**
Wouter Kolk CEO Ahold Delhaize Europe and Indonesia					
2018 TSR grant	21,433	80%	17,146		
2018 RoC grant	21,433	150%	32,149		
2018 Sustainability grant	10,717	125%	13,396		
Total vesting April 15, 2021	**53,583**		**62,691**	**€23.02**	**1,443**

1 The 2018 GRO grant was awarded on April 12, 2018.
2 The total value is based on the share price on the April 15, 2021, vesting date of €23.02. The estimated value of each grant as previously disclosed in the Annual Report 2020 was based on the closing share price on the last trading day of the financial year 2020 (December 31, 2020) of €23.11.
3 In recognition of Natalie's long-term incentive that was outstanding and forfeited at the time of her resignation at Arla Foods, Natalie received a one-off share grant in 2020 subject to the terms and conditions of the 2018 GRO grant.

2021 MANAGEMENT BOARD REMUNERATION

Definitions of GRO performance measures

Performance measure	Definition	Relevance to our strategy
Total shareholder return (TSR)	TSR is share price growth plus dividends paid during the performance period.	TSR is used to compare the performance of different companies and stocks over time. The relative TSR position reflects the market perception of the overall performance of the Company relative to a reference group.
Underlying earnings per share growth (EPS)	Underlying EPS is the underlying income from continuing operations of the Company, divided by the weighted average number of shares for the year. The growth is measured by dividing the EPS at the end of the performance period by the EPS at the start of the performance period.	EPS reflects our focus on growth, measured through revenue growth.
Return on capital (RoC)	Return on capital (RoC) is calculated as underlying operating income before depreciation and amortization divided by the annual rolling average of the sum of company-owned property, plant and equipment at purchase price, intangible assets (excluding goodwill) at purchase price, operating working capital components and repayment of lease liabilities, divided by 8%.	RoC is used as a measure of how effective we are at turning our investments into profit.
Healthy and Sustainable	Healthy and Sustainable comprises different performance measures that reflect our long-standing commitment to sustainability. For the 2020 and 2021 GRO grant, Healthy and Sustainable (previously referred to as Sustainable Retailing) is measured based on healthy products, food waste reduction and carbon emissions reductions. • Healthy products: the percentage of healthy own-brand food sales as a proportion of total own-brand food sales. • Food waste: tonnes of food waste per €1 million food sales. • CO_2 emissions: percentage reduction of absolute scope 1 (direct) and 2 (indirect) CO_2 emissions.	Our businesses flourish when our communities are healthy and resilient. We aim to make it easy and fun for customers and associates to eat healthier, while at the same time reducing our global footprint. • Healthy products: we employ this measure to drive performance in pursuit of our objective to facilitate healthier eating. • Food waste: we employ this measure to drive performance against our objective of reducing food waste. • CO_2 emissions: we employ this measure to drive performance against our objective to reduce CO_2 plus equivalent emissions.

For incentive purposes, EPS performance is calculated using constant rates to ensure individuals are not rewarded nor penalized for foreign exchange rate developments, but only for true business performance.

In case of unforeseen or unusual circumstances occurring during the performance period that have an impact on the performance of the incentive plan as assessed at the end of the performance period, the Supervisory Board may consider an adjustment, in accordance with the principles of reasonableness and fairness.

With respect to EPS growth specifically, planned or anticipated corporate events occurring during the performance period, including share buybacks, transactions, and M&A activity, that may, positively or negatively, affect EPS performance, are always factored into the performance targets. In case of a significant unplanned share buyback that was not taken into the budget, an adjustment will be made to ensure that EPS performance for incentive purposes is not positively affected.

Management Board remuneration

2021 MANAGEMENT BOARD REMUNERATION

(SERVICE) AGREEMENTS, PENSION AND OTHER INDIVIDUAL ELEMENTS

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

Frans Muller

Frans' service agreement will end by operation of law without notice being required on the day of the annual General Meeting of Shareholders in April 2023, or earlier if he is otherwise terminated. 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's service agreement will end by operation of law without notice being required on the day of the annual General Meeting of Shareholders in April 2024, or earlier if she is otherwise terminated. 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 receives reimbursement of school fees and a temporary housing allowance of €7,000 net per month. She participates in the Company's Dutch pension plan.

In recognition of the long-term incentive that was outstanding and forfeited at the time of Natalie's resignation at her former employer, two performance share awards were granted in 2020 with a grant value of €600 thousand each, one of which vested on April 15, 2021, and one of which will vest the day after the annual General Meeting of Shareholders in April 2022. Both grants 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.

Kevin Holt

Kevin was reappointed as a member of the Management Board for a term ending on the day of the annual General Meeting of Shareholders in April 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.

At the General Meeting of Shareholders on April 14, 2020, Kevin was reappointed to the Management Board in view of several long-term strategic and operational initiatives that are ongoing at Ahold Delhaize USA. If his role in these initiatives was concluded before the end of the four-year term, Kevin and the Company had the option to end Kevin's assignment as per the annual General Meeting of Shareholders in April 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. In view of the current state of the above initiatives, both parties have agreed to extend the option by one year, up to and including the annual General Meeting of Shareholders to be held in 2023.

Kevin receives a housing allowance of up to $7,500 net per month. He participates in the Company's U.S. pension plan.

Wouter Kolk

Wouter's current service agreement runs until the annual General Meeting of Shareholders in April 2022, at which Wouter will be nominated for another term of four years. 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.

Management Board remuneration

2021 MANAGEMENT BOARD REMUNERATION

TOTAL REMUNERATION

The following table provides an overview of the remuneration costs expensed in 2021 and 2020 per Management Board member. The costs reported here are not in all cases equal to the amounts that were received by the individual Management Board members. Share-based compensation expense represents the non-cash cost for Ahold Delhaize of performance shares awarded to members of the Management Board. These costs are recognized over the three-year vesting period of the performance shares in accordance with IFRS 2, "Share-based Payment." The actual value of the 2018 GRO share grant, as received after vesting in 2021 by each Management Board member, is detailed in the table *2018 GRO share grant (vested in 2021)*. The actual value of the 2019 GRO share grant that will vest in 2022 is contingent on the share price at the vesting date of April 14, 2022. The number of performance shares that are expected to vest is detailed in the table *2019 GRO share grant (to vest in 2022)*.

Total remuneration in 2021 and 2020 per Management Board member

	Direct remuneration						Deferred remuneration							
	Base salary		Annual cash incentive: EIP[1]		Other[2]		Long-term share-based incentive: GRO[3]		Pension[4]		Total remuneration		Fixed vs. variable remuneration[5]	
€ thousand	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Frans Muller														
Costs (IFRS)	**1,130**	1,102	**1,412**	1,653	**268**	257	**2,846**	2,935	**62**	77	**5,718**	6,024	**21%–79%**	19%–81%
Entitlement[6]							**4,377**	3,475			**7,249**	6,564	**16%–84%**	18%–82%
Natalie Knight[7]														
Costs (IFRS)	**709**	477	**887**	716	**291**	260	**1,103**	817	**107**	(1)	**3,097**	2,269	**26%–74%**	24%–76%
Entitlement[6]							**1,012**	721			**3,006**	2,173	**27%–73%**	25%–75%
Kevin Holt														
Costs (IFRS)	**943**	954	**1,179**	1,431	**247**	406	**2,242**	2,259	**257**	220	**4,868**	5,270	**22%–78%**	21%–79%
Entitlement[6]							**3,229**	2,573			**5,855**	5,584	**18%–82%**	19%–81%
Wouter Kolk														
Costs (IFRS)	**736**	718	**920**	1,077	**162**	182	**1,138**	1,129	**40**	36	**2,996**	3,142	**26%–74%**	25%–75%
Entitlement[6]							**1,671**	1,449			**3,529**	3,462	**22%–78%**	22%–78%

1 The 2021 EIP represents accrued annual cash incentives to be paid in 2022 subject to shareholder approval of the financial statements.
2 "Other" mainly includes gross allowances for net pension, tax compensation (tax equalization charges or refunds for expatriates), allowances for housing expenses, relocation costs, international school fees, employer's contributions to social security plans, benefits in kind such as company cars, tax advice, medical expenses and the associated tax gross-up.
3 The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2021 reflects this year's portion of the share grants over the previous four years (plans 2018 to 2021).
4 Pension costs are the total net periodic pension costs of the applicable pension plans.
5 Fixed pay comprises the base salary. Variable pay comprises the annual cash incentive plan and the long-term share-based plan.
6 The 2021 entitlement value for the long-term share-based plan is the estimated value based on the closing share price as of the last trading day of the financial year (December 31, 2021) of €30.14 as presented in the table 2019 GRO share grant (to vest in 2022). The actual value will be determined at vesting on April 14, 2022. The 2020 entitlement value for the long-term share-based program is the value of the 2018 grant which vested in 2021.
7 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. She received two additional performance share awards with a grant value of €600 thousand each, one of which has vested on April 15, 2021, and one of which will vest the day after the annual General Meeting of Shareholders of Ahold Delhaize in 2022, 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."

Management Board remuneration

2021 MANAGEMENT BOARD REMUNERATION

MANAGEMENT BOARD REMUNERATION IN CONTEXT

This section places the remuneration of the members of the Management Board and its development over time in the broader context of the remuneration of our associates, the Company's performance, and (for the Chief Executive Officer) external peers.

Internal context

Associates are at the center of our brands' relationships with customers and communities. In establishing the employment conditions of their associates, our brands set compensation and benefits levels in line with job level and local market practices and regularly review remuneration practices, considering societal and market dynamics as well as economic conditions. For the majority of associates, remuneration is based on collective bargaining agreements structured primarily as fixed annual salaries or hourly wages. In addition, store managers and general management associates are eligible to receive a performance-based annual bonus. Associates in senior management positions are eligible for performance-based annual bonuses as well as Ahold Delhaize performance share grants that are linked to the long-term goals of the Company. We consistently apply this approach to our Management Board, whereby we determine remuneration by establishing a relevant reference market, determining the target level within that reference market, and setting a variable-to-fixed ratio that is reflective of our performance culture.

As a large part of the remuneration of the Management Board is linked to the business performance, the ratio between the total remuneration of the respective members of the Management Board and the average remuneration of all associates across the group will be strongly influenced by the overall business performance of our company. Therefore, in years of strong performance, the ratio within the Company is likely to be higher than in years of below-target performance.

The following table sets out the total remuneration for the members of the Management Board, the average remuneration of all associates across the group, and the overall annual performance multiplier and long-term incentive vesting outcomes for 2017 through 2021. To ensure consistency with our standing disclosure practice and to allow for external comparison, the Management Board remuneration detailed below reflects the remuneration costs expensed per Management Board member for the respective year. Likewise, the average remuneration of all associates is calculated as the total (IFRS-based) labor costs divided by the number of associates on an FTE basis. In accordance with the guidance provided by the Monitoring Committee Dutch Corporate Governance Code, contracted personnel is taken into account in this calculation.

Management Board remuneration and Company performance

€ thousand	2021	% change	2020	% change	2019	% change	2018	% change	2017
Management Board remuneration									
Chief Executive Officer[1]	**5,718**	(5)%	6,024	38%	4,356	(13)%	4,989	9%	4,577
Chief Financial Officer[2]	**3,097**	(16)%	3,679	6%	3,463	21%	2,857	1%	2,841
CEO Ahold Delhaize USA	**4,868**	(8)%	5,270	42%	3,714	3%	3,598	20%	2,994
CEO Ahold Delhaize Europe and Indonesia[3]	**2,996**	(5)%	3,142	72%	1,827				
Average associate remuneration									
Average FTE remuneration[4]	43	(14)%	50	19%	42	5%	40	—%	40
Company performance									
Annual cash incentive plan (EIP) overall performance multiplier[5]	**125%**	(17)%	150%	69 %	89%	(20)%	111%	19%	93%
Long-term share-based program (GRO) overall performance multiplier[6]	**126%**	8%	117%	72 %	68%	(16)%	81%	(25)%	108%

1 For 2018 through 2021, CEO refers to Frans Muller. To reflect a full-year remuneration, the 2018 remuneration comprises the remuneration up to July 1, 2018, received in his capacity as Deputy CEO, and from July 1, 2018, received in his capacity as CEO. For 2017, CEO refers to Dick Boer.
2 For 2021, CFO refers to Natalie Knight. For 2020, CFO refers to Jeff Carr for the period up to April 8, 2020, and to Natalie Knight for the period from April 8, 2020, onwards. For 2017 through 2019, CFO refers to Jeff Carr.
3 Since the position of CEO Ahold Delhaize Europe and Indonesia was created on April 11, 2018, (full-year) numbers for 2017 and 2018 are not available.
4 In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans. This expense increased the average associate remuneration to 50 thousand per FTE. If this expense was excluded, the average FTE remuneration would be 44 thousand.
5 After careful consideration, the Supervisory Board decided to adjust he 2021 EIP multiplier downward to 125%.
6 The GRO overall performance multiplier reflects the total performance in the three-year performance period.

Management Board remuneration
2021 MANAGEMENT BOARD REMUNERATION

The following table details the pay ratio of the CEO, CFO, CEO Ahold Delhaize USA and CEO Ahold Delhaize Europe and Indonesia compared to the average remuneration of associates in our stores, warehouses and support offices worldwide.

Pay ratio	2021	2020[1]		2019	2018	2017
Chief Executive Officer[2]	**132**	122	137	105	124	114
Chief Financial Officer[3]	**72**	74	84	83	71	71
CEO Ahold Delhaize USA	**113**	106	120	89	90	74
CEO Ahold Delhaize Europe and Indonesia[4]	**69**	63	72	44	—	—

1 In 2020, Ahold Delhaize recorded a $1.7 billion (€1.4 billion) expense for incremental pension liabilities due to withdrawal and settlement agreements of several U.S. multi-employer plans. These incremental labor costs increased the average associate remuneration per FTE, impacting the ratio between the total remuneration of the members of the Management Board and the average remuneration of all associates across the group. To facilitate multi-year comparison, the table shows the 2020 pay ratio including this expense as well as excluding this expense.
2 For 2018 through 2021, CEO refers to Frans Muller. To reflect a full-year remuneration, the 2018 remuneration comprises the remuneration up to July 1, 2018, received in his capacity as Deputy CEO, and from July 1, 2018, received in his capacity as CEO. For 2017, CEO refers to Dick Boer.
3 For 2020, CFO refers to Jeff Carr for the period up to April 8, 2020, and to Natalie Knight for the period from April 8, 2020, onwards. For 2017 through 2019, CFO refers to Jeff Carr.
4 Since the position of CEO Ahold Delhaize Europe and Indonesia was created on April 11, 2018, (full-year) numbers for 2017 and 2018 are not available.

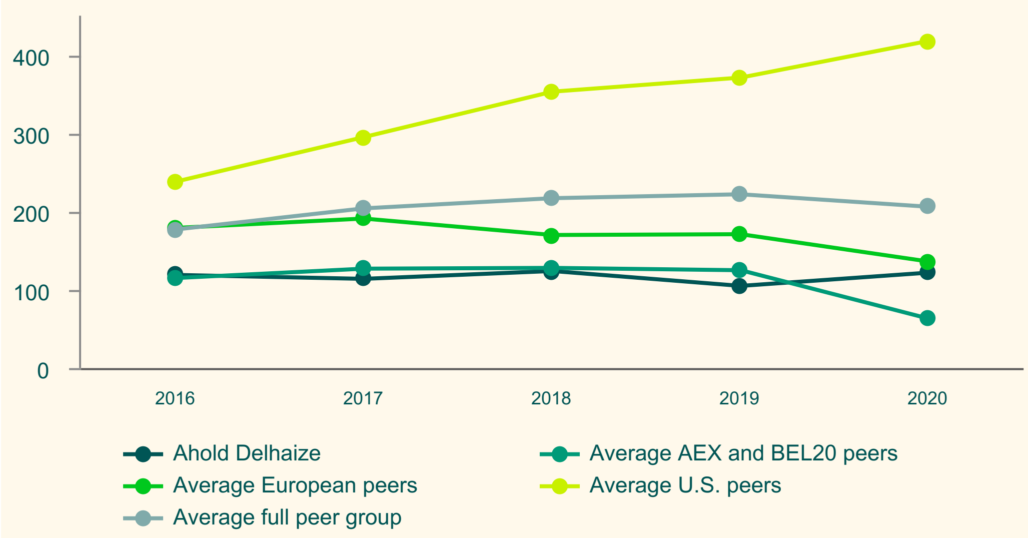
EXTERNAL CONTEXT
To put Ahold Delhaize's pay ratio into perspective, the following table and chart illustrate how Ahold Delhaize's CEO pay ratio compares to the CEO pay ratio of the companies in the benchmark peer group. All numbers are based on the publicly disclosed 2020 annual reports of the respective companies. For comparison purposes, the ratios have been calculated using the same methodology as is used to determine Ahold Delhaize's pay ratio.

Following the Company's exceptional performance and subsequent bonus payout in 2020, Ahold Delhaize's 2020 pay ratio was higher than in the previous years. The 2020 average pay ratios of our AEX, BEL20 and European peers were significantly lower than in 2019, primarily as a result of base salary reductions and bonus cuts for executives in light of the COVID-19 pandemic. The average pay ratio of our U.S. peers continued its upward trend.

Pay ratio	2020	2019	2018	2017	2016
Ahold Delhaize	122	105	124	114	119
Average AEX and BEL20 peers	63	125	128	127	115
Average European peers	136	171	170	191	179
Average U.S. peers	418	371	353	295	238
Average full peer group	206	222	217	204	177

It is important to note that pay ratios can vary greatly from one industry to another and that, even within the same industry, comparing pay ratios is challenging due to differences in market conditions (e.g., the mix of high- and low-paying countries).

Pay ratios 2016-2020



In determining the compensation of the Management Board, the Supervisory Board will continue to monitor the development of pay ratios in the Company and in comparison to the benchmark peer group.

Management Board remuneration

MANAGEMENT BOARD SHARE-BASED COMPENSATION

SHARE OWNERSHIP

As of January 2, 2022, 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]	116,768	207,781	324,549
Natalie Knight	21,551	0	21,551
Kevin Holt	93,338	30,644	123,982
Wouter Kolk	33,225	41,416	74,641
Total	**264,882**	**279,841**	**544,723**

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.

PERFORMANCE SHARES

The following table summarizes the status of the GRO program during 2021 for the individual Management Board members.

	Grant date	Vesting date	End of retention period	Outstanding at the beginning of 2021	Granted	Performance adjustment[1]	Vested[2]	Forfeited	Outstanding at the end of 2021	Maximum number of shares[3]	Fair value per share at the grant date (€)
Frans Muller											
2018 TSR grant	April 12, 2018	April 15, 2021	April 12, 2023	51,408	—	(10,282)	41,126	—	—	N/A	16.58
2018 RoC grant				51,408	—	25,704	77,112	—	—	N/A	17.89
2018 Sustainability grant				25,704	—	6,426	32,130	—	—	N/A	17.89
2019 TSR grant	April 11, 2019	April 14, 2022	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
2021 TSR grant	April 15, 2021	2024 AGM + 1 day	April 15, 2026	—	16,720	—	—	—	**16,720**	25,080	7.41
2021 RoC grant				—	39,013	—	—	—	**39,013**	58,519	20.25
2021 EPS grant				—	39,013	—	—	—	**39,013**	58,519	20.25
2021 Sustainability grant				—	16,720	—	—	—	**16,720**	25,080	20.25

Management Board remuneration

MANAGEMENT BOARD SHARE-BASED COMPENSATION

	Grant date	Vesting date	End of retention period	Outstanding at the beginning of 2021	Granted	Performance adjustment[1]	Vested[2]	Forfeited	**Outstanding at the end of 2021**	Maximum number of shares[3]	Fair value per share at the grant date (€)
Natalie Knight[4]											
2018 TSR grant				10,663	—	(2,133)	8,530	—	**—**	N/A	17.10
2018 RoC grant	April 9, 2020	April 15, 2021	April 9, 2025	10,663	—	5,331	15,994	—	**—**	N/A	18.45
2018 Sustainability grant				5,332	—	1,333	6,665	—	**—**	N/A	18.45
2019 TSR grant				3,999	—	—	—	—	**3,999**	5,998	13.40
2019 RoC grant	April 9, 2020	April 14, 2022	April 9, 2025	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				7,698	—	—	—	—	**7,698**	11,547	14.51
2020 RoC grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	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
2021 TSR grant				—	7,820	—	—	—	**7,820**	11,730	7.41
2021 RoC grant	April 15, 2021	2024 AGM + 1 day	April 15, 2026	—	18,247	—	—	—	**18,247**	27,370	20.25
2021 EPS grant				—	18,247	—	—	—	**18,247**	27,370	20.25
2021 Sustainability grant				—	7,820	—	—	—	**7,820**	11,730	20.25
Kevin Holt											
2018 TSR grant				38,066	—	(7,614)	30,452	—	**—**	N/A	16.58
2018 RoC grant	April 12, 2018	April 15, 2021	April 12, 2023	38,066	—	19,033	57,099	—	**—**	N/A	17.89
2018 Sustainability grant				19,033	—	4,758	23,791	—	**—**	N/A	17.89
2019 TSR grant				12,766	—	—	—	—	**12,766**	19,149	14.47
2019 RoC grant	April 11, 2019	April 14, 2022	April 11, 2024	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				15,412	—	—	—	—	**15,412**	23,118	14.51
2020 RoC grant	April 9, 2020	2023 AGM + 1 day	April 9, 2025	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
2021 TSR grant				—	13,760	—	—	—	**13,760**	20,640	7.41
2021 RoC grant	April 15, 2021	2024 AGM + 1 day	April 15, 2026	—	32,107	—	—	—	**32,107**	48,160	20.25
2021 EPS grant				—	32,107	—	—	—	**32,107**	48,160	20.25
2021 Sustainability grant				—	13,760	—	—	—	**13,760**	20,640	20.25

Management Board remuneration

MANAGEMENT BOARD SHARE-BASED COMPENSATION

	Grant date	Vesting date	End of retention period	Outstanding at the beginning of 2021	Granted	Performance adjustment[1]	Vested[2]	Forfeited	**Outstanding at the end of 2021**	Maximum number of shares[3]	Fair value per share at the grant date (€)
Wouter Kolk[5]											
2018 TSR grant	April 12, 2018	April 15, 2021	April 12, 2023	21,433	—	(4,287)	17,146	—	**—**	N/A	16.58
2018 RoC grant				21,433	—	10,716	32,149	—	**—**	N/A	17.89
2018 Sustainability grant				10,717	—	2,679	13,396	—	**—**	N/A	17.89
2019 TSR grant	April 11, 2019	April 14, 2022	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
2021 TSR grant	April 15, 2021	2024 AGM + 1 day	April 15, 2026	—	6,950	—	—	—	**6,950**	10,425	7.41
2021 RoC grant				—	16,216	—	—	—	**16,216**	24,324	20.25
2021 EPS grant				—	16,216	—	—	—	**16,216**	24,324	20.25
2021 Sustainability grant				—	6,950	—	—	—	**6,950**	10,425	20.25
Subtotal Management Board members				892,060	301,666	51,664	355,590	—	**889,800**	1,334,690	

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 2018 grant was April 15, 2021. The share price was €23.02 on April 15, 2021.
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, 2020 and 2021, 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 through 2021* and *Main characteristics of performance shares granted in 2018* from *Note 32*). 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 through 2021* and *Main characteristics of performance shares granted in 2018* from *Note 32*).
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. She received two additional performance share awards with a grant value of €600 thousand each, one of which has vested on April 15, 2021, and one of which will vest the day after the annual General Meeting of Shareholders of Ahold Delhaize in 2022, subject to the terms and conditions of the long-term plan (including performance targets).
5 Wouter Kolk, Chief Executive Officer Ahold Delhaize Europe and Indonesia has been a member of the Management Board since April 11, 2018.

Supervisory Board remuneration

REMUNERATION POLICY FOR THE SUPERVISORY BOARD

The Remuneration Policy for the Supervisory Board was adopted by the General Meeting of Shareholders on April 8, 2020, (98.76% of votes in favor) and became effective retroactively as of January 1, 2020.

BENCHMARK PEER GROUP

As an international company, Ahold Delhaize must remain attractive for top leaders from our industry and beyond to continue to have a strong and diverse Supervisory Board. The competitiveness of the Supervisory Board remuneration levels is benchmarked every three years. In extraordinary circumstances, an intermediate adjustment might be considered.

The benchmark peer group is the same as determined for the Management Board and consists of a total of 18 peer companies in Europe and the United States, as well as AEX- and BEL20-listed companies. This labor market peer group reflects the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management.

European peers	U.S. peers	AEX and BEL20
Tesco	Kroger	Unilever
Carrefour	Costco	Philips
Metro Cash & Carry	Target	Heineken
Casino Guichard-Perrachon	Walgreens Boots Alliance	Randstad
J Sainsbury	Best Buy	Akzo Nobel
W M Morrison	Lowe's Companies	AB InBev

To accommodate potential changes in the labor market peer group due to delistings, mergers or other extraordinary circumstances, the Supervisory Board may exercise discretion to substitute comparable companies. In general, geographical composition is leading in replacement determination. For example, if a U.S.-based company is dropped, it is generally replaced by another U.S.-based company.

The target remuneration level is typically at or near the median, while consideration is given to the size of Ahold Delhaize relative to the peer group.

REMUNERATION

Given the nature of the responsibilities of the Supervisory Board as an independent body, remuneration is not tied to the performance of the Company and therefore only comprises fixed remuneration, delivered in cash. In addition to a base fee, members of the Supervisory Board are offered committee fees and travel time compensation contingent upon their activities and responsibilities. All remuneration is denominated and delivered in euros. Currency conversion risks are not covered by the company.

Annual base fees

The base fees offered to members of the Supervisory Board reflect the Company's size and complexity, as well as the responsibilities of the members and the time spent on their roles.

Chair Supervisory Board	€200,000
Vice Chair	€125,000
Member Supervisory Board	€90,000

Annual committee fees

The chair and members of the Supervisory Board's committees are offered a supplementary fee for the additional responsibilities they take on.

Chair Audit, Finance and Risk Committee	€30,000
Member Audit, Finance and Risk Committee	€15,000
Chair Other Committee	€20,000
Member Other Committee	€12,500

Travel time compensation fee

Supervisory Board members are offered a travel time compensation of €7,500 per intercontinental round trip and €2,500 per continental round trip.

SHAREHOLDING

Members of the Supervisory Board are allowed to hold (privately acquired) shares in the Company.

PENSIONS AND OTHER CONTRACT TERMS

Pension

Members of the Supervisory Board are not eligible to participate in any benefits program offered by the company to its associates, including, but not limited to, pension plans.

Loans

The Company does not provide loans to members of the Supervisory Board, nor does the Company issue guarantees to the benefit of members of the Supervisory Board.

Term

Members of the Supervisory Board shall be on the Supervisory Board for a maximum period of four years and shall thereafter be eligible for re-appointment for another four-year period. The member of the Supervisory Board may then be reappointed for a period of two years, which appointment may be extended by at most two years.

Resignation

Members of the Supervisory Board shall resign in accordance with the retirement schedule prepared by the Supervisory Board. No notice period or termination fees are applicable.

Supervisory Board remuneration

2021 SUPERVISORY BOARD REMUNERATION

The remuneration paid to the members of the Supervisory Board in 2021 was in accordance with the Remuneration Policy for the Supervisory Board. The following table outlines the total remuneration for the members of the Supervisory Board for 2017 through 2021.

€ thousand[1,2]	2021	2020	2019	2018	2017
Peter Agnefjäll (appointed in 2019)	**230**	138	104	—	—
Bill McEwan (reappointed in 2020)	**162**	150	208	209	150
René Hooft Graafland (reappointed in 2018)	**134**	129	143	145	136
Katie Doyle (appointed in 2019)	**133**	126	104	—	—
Helen Weir (appointed in 2020)	**128**	88	—	—	—
Mary Anne Citrino (reappointed in 2020)	**125**	119	130	130	133
Frank van Zanten (appointed in 2020)	**117**	83	—	—	—
Bala Subramanian (appointed in 2021)	**89**	—	—	—	—
Jan Zijderveld (appointed in 2021)	**93**	—	—	—	—
Ben Noteboom (retired in 2021)	**35**	109	125	135	145
Dominique Leroy (retired in 2021)	**30**	116	118	123	125
Jan Hommen (reappointed in 2017, retired on December 31, 2020)	**—**	223	243	249	223
Jacques de Vaucleroy (retired in 2020)	**—**	31	120	144	170
Rob van den Bergh (resigned in 2019)	**—**	—	39	148	148
Mark McGrath (resigned in 2019)	**—**	—	44	136	143
Mats Jansson (retired in 2018)	**—**	—	—	68	255
Johnny Thijs (resigned in 2018)	**—**	—	—	31	128
Patrick De Maeseneire (resigned in 2018)	**—**	—	—	32	123
Jack Stahl (resigned in August 2017)	**—**	—	—	—	111
Stephanie Shern (resigned in April 2017)	**—**	—	—	—	37
Total remuneration Supervisory Board	**1,276**	1,312	1,378	1,550	2,027
Number of Supervisory Board members[3]	**11**	11	11	12	14

1 In the remuneration of the Supervisory Board members, the Company has considered the composition and the responsibilities of the Supervisory Board and its related committees, as well as the responsibilities of its individual members in the respective years.
2 For the members who were appointed or resigned during a year, the remuneration for that respective year reflects a partial year.
3 These numbers include members who were appointed or resigned during the respective year.

As of January 2, 2022, Peter Agnefjäll held 7,200 Ahold Delhaize common shares and Bill McEwan held 7,125 Ahold Delhaize American Depository Receipts 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 Supervisory Board. No loans or advances are outstanding. Ahold Delhaize does not issue guarantees to the benefit of members of the Supervisory Board. No such guarantees are outstanding.

PERFORMANCE

FINANCIAL STATEMENTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STATEMENTS

OTHER INFORMATION

3

CONSOLIDATED INCOME STATEMENT

€ million, except per share data	Note	52 weeks ended January 2, 2022	53 weeks ended January 3, 2021[1]
Net sales	7	**75,601**	74,736
Cost of sales	8	**(54,916)**	(54,160)
Gross profit		**20,685**	20,575
Other income	8	**531**	470
Selling expenses	8	**(14,929)**	(14,620)
General and administrative expenses	8	**(2,967)**	(4,235)
Operating income		**3,320**	2,191
Interest income		**29**	35
Interest expense		**(181)**	(138)
Net interest expense on defined benefit pension plans	24	**(17)**	(16)
Interest accretion to lease liability	33	**(337)**	(357)
Other financial income (expense)		**(10)**	(9)
Net financial expenses	9	**(517)**	(485)
Income before income taxes		**2,803**	1,706
Income taxes	10	**(591)**	(331)
Share in income of joint ventures	15	**33**	22
Income from continuing operations		**2,246**	1,397
Income (loss) from discontinued operations	5	**—**	—
Net income		**2,246**	1,397
Attributable to:			
Common shareholders		**2,246**	1,397
Non-controlling interests		**—**	—
Net income		**2,246**	1,397
Earnings per share	29		
Net income per share attributable to common shareholders			
Basic		**2.18**	1.31
Diluted		**2.17**	1.30
Income from continuing operations per share attributable to common shareholders			
Basic		**2.18**	1.31
Diluted		**2.17**	1.30

1 Comparative figures have been restated to conform to the current year's presentation (see *Note 3* and *Note 8*).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	Note	52 weeks ended January 2, 2022	53 weeks ended January 3, 2021
Net income		**2,246**	1,397
Remeasurements of defined benefit pension plans:			
Remeasurements before taxes – income (loss)	24	**103**	(108)
Income taxes	10	**(24)**	25
Other comprehensive income (loss) that will not be reclassified to profit or loss		**79**	(83)
Currency translation differences in foreign interests:			
Continuing operations		**766**	(999)
Income taxes	10	**(2)**	1
Cash flow hedges:			
Fair value result for the year		**—**	—
Transfers to net income		**1**	1
Income taxes		**—**	—
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		**765**	(997)
Total other comprehensive income (loss)		**843**	(1,080)
Total comprehensive income		**3,089**	316
Attributable to:			
Common shareholders		**3,089**	316
Non-controlling interests		**—**	—
Total comprehensive income		**3,089**	316
Attributable to:			
Continuing operations		**3,089**	316
Discontinued operations		**—**	—
Total comprehensive income		**3,089**	316

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

CONSOLIDATED BALANCE SHEET

€ million	Note	January 2, 2022	January 3, 2021
Assets			
Property, plant and equipment	11	**11,838**	10,696
Right-of-use asset	12	**9,010**	7,455
Investment property	13	**708**	739
Intangible assets	14	**12,770**	11,565
Investments in joint ventures and associates	15	**244**	227
Other non-current financial assets	16	**1,193**	705
Deferred tax assets	10	**289**	323
Other non-current assets		**76**	53
Total non-current assets		**36,128**	31,764
Assets held for sale	5	**18**	19
Inventories	17	**3,728**	3,245
Receivables	18	**2,058**	1,975
Other current financial assets	19	**356**	360
Income taxes receivable		**45**	58
Prepaid expenses and other current assets		**387**	337
Cash and cash equivalents	20	**2,993**	2,933
Total current assets		**9,584**	8,928
Total assets		**45,712**	40,692
Equity and liabilities			
Equity attributable to common shareholders	21	**13,721**	12,432
Loans	22	**4,678**	3,863
Other non-current financial liabilities	23	**10,473**	8,905
Pensions and other post-employment benefits	24	**1,107**	1,235
Deferred tax liabilities	10	**746**	664
Provisions	25	**746**	718
Other non-current liabilities		**62**	63
Total non-current liabilities		**17,812**	15,448
Accounts payable		**7,563**	6,795
Other current financial liabilities	26	**2,552**	2,386
Income taxes payable		**96**	128
Provisions	25	**484**	378
Other current liabilities	27	**3,483**	3,125
Total current liabilities		**14,179**	12,812
Total equity and liabilities		**45,712**	40,692

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 29, 2019		**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**
Net income attributable to common shareholders		—	—	—	—	2,246	2,246
Other comprehensive income (loss)		—	—	764	1	79	843
Total comprehensive income (loss) attributable to common shareholders		—	—	764	1	2,325	3,089
Dividends		—	—	—	—	(856)	(856)
Share buyback		—	—	—	—	(995)	(995)
Cancellation of treasury shares		(1)	(1,258)	—	—	1,259	—
Share-based payments		—	—	—	—	51	51
Balance as of January 2, 2022	21	**10**	**10,988**	**(75)**	**(2)**	**2,799**	**13,721**

1 Other reserves include, among others, 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	52 weeks ended January 2, 2022	53 weeks ended January 3, 2021
Income from continuing operations		**2,246**	1,397
Adjustments for:			
Net financial expenses	9	**517**	485
Income taxes	10	**591**	331
Share in income of joint ventures	15	**(33)**	(22)
Depreciation, amortization and impairments	8	**3,068**	2,892
(Gains) losses on leases and the sale of assets / disposal groups held for sale		**(76)**	(64)
Share-based compensation expenses	32	**48**	59
Operating cash flows before changes in operating assets and liabilities		**6,361**	5,078
Changes in working capital:			
Changes in inventories		**(283)**	(89)
Changes in receivables and other current assets		**(43)**	(301)
Changes in payables and other current liabilities		**580**	1,319
Changes in other non-current assets, other non-current liabilities and provisions		**(216)**	821
Cash generated from operations		**6,399**	6,828
Income taxes paid – net	10	**(931)**	(486)
Operating cash flows from continuing operations		**5,468**	6,343
Operating cash flows from discontinued operations		**—**	—
Net cash from operating activities		**5,468**	6,343
Purchase of non-current assets		**(2,371)**	(2,659)
Divestments of assets / disposal groups held for sale		**82**	108
Acquisition of businesses, net of cash acquired	28	**(529)**	(4)
Divestment of businesses, net of cash divested	28	**(5)**	(3)
Changes in short-term deposits and similar instruments		**44**	(60)
Dividends received from joint ventures	15	**28**	16
Interest received		**16**	24
Lease payments received on lease receivables		**103**	99
Other		**(2)**	3
Investing cash flows from continuing operations		**(2,634)**	(2,475)
Investing cash flows from discontinued operations		**—**	—
Net cash from investing activities		**(2,634)**	(2,475)
Proceeds from long-term debt	28	**848**	507
Interest paid		**(138)**	(149)
Repayments of loans	28	**(427)**	(438)
Changes in short-term loans	28	**90**	(556)
Repayment of lease liabilities	28	**(1,569)**	(1,584)
Dividends paid on common shares	21	**(856)**	(1,026)
Share buyback	21	**(994)**	(1,001)
Other cash flows from derivatives	28	**—**	2
Other		**(5)**	(6)
Financing cash flows from continuing operations		**(3,052)**	(4,251)
Financing cash flows from discontinued operations		**—**	—
Net cash from financing activities		**(3,052)**	(4,251)
Net cash from operating, investing and financing activities		**(218)**	(383)
Cash and cash equivalents at the beginning of the year (excluding restricted cash)		**2,910**	3,701
Effect of exchange rates on cash and cash equivalents		**276**	(408)
Cash and cash equivalents at the end of the year (excluding restricted cash)	28	**2,968**	2,910

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

PERFORMANCE

NOTES TO THE 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 1, 2022, 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 2021 consisted of 52 weeks and ended on January 2, 2022. The comparative financial year 2020 consisted of 53 weeks and ended on January 3, 2021.

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.

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:

	2021	2020
U.S. dollar		
Average exchange rate	**0.8461**	0.8770
Year-end closing exchange rate	**0.8795**	0.8187
Czech crown		
Average exchange rate	**0.0390**	0.0378
Year-end closing exchange rate	**0.0402**	0.0381
Romanian leu		
Average exchange rate	**0.2032**	0.2067
Year-end closing exchange rate	**0.2021**	0.2058
Serbian dinar		
Average exchange rate	**0.0085**	0.0085
Year-end closing exchange rate	**0.0085**	0.0085

2 BASIS OF PREPARATION CONTINUED

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.

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

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.

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 2021 and 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. The impact on the discount rates has been reflected in 2021 and 2020. The self-insured provision-related claims data has been revised and includes COVID-19-related claims. The projected losses 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.

2 BASIS OF PREPARATION CONTINUED

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 applies the anticipated acquisition method where it has the right and the obligation to purchase any remaining non-controlling interest (so-called call-and-put arrangements). Under the anticipated acquisition method, the interests of the non-controlling shareholder are presented as already owned, even though legally they are still non-controlling interests. The recognition of the related financial liability implies that the interests subject to the purchase are deemed to have been acquired already.

Pursuant to IFRS 9, Ahold Delhaize initially recognizes the non-controlling interest (NCI) at fair value less any transaction costs that are directly attributable to the issuance of the financial liability. The financial liability is then subsequently measured at amortized cost with any changes in the estimated cash flows to settle the non-controlling interest resulting in the carrying value of the NCI being recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the original effective interest rate.

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.

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 Glossary.

Changes in presentation
As of 2021, other income is presented as a separate line in the income statement, as a result of the increase in amounts reported. Other income includes rent income, advertising income, as well as other revenue derived from operational activities and revenue from contracts that do not qualify as net sales. These amounts were previously included in expenses, as an offset to cost of sales, selling expenses, and general and administrative expenses.

3 GENERAL ACCOUNTING POLICIES CONTINUED

This change results in reclassifications within the 2020 income statement and expenses by nature. The adjustments to Ahold Delhaize's 2020 comparative amounts for the changes in presentation are as follows:

€ million	2020 as reported	Changes in presentation	2020 restated
Consolidated income statement			
Net sales	74,736	—	74,736
Cost of sales	(54,053)	(107)	(54,160)
Gross profit	**20,683**	**(107)**	**20,575**
Other income	—	470	470
Selling expenses	(14,374)	(246)	(14,620)
General and administrative expenses	(4,118)	(117)	(4,235)
Operating income	**2,191**	**—**	**2,191**

€ million	2020 as reported	Changes in presentation	2020 restated
Note 8 Expenses by nature			
Other operational expenses	6,019	308	6,327
Rent income	(162)	162	—
Total expenses by nature	**72,545**	**470**	**73,016**

€ million	2020 as reported	Changes in presentation	2020 restated
Note 8 Other income by nature			
Rent income	—	162	162
Advertising income	—	11	11
Other income	—	297	297
Total other income	**—**	**470**	**470**

New accounting policies effective for 2021

On March 31, 2021, the International Accounting Standards Board extended by one year the application period of the practical expedient in IFRS 16, "Leases," to help lessees account for COVID-19-related rent concessions. The original amendment was issued in May 2020. Ahold Delhaize did not apply the optional exemption and accounted for rent concessions in accordance with IFRS 16. The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

In addition, the following amendments and revisions to existing standards became effective for Ahold Delhaize's consolidated financial statements as of January 4, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform – Phase 2"

These amendments have no impact on the Company's consolidated financial statements.

New accounting policies not yet effective for 2021

The IASB issued several standards, or revisions to standards, that are not yet effective for 2021, 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 is currently assessing 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 1 AND IFRS PRACTICE STATEMENT 2, "DISCLOSURE OF ACCOUNTING POLICIES"

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. 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 8, "DEFINITION OF ACCOUNTING ESTIMATES"

In February 2021, the IASB issued amendments to IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. 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 12, "DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION"

In May 2021, the IASB issued amendments to IAS 12. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. 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.

3 GENERAL ACCOUNTING POLICIES CONTINUED

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.

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 the acquisition of FreshDirect and various store acquisitions (mainly including 71 BI-LO and Harveys Supermarket stores, net 38 DEEN stores and various others) for a total purchase consideration of €881 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisitions during 2021 is as follows:

€ million	FreshDirect	Other acquisitions	**Total acquisitions**
Property, plant and equipment	317	47	**364**
Right-of-use asset	206	438	**644**
Other intangible assets	101	3	**104**
Other non-current financial assets	34	5	**38**
Deferred tax assets	—	2	**2**
Other non-current assets	2	—	**2**
Assets held for sale	—	171	**171**
Inventories	14	19	**33**
Receivables	9	2	**11**
Other current financial assets	1	—	**1**
Prepaid expenses and other current assets	4	—	**4**
Cash and cash equivalents	23	5	**28**
Loans	(67)	—	**(67)**
Lease liabilities	(199)	(361)	**(560)**
Other non-current financial liabilities (due to non-controlling interest)	(68)	—	**(68)**
Deferred tax liability	(42)	—	**(42)**
Provisions	(7)	(1)	**(9)**
Other non-current liabilities	(4)	—	**(4)**
Accounts payable	(36)	(50)	**(87)**
Other current financial liabilities	(78)	(25)	**(104)**
Provisions	(3)	—	**(3)**
Other current liabilities	(43)	(12)	**(55)**
Net identifiable assets acquired	**162**	**243**	**405**
Goodwill	109	367	**476**
Total purchase consideration	**271**	**610**	**881**
Purchase consideration in kind	—	(173)	**(173)**
Purchase consideration paid by other parties[1]	—	(166)	**(166)**
Deferred consideration payable	—	(2)	**(2)**
Cash acquired (excluding restricted cash)	(5)	(5)	**(11)**
Acquisition of businesses, net of cash acquired	**266**	**263**	**529**

1 Relates to the purchase price directly paid to the seller by the two other parties in the acquisition of DEEN.

4 ACQUISITIONS CONTINUED

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. On January 5, 2021, the transaction closed and Ahold Delhaize acquired the majority share, funded by cash on hand. Centerbridge Partners became a minority equity investor with a 20% stake. Ahold Delhaize's share of the purchase consideration is €271 million ($330 million).

The call-and-put options embedded in the non-controlling interest are classified as “Other long-term financial liability” and are subsequently measured at amortized cost pursuant to IFRS 9.

The goodwill recognized is attributable to the synergies expected from the combination of the operations and the ability to strengthen our geographical presence in an online market with high growth potential. Of the goodwill arising from the acquisition of FreshDirect, €60 million was allocated to Stop & Shop. The goodwill from the acquisition of FreshDirect is not deductible for tax purposes.

Since the acquisition, FreshDirect contributed €594 million ($702 million) to 2021 net sales and had a modest negative impact on 2021 net income.

Other acquisitions

Other acquisitions include the acquisition by Food Lion of 71 BI-LO and Harveys Supermarket stores from Southeastern Grocers, the acquisition by Albert Heijn of net 38 DEEN supermarkets, and other store acquisitions. The total purchase consideration is €610 million. The allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the other acquisitions is presented in the table above in “Other acquisitions.”

On June 3, 2020, Ahold Delhaize announced that Food Lion had agreed to purchase 62 BI-LO and Harveys Supermarket stores from Southeastern Grocers. The stores are located in North Carolina, South Carolina and Georgia. The closing of the acquisition of stores took place over a staggered period from January to April 2, 2021. As of April 14, 2021, all 62 stores were converted and opened under the Food Lion brand. This transaction with Southeastern Grocers also includes the acquisition of a distribution center in Mauldin, South Carolina. The closing took place on May 3, 2021. On March 3, 2021, Food Lion entered into an agreement to acquire nine additional supermarkets from Southeastern Grocers. This transaction was completed in April 2021.

On February 16, 2021, Ahold Delhaize announced that Albert Heijn had agreed to acquire a number of DEEN supermarkets in the Netherlands. The agreement included the intended sale of 80 DEEN supermarkets to three parties, Albert Heijn, Vomar Voordeelmarkt and Dekamarkt. On September 12, 2021, the transaction closed and Albert Heijn acquired 100% of the shares in DEEN Supermarkten B.V. and immediately disposed and transferred the assets of 23 stores to Vomar Voordeelmarkt and the assets of 19 stores as well as the operation of the distribution center in Beverwijk to Dekamarkt. These 42 stores are included in “Assets held for sale” in the table above for an amount of €166 million. On a net basis, Albert Heijn acquired 38 DEEN stores, a flower company, a distribution center and a head office in Hoorn. The transaction was paid partly in cash and partly with real estate. The purchase price consideration for the 42 stores disposed and transferred was directly paid by Vomar Voordeelmarkt and Dekamarkt to DEEN. The allocation of the fair values of the identifiable assets acquired,liabilities assumed, and the goodwill arising from the acquisition is included in the table above in “Other acquisitions” on a provisional basis. The goodwill recognized is attributable to the retail operating rights acquired and the synergies expected from the ability to strengthen our geographical presence in North Holland. The goodwill from the acquisition of DEEN is not deductible for tax purposes. All stores were converted and opened under the Albert Heijn brand.

Other acquisitions contributed approximately €782 million to 2021 net sales and had a marginal negative impact on 2021 net income.

Accounting estimates and judgments

Intangible assets acquired in a business acquisition and the financial liability related to non-controlling interest are measured at fair value at the date of the acquisition.

To determine the fair value of intangible assets at the acquisition date, estimates and assumptions are required. The valuation of the identifiable intangible assets involves 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.

The financial liability related to the non-controlling interest is subsequently measured at amortized cost. The measurement of the financial liability involves estimates of the cash flows to settle the non-controlling interest based on the most likely scenario of exercise of related call-and-put options.

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 2, 2022	January 3, 2021
Non-current assets and disposal groups held for sale	**18**	19
Total assets held for sale	**18**	19

Assets held for sale at January 2, 2022, primarily comprises non-current assets of retail locations in The United States of €5 million (January 3, 2021: nil) and in Europe of €13 million (January 3, 2021: €19 million).

Discontinued operations

Discontinued operations for the years ended 2021 and 2020 included minor adjustments on various discontinued operations and past divestments.

5 ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

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.

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.

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, FreshDirect 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 2021

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	45,455	30,147	—	75,601
Of which: online sales	3,228	4,477	—	7,704
Operating income (loss)	2,231	1,209	(119)	3,320
Adjusted for:				
Impairment losses and reversals – net[1]	48	13	—	61
(Gains) losses on leases and the sale of assets – net	(49)	(21)	(6)	(76)
Restructuring and related charges and other items	(80)	106	—	26
Underlying operating income (loss)	2,150	1,306	(125)	3,331
Other segment information				
Additions to non-current assets[2]	3,346	2,418	12	5,776
Depreciation and amortization[3]	1,788	1,208	11	3,007
Share-based compensation expenses	27	11	9	48

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.

6 SEGMENT REPORTING CONTINUED

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.

Information about geographical areas

€ million	The Netherlands (country of domicile)	The United States	Rest of world	Ahold Delhaize Group
2021				
Net sales[1]	**16,431**	**45,455**	**13,716**	**75,601**
Non-current assets[2]	**6,135**	**20,942**	**7,249**	**34,326**
2020				
Net sales[1]	15,718	45,470	13,547	74,736
Non-current assets[2]	5,476	18,154	6,826	30,456

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, starting in 2020, 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	2021	2020
Sales from owned stores	**61,052**	62,392
Sales to and fees from franchisees and affiliates	**6,570**	6,566
Online sales	**7,704**	5,547
Wholesale sales	**274**	230
Net sales	**75,601**	74,736

Sales by segment for 2021 are as follows:

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	**42,053**	**18,999**	**61,052**
Sales to and fees from franchisees and affiliates	**—**	**6,570**	**6,570**
Online sales	**3,228**	**4,477**	**7,704**
Wholesale sales	**174**	**100**	**274**
Net sales	**45,455**	**30,147**	**75,601**

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

Net sales by product category are as follows:

Percentage of net sales	2021	2020
Food: perishable	**45%**	45%
Food: non-perishable	**35%**	39%
Non-food	**16%**	12%
Pharmacy	**3%**	3%
Gasoline	**1%**	1%
Net sales	**100%**	100%

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 from 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).

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 partner 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 reflect 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 AND OTHER INCOME BY NATURE

Changes in presentation

As of 2021, other income is presented as a separate line in the income statement, as a result of the increase in amounts reported. Other income includes rent income, advertising income, as well as other revenue derived from operational activities and revenue from contracts that do not qualify as net sales. These amounts were previously included in expenses, as an offset to cost of sales, selling expenses, and general and administrative expenses.

In the expenses by nature specification, these amounts were previously included as Rent income and Other operational expenses. For the year 2020, an amount of €162 million related to rent income was reclassified from Total expenses by nature to Total other income and an amount of €308 million was reclassified from Other operational expenses to Advertising income (€11 million) and Other income (€297 million), respectively.

Expenses by nature

The aggregate of cost of sales, selling expenses and general and administrative expenses is specified by nature as follows:

€ million	2021	2020[2]
Cost of product	**51,962**	51,453
Labor costs[1]	**11,179**	12,341
Other operational expenses	**6,621**	6,327
Depreciation and amortization	**3,007**	2,844
Rent expenses	**58**	59
Impairment losses and reversals – net	**61**	48
(Gains) losses on leases and the sale of assets – net	**(76)**	(57)
Total expenses by nature	**72,812**	73,016

1 In 2020, labor costs included €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.
2 Comparative figures have been restated to conform to the current year's presentation, as mentioned above.

Other income by nature

Other income is specified as follows:

€ million	2021	2020[1]
Rent income	**146**	162
Advertising income	**15**	11
Other income	**371**	297
Total other income	**531**	470

1 Comparative figures have been restated to conform to the current year's presentation, as mentioned above.

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 AND OTHER INCOME 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, outbound logistics costs (order fulfillment and delivery cost) and other 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.

9 NET FINANCIAL EXPENSES

€ million	2021	2020
Interest income	**29**	35
Interest expense	**(181)**	(138)
Net interest expense on defined benefit pension plans	**(17)**	(16)
Interest accretion to lease liability	**(337)**	(357)
Gains (losses) on foreign exchange	**(3)**	(5)
Fair value gains (losses) on financial instruments	**(4)**	12
Other gains (losses)	**(4)**	(16)
Other financial income (expense)	**(10)**	(9)
Net financial expenses	**(517)**	(485)

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, financing obligations and other long-term financial liabilities), interest accretions to provisions, and amortization of the purchase price allocation on the debt brought in through acquisitions. In 2021, the interest expenses on the other long-term financial liabilities include the interest accretion on the financial liability for the call-and-put options embedded in the NCI of FreshDirect (€16 million), interest accretion on the FELRA settlement liability (€15 million) and the National Plan and Local 1500 withdrawal liabilities (€8 million). See *Note 23*.

Net interest expense on defined benefit pension plans is related to the Company's pension plans being in a net liability position over 2021 and 2020.

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

In 2020, Other gains (losses) included the remeasurement of financing obligations in the amount of €16 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 2021, the Company recorded a net exchange loss of €3 million in operating income (2020: gain of €2 million).

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	2021	2020
Current income taxes		
Domestic taxes (the Netherlands)	**(171)**	(131)
Foreign taxes		
United States	**(241)**	(276)
Europe – Other	**(123)**	(119)
Total current tax expense	**(535)**	(525)
Deferred income taxes		
Domestic taxes (the Netherlands)	**5**	(73)
Foreign taxes		
United States	**(45)**	204
Europe – Other	**(16)**	63
Total deferred tax expense	**(56)**	194
Total income taxes on continuing operations	**(591)**	(331)

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:

	2021	
	€ million	Tax rate
Income before income taxes	**2,803**	
Income tax expense at statutory tax rate	**(701)**	**25.0%**
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	**90**	**(3.2)%**
Deferred tax income (expense) related to recognition of deferred tax assets – net	**2**	**(0.1)%**
Non-taxable income (expense)	**6**	**(0.2)%**
Other	**12**	**(0.4)%**
Total income taxes	**(591)**	**21.1%**

	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 %

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 2020 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 2021, it includes a net tax expense of €7 million related to the movement of uncertain tax positions in several jurisdictions (2020: €34 million).

Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to nil in 2021 (2020: nil).

10 INCOME TAXES CONTINUED

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 2, 2022, and January 3, 2021, are as follows:

€ million	December 29, 2019	Recognized in income statement	Other	January 3, 2021	**Recognized in income statement**	**Other**	**January 2, 2022**
Leases and financings	439	(12)	(35)	393	**(6)**	**18**	**404**
Pensions and other (post-)employment benefits	288	193	2	482	**(30)**	**9**	**461**
Provisions	89	17	(20)	86	**17**	**2**	**105**
Interest	90	(35)	(3)	51	**8**	**15**	**74**
Other	19	57	8	84	**(27)**	**8**	**65**
Total gross deductible temporary differences	925	219	(49)	1,095	**(39)**	**53**	**1,109**
Unrecognized deductible temporary differences	(57)	52	3	(2)	**—**	**(5)**	**(7)**
Total recognized deductible temporary differences	868	271	(46)	1,093	**(39)**	**48**	**1,102**
Tax losses and tax credits	414	(44)	(12)	358	**(32)**	**41**	**366**
Unrecognized tax losses and tax credits	(253)	6	5	(241)	**2**	**(28)**	**(267)**
Total recognized tax losses and tax credits	161	(38)	(7)	116	**(30)**	**13**	**99**
Total net deferred tax asset position	1,029	232	(53)	1,209	**(69)**	**61**	**1,202**
Property, plant and equipment and intangible assets	(1,398)	(36)	69	(1,365)	**47**	**(120)**	**(1,438)**
Inventories	(184)	(3)	16	(170)	**(34)**	**(14)**	**(217)**
Other	(19)	—	4	(15)	**—**	**12**	**(3)**
Total deferred tax liabilities	(1,601)	(38)	89	(1,550)	**13**	**(122)**	**(1,659)**
Net deferred tax assets (liabilities)	(573)	194	36	(341)	**(56)**	**(60)**	**(457)**

The column Other in the table above includes amounts recorded in equity, acquisitions, 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 2, 2022**	January 3, 2021
Deferred tax assets	**289**	323
Deferred tax liabilities	**(746)**	(664)
Net deferred tax liabilities	**(457)**	(341)

10 INCOME TAXES CONTINUED

As of January 2, 2022, Ahold Delhaize had operating and capital loss carryforwards of a total nominal amount of €2,075 million (January 3, 2021: €2,314 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	2022	2023	2024	2025	2026	2027–2031	2032–2036	After 2036	Does not expire	Total
Operating and capital losses (nominal value)	6	19	116	95	12	408	250	55	1,115	**2,075**
Operating and capital losses (tax value)	—	1	7	7	1	29	15	6	289	**354**
Tax credits	1	1	2	2	2	1	—	—	4	**12**
Tax losses and tax credits	1	2	9	9	3	30	15	6	293	**366**
Unrecognized tax losses and tax credits	—	(1)	(1)	(3)	(1)	(1)	—	—	(259)	**(267)**
Total recognized tax losses and tax credits	1	1	8	6	2	29	14	6	34	**99**

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, €947 million relates to U.S. state taxes, for which a weighted average tax rate of 6.7% 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 €135 million at January 2, 2022 (January 3, 2021: €124 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	2021	2020
Remeasurement of defined benefit pension plans	**(24)**	25
Currency translation differences on loans	**(2)**	1
Share buyback	**(2)**	—
Share-based compensation	**4**	2
Total	**(24)**	29

Income taxes paid

The following table specifies the income taxes paid per country:

€ million	2021	2020
The United States	**(260)**	(260)
The Netherlands	**(155)**	(140)
Belgium	**(390)**	(17)
Greece	**(10)**	(6)
Czech Republic	**(11)**	(1)
Serbia	**(8)**	(5)
Romania	**(3)**	(14)
Other Europe	**(94)**	(43)
Total income taxes paid	**(931)**	(486)

In 2021, tax payments in Belgium were impacted by a payment to the Belgian tax authorities for an adjustment notice relating to the tax return over 2018. Ahold Delhaize decided that the basis to issue an additional assessment of approximately €380 million is without any merit and, as such, the Company recorded a receivable for the full paid amount. For more information, see the *Taxes* section in *Note 34*.

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 substantively 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.

A (voluntary) tax payment of a disputed amount to the tax authority meets the definition of an asset and is recognized as a current or non-current income tax receivable, depending on the timing of the expected resolution. The payment is an asset for the Company because it will either be refunded by the tax authority or be used to settle the tax liability arising from the resolution of the dispute.

11 PROPERTY, PLANT AND EQUIPMENT

€ million	Buildings and land	Other	Under construction	Total
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**
Year ended January 2, 2022				
Additions	294	631	1,017	1,942
Transfers from under construction	465	476	(941)	—
Acquisitions through business combinations	261	103	—	364
Depreciation	(614)	(879)	(1)	(1,494)
Impairment losses	(28)	(13)	(1)	(42)
Impairment reversals	4	—	—	5
Assets classified (to) from held for sale or sold	(126)	(6)	(1)	(133)
Other movements	(12)	(4)	6	(10)
Exchange rate differences	328	169	14	511
Closing carrying amount	**7,355**	**3,907**	**576**	**11,838**
As of January 2, 2022				
At cost	13,600	10,167	576	24,343
Accumulated depreciation and impairment losses	(6,245)	(6,260)	—	(12,505)
Carrying amount	**7,355**	**3,907**	**576**	**11,838**

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 5.9% and 12.0% (2020: 6.0%–12.2%). 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 2021, Ahold Delhaize recognized net impairment losses of €37 million for property, plant and equipment (2020: €35 million). These were related to The United States (2021: €28 million, 2020: €19 million) and Europe (2021: €9 million, 2020: €16 million) and were recognized mainly for underperforming and closed stores.

The additions to property, plant and equipment include capitalized borrowing costs of €5 million (2020: €6 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 2.4% and 6.5% (2020: 2.5%-7.1%).

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 €109 million (January 3, 2021: €113 million). Ahold Delhaize does not have legal title to these assets.

Company-owned property, plant and equipment with a carrying amount of €352 million (January 3, 2021: €96 million) has been pledged as security for liabilities, mainly for loans. Included in this amount as of January 2, 2022, is FreshDirect's building and machinery and equipment with a carrying value of €276 million pledged as security 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.

As noted above, companies are required to assess at each reporting date whether there is an indication that a non-current asset may be impaired. One such indicator is significant changes with adverse effects in the technological, market, economic or legal environment in which the company operates that have taken place during the period (or will take place in the near future). Transitioning to a lower-carbon economy may trigger such adverse effects. Therefore, Ahold Delhaize also considers the impact of climate change in assessing whether assets may be impaired or whether the useful life of assets needs to be shortened due to early replacement.

12 RIGHT-OF-USE ASSET

€ million	Buildings and land	Other	Total
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**
Year ended January 2, 2022			
Additions	**653**	**73**	**726**
Reassessments and modifications to leases	**1,020**	**(8)**	**1,012**
Acquisitions through business combinations	**633**	**12**	**644**
Depreciation	**(1,062)**	**(49)**	**(1,111)**
Termination of leases	**(26)**	**(1)**	**(28)**
Impairment losses	**(3)**	**—**	**(3)**
Transfer (to) from right-of-use assets – investment property	**(1)**	**2**	**1**
Reclassifications (to) from net investment in leases	**(87)**	**—**	**(88)**
Exchange rate differences	**395**	**5**	**400**
Carrying amount as of January 2, 2022	**8,861**	**149**	**9,010**

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 29, 2019			
At cost	881	977	1,858
Accumulated depreciation and impairment losses	(544)	(431)	(975)
Carrying amount	**337**	**546**	**883**
Year ended January 3, 2021			
Additions	18	8	27
Reassessments and modifications to leases	5	—	5
Depreciation	(27)	(23)	(50)
Impairment losses	(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**

13 INVESTMENT PROPERTY CONTINUED

€ million	Right-of-use asset investment property	Company-owned investment property	Total Investment property
Year ended January 2, 2022			
Additions	**2**	**29**	**31**
Reassessments and modifications to leases	**7**	**—**	**7**
Depreciation	**(23)**	**(22)**	**(45)**
Impairment losses	**—**	**(20)**	**(20)**
Termination of leases	**(13)**	**—**	**(13)**
Assets classified (to) from held for sale or sold	**—**	**(33)**	**(33)**
Reclassifications (to) from net investment in leases	**(7)**	**—**	**(7)**
Transfers (to) from right-of-use assets, property, plant and equipment and intangible assets	**(1)**	**8**	**7**
Exchange rate differences	**16**	**25**	**42**
Closing carrying amount	**241**	**467**	**708**
As of January 2, 2022			
At cost	712	941	1,653
Accumulated depreciation and impairment losses	(471)	(474)	(945)
Carrying amount	**241**	**467**	**708**

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 impairment losses recognized were mainly related to The United States (2021: €20 million, 2020: €8 million).

The company-owned investment property includes an amount related to assets held under financings of €17 million (January 3, 2021: €17 million). Ahold Delhaize does not have legal title to these assets. Company-owned investment property with a carrying amount of €72 million (January 3, 2021: €63 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of January 2, 2022, amounted to approximately €948 million (January 3, 2021: €1,010 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 78% 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 2021 amounted to €75 million (2020: €64 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2021 amounted to €23 million (2020: €24 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 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**
Year ended January 2, 2022							
Additions	**—**	**—**	**91**	**1**	**10**	**365**	**468**
Transfers from under development	**—**	**—**	**241**	**—**	**—**	**(241)**	**—**
Acquisitions through business combinations	**476**	**76**	**14**	**10**	**3**	**1**	**580**
Amortization	**—**	**(2)**	**(307)**	**(13)**	**(35)**	**—**	**(357)**
Impairments	**(1)**	**—**	**—**	**—**	**—**	**—**	**(1)**
Assets classified to held for sale or sold	**(3)**	**—**	**—**	**(1)**	**—**	**—**	**(4)**
Other movements	**—**	**—**	**—**	**—**	**1**	**—**	**—**
Exchange rate differences	**337**	**145**	**16**	**3**	**6**	**11**	**518**
Closing carrying amount	**7,641**	**3,280**	**706**	**82**	**713**	**348**	**12,770**
As of January 2, 2022							
At cost	**7,649**	**3,292**	**2,177**	**215**	**967**	**348**	**14,649**
Accumulated amortization and impairment losses	**(8)**	**(13)**	**(1,471)**	**(133)**	**(255)**	**—**	**(1,879)**
Carrying amount	**7,641**	**3,280**	**706**	**82**	**713**	**348**	**12,770**

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 and FreshDirect in 2021. Other mainly includes intangible assets related to relationships with franchisees and affiliates recognized in connection with the Ahold Delhaize merger,

14 INTANGIBLE ASSETS CONTINUED

location development rights, deed restrictions and similar assets. Intangible assets under development relate mainly to software development.

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

€ million		**Goodwill January 2, 2022**	Goodwill January 3, 2021	**Brand names January 2, 2022[1]**	Brand names January 3, 2021[1]
	Cash-generating unit				
The United States	Stop & Shop[2]	**985**	862	**—**	—
	Food Lion	**1,053**	944	**1,273**	1,186
	The GIANT Company	**565**	526	**—**	—
	Hannaford	**1,783**	1,659	**757**	706
	Giant Food	**332**	309	**—**	—
	FreshDirect[2]	**58**	—	**82**	—
Europe	Albert Heijn (including the Netherlands and Belgium)	**1,746**	1,425	**—**	—
	Delhaize (including Belgium and Luxembourg)	**439**	432	**786**	786
	bol.com (including the Netherlands and Belgium)	**201**	201	**86**	86
	Albert (Czech Republic)	**186**	176	**—**	—
	Alfa Beta (Greece)	**142**	142	**137**	137
	Mega Image (Romania)	**131**	133	**83**	85
	Delhaize Serbia (Republic of Serbia)	**12**	12	**76**	75
	Etos	**8**	8	**—**	—
	Gall & Gall	**1**	1	**—**	—
Ahold Delhaize Group		**7,641**	6,831	**3,280**	3,061

1 Included own brands at Food Lion (€6 million; January 3, 2021: €7 million), Hannaford (€6 million; January 3, 2021: €7 million), FreshDirect (€9 million; January 3, 2021: nil), Greece (€2 million; January 3, 2021: €3 million) and Romania (€2 million; January 3, 2021: €2 million).
2 Of the goodwill arising from the acquisition of FreshDirect, €60 million was allocated to Stop & Shop.

Goodwill impairment testing

In the 2021 annual goodwill impairment test, the recoverable amounts of the CGUs were based on fair value less costs of disposal.

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 and / or a market approach. The Company 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 markets, the Company projected cash flows for FreshDirect and bol.com over a 10-year period to better reflect the growth expectations in sales, profitability and cash generation as these businesses have not yet reached a steady state. In addition, the Company estimated FreshDirect's fair value less costs of disposal by using a business enterprise value sales multiple determined from a set of observable market multiples for comparable businesses.

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 (excluding FreshDirect)	5.5%
FreshDirect	7.4%
The brands in the Netherlands (excluding bol.com)	5.2%
Delhaize	5.7%
bol.com	9.8%
Albert (Czech Republic)	5.8%
Alfa Beta (Greece)	6.8%
Mega Image (Romania)	9.1%
Delhaize Serbia (Republic of Serbia)	8.7%

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 1.0% and 10.7% for the CGUs excluding FreshDirect and bol.com. The average operating margins applied in the projected periods ranged between 2.9% and 6.5% for the CGUs excluding FreshDirect and bol.com. For FreshDirect, the cash flow projections included gradually declining sales growth with steadily improving positive operating margins in the second part of the explicit forecast period. 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. Except for FreshDirect, 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 1.6% and 2.7% for the CGUs; no additional growth was assumed thereafter. For FreshDirect, the terminal value to extrapolate cash flows beyond the explicit forecast period included a growth rate based on the long-term inflation expectations.

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%	2.4%
Food Lion	5.5%	2.4%
Hannaford	5.5%	2.4%
Albert Heijn	5.2%	1.9%
Delhaize	5.7%	2.0%

A sensitivity analysis indicates that the recoverable amount of Delhaize would be equal to its carrying amount if the operating margins of the CGU in the projection period were reduced by 0.6% or if the WACC rate used to discount cash flow projections was higher by 1.1%.

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 ventures 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 2021	Super Indo 2021	Other 2021	Total 2021
Beginning of the year	158	59	10	227
Investments in associates	—	—	7	7
Share in income (loss) of joint ventures	24	8	1	33
Dividend	(17)	(9)	(2)	(28)
Exchange rate differences	—	4	1	4
End of the year	165	62	18	244

€ 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

Share in income (loss) from continuing operations for Ahold Delhaize's interests in all individually immaterial joint ventures was a gain of €1 million (2020: a loss of €2 million) and nil for individually immaterial associates (2020: nil).

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

€ million	JMR 2021	JMR 2020	Super Indo 2021	Super Indo 2020
Summarized statement of comprehensive income				
Net sales	4,462	4,253	556	559
Depreciation and amortization	(150)	(148)	(16)	(16)
Interest income	—	—	2	2
Interest expense	(2)	(2)	—	—
Interest accretion to lease liability	(22)	(22)	(3)	(2)
Income tax expense	(12)	(6)	(3)	(4)
Income from continuing operations	49	26	15	20
Net income	49	26	15	20
Other comprehensive income	—	—	—	—
Total comprehensive income	49	26	15	20

€ million	JMR January 2, 2022	JMR January 3, 2021	Super Indo January 2, 2022	Super Indo January 3, 2021
Summarized balance sheet				
Non-current assets	1,600	1,601	110	90
Current assets				
Cash and cash equivalents	43	39	88	84
Other current assets	416	398	70	60
Total current assets	459	438	158	143
Non-current liabilities				
Financial liabilities	364	367	42	30
Other liabilities	42	38	7	7
Total non-current liabilities	406	405	48	37
Current liabilities				
Financial liabilities (excluding trade payables)	81	191	6	7
Other current liabilities	1,235	1,120	112	92
Total current liabilities	1,316	1,311	118	99
Net assets	336	322	102	98

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 2021	JMR 2020	Super Indo 2021	Super Indo 2020
Opening net assets	**322**	328	**98**	86
Net income	**49**	26	**15**	20
Dividend	**(35)**	(31)	**(17)**	—
Exchange rate differences	**—**	—	**6**	(8)
Closing net assets	**336**	322	**102**	98
Interest in joint venture	**49%**	49%	**51%**	51%
Closing net assets included in the carrying value	**165**	158	**52**	50
Goodwill	**—**	—	**10**	9
Carrying value	**165**	158	**62**	59

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 has issued, since then, statements of objections for alleged anti-competitive practices against various suppliers and retailers, including Pingo Doce. Pingo Doce received nine 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.

Up to the end of 2021, Pingo Doce was notified of decisions issued by the AdC regarding five of the above-mentioned proceedings, imposing fines on several retailers, including Pingo Doce, and five of their suppliers. In the case of Pingo Doce, these decisions implied fines in the total amount of €124 million.

Pingo Doce disagrees with these decisions, which it considers to be completely ungrounded. As such, Pingo Doce filed and/or will file the respective appeals before the Portuguese Competition, Regulation and Supervision Court ("Tribunal da Concorrência, Regulação e Supervisão") in accordance with the applicable deadlines. Under the terms of the applicable law, Pingo Doce also requested suspensive effect to the appeals, subject to providing 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 four proceedings, Pingo Doce has already filed the respective statements of defense, 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 €157 million. Ahold Delhaize's indirect share of these JMR-issued guarantees is €77 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 2, 2022	January 3, 2021
Net investment in leases	**475**	397
Reinsurance assets	**209**	174
Loans receivable	**41**	42
Defined benefit asset	**71**	78
Non-current income tax receivable	**382**	—
Other	**15**	14
Total other non-current financial assets	**1,193**	705

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 2021 or 2020.

Of the non-current loans receivable, €36 million matures between one and five years and €6 million after five years (January 3, 2021: €21 million between one and five years and €21 million after five years). The current portion of loans receivable of €43 million (January 3, 2021: €5 million) is included in Other current financial assets (see *Note 19*).

The defined benefit asset at January 2, 2022, 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*.

The non-current income tax receivable relates to a €382 million payment to the Belgian tax authorities for an additional assessment notice issued for the tax return over 2018. Ahold Delhaize decided that the basis to issue an additional assessment of €382 million is without any merit and, as such, the Company recorded a receivable for the full paid amount. For more information see the *Taxes section* in *Note 34*.

Accounting policies

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

17 INVENTORIES

€ million	January 2, 2022	January 3, 2021
Finished products and merchandise inventories	**3,644**	3,181
Raw materials, packaging materials, technical supplies and other	**83**	64
Total inventories	**3,728**	3,245

In 2021, €1,608 million has been recognized as a write-off of inventories in the income statement (2020: €1,567 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 2, 2022	January 3, 2021
Trade receivables	**1,151**	1,122
Vendor allowance receivables	**625**	616
Other receivables	**378**	334
	2,153	2,072
Provision for impairment	**(96)**	(97)
Total receivables	**2,058**	1,975

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 2, 2022, is €260 million (January 3, 2021: €235 million).

At January 2, 2022, the aging analysis of receivables was as follows:

			Past due			
€ million	Total	Not past due	0–3 months	3–6 months	6–12 months	> 12 months
Trade receivables	**1,151**	**778**	**287**	**10**	**16**	**60**
Vendor allowance receivables	**625**	**446**	**124**	**22**	**23**	**10**
Other receivables	**378**	**191**	**98**	**30**	**11**	**48**
	2,153	**1,414**	**509**	**62**	**51**	**117**
Provision for impairment	**(96)**	**(8)**	**(10)**	**(4)**	**(10)**	**(64)**
Total receivables	**2,058**	**1,406**	**499**	**58**	**41**	**53**
Expected credit loss	**4.5%**	**0.6%**	**2.0%**	**6.4%**	**18.7%**	**54.7%**

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

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

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 2, 2022. For more information about credit risk, see *Note 30*.

The changes in the provision for impairment were as follows:

€ million	2021	2020
Beginning of the year	**(97)**	(81)
Charged to income	**(38)**	(57)
Used	**40**	40
Exchange rate differences	**(1)**	2
End of the year	**(96)**	(97)

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 2, 2022	January 3, 2021
Net investment in leases – current portion	**91**	88
Investments in debt instruments (FVPL[1]) – current portion	**135**	129
Short-term deposits and similar instruments	**15**	58
Reinsurance assets – current portion (see *Note 16*)	**71**	80
Short-term loans receivable	**43**	5
Other	**1**	2
Total other current financial assets	**356**	360

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 2, 2022, 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 2, 2022, €15 million was restricted (January 3, 2021: €14 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 2021, the Company recognized net impairment charges for these financial assets of €2 million (2020: nil). 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 2, 2022	January 3, 2021
Cash in banks and cash equivalents	**2,752**	2,707
Cash on hand	**241**	226
Total cash and cash equivalents	**2,993**	2,933

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 2, 2022, €25 million was restricted (January 3, 2021: €23 million).

Cash and cash equivalents include €807 million (January 3, 2021: €681 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 €397 million (January 3, 2021: €441 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 2, 2022	January 3, 2021
Common shares		
(2021 and 2020: 1,923,515,827 of €0.01 par value each)	**19**	19
Cumulative preferred shares		
(2021 and 2020: 2,250,000,000 of €0.01 par value each)	**23**	23
Cumulative preferred financing shares		
(2021 and 2020: 326,484,173 of €0.01 par value each)	**3**	3
Total authorized share capital	**45**	45

ISSUED SHARE CAPITAL

As of January 2, 2022 and January 3, 2021, 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 2, 2022 and January 3, 2021.

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 29, 2019	**1,100,725**	**12,769**	**1,087,956**
Share buyback	—	43,417	(43,417)
Share-based payments[1]	—	(2,497)	2,497
Balance as of January 3, 2021	**1,100,725**	**53,689**	**1,047,036**
Share buyback	—	38,650	(38,650)
Cancellation of treasury shares	(55,000)	(55,000)	—
Share-based payments[1]	—	(2,952)	2,952
Balance as of January 2, 2022	**1,045,725**	**34,387**	**1,011,338**

1 Represents the treasury shares used for the delivery of the shares vested during the year, related to the GRO program (see *Note 32*).

DIVIDENDS ON COMMON SHARES

On April 14, 2021, the General Meeting of Shareholders approved the dividend over 2020 of €0.90 per common share. The final dividend for 2020 of €0.40 per common share was paid on April 29, 2021, while the interim dividend for 2020 of €0.50 per common share was paid on August 27, 2020.

On August 11, 2021, the Company announced the interim dividend for 2021 of €0.43 per common share, which was paid on September 2, 2021. In the aggregate, in 2021, the Company paid dividends on common shares in the amount of €856 million.

The Management Board, with the approval of the Supervisory Board, proposes that a dividend of €0.95 per common share be paid with respect to 2021. This dividend is subject to approval by the General Meeting of Shareholders. If approved, a final dividend of €0.52 per common share will be paid on April 28, 2022. This is in addition to the interim dividend of €0.43 per common share, which was paid on September 2, 2021. The total dividend payment for the full year 2021 would, therefore, total €0.95 per common share (2020: €0.90).

The final dividend of €0.52 per common share has not been included as a liability on the consolidated balance sheet as of January 2, 2022. The payment of this dividend will not have income tax consequences for the Company.

SHARE BUYBACK

The share buyback program of €1 billion that started on January 4, 2021, was successfully completed on December 13, 2021. In total, 38,649,629 of the Company's own shares were repurchased at an average price of €25.87 per share. The share buyback execution resulted in a net transactional discount from the dealers of €6 million.

On January 3, 2022, the Company commenced the €1 billion share buyback program that was announced on November 15, 2021. The program is expected to be completed before the end of 2022.

SHARE-BASED PAYMENTS

Share-based payments recognized in equity in the amount of €51 million (2020: €61 million) relate to the 2021 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 2, 2022, or during 2021 and 2020.

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.

21 EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS CONTINUED

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 2, 2022, of €13,721 million, an amount of €460 million is non-distributable (January 3, 2021: €431 million out of total equity of €12,432 million). See *Note 9* 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		Outstanding notional redemption amount	January 2, 2022 Current portion	Non-current portion	Total	January 3, 2021 Current portion	Non-current portion	Total
EUR 300 notes EURIBOR + 18 bps, due 2021	EUR	300	—	—	—	300	—	300
USD 55 notes 5.6%, due 2022[1]	USD	55	51	—	51	—	—	—
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 63 indebtedness 8.62%, due 2025	USD	63	17	38	56	10	40	51
EUR 500 notes 1.125%, due 2026	EUR	500	—	500	500	—	500	500
EUR 500 notes 1.75%, due 2027	EUR	500	—	500	500	—	500	500
USD 71 notes 8.05%, due 2027	USD	71	2	73	75	2	70	72
USD 500 notes 6.875%, due 2029	USD	500	—	439	439	—	409	409
EUR 600 notes 0.375%, due 2030	EUR	600	—	600	600	—	—	—
USD 271 notes 9.00%, due 2031	USD	271	6	302	308	5	287	292
USD 827 notes 5.70%, due 2040	USD	477	3	496	499	3	464	467
Deferred financing costs			(5)	(18)	(23)	(4)	(17)	(21)
Total notes			74	4,280	4,354	316	3,604	3,920
Financing obligations[2]			22	183	205	21	193	214
Mortgages payable[3]			41	—	41	11	63	74
Other loans[4]			60	214	274	—	2	2
Total loans			197	4,678	4,874	348	3,863	4,210

1 The USD 55 notes were part of the loans acquired with the FreshDirect acquisition; see *Note 4*. These notes are not guaranteed by Ahold Delhaize.
2 The weighted average interest rate for the financing obligations amounted to 6.8% at the end of 2021 (2020: 7.4%).
3 Mortgages payable are collateralized by buildings and land. The weighted average interest rate for these mortgages payable amounted to 8.4% at the end of 2021 (2020: 7.5%).
4 Other loans mainly include a €250 million drawing under a committed credit facility (€60 million matures in 2022 and €190 million matures in 2023).

22 LOANS AND CREDIT FACILITIES CONTINUED

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

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 March 11, 2021, Ahold Delhaize announced it successfully priced its inaugural Sustainability-Linked Bond, amounting to €600 million with a term of nine years, maturing on March 18, 2030. The bond pays an annual coupon of 0.375% and was issued at a price of 99.63% of the nominal value. The bond settled on March 18, 2021, and is listed on Euronext Amsterdam. The proceeds were used for the refinancing of debt maturities and general corporate purposes. The bond is linked to Ahold Delhaize achieving two Sustainability Performance Targets (SPTs) by 2025:

- SPT 1: Reduction of scope 1 and 2 CO_2-e emissions by 29% from a 2018 baseline
- SPT 2: Reduction of food waste by 32% from a 2016 baseline

The sustainability-linked feature will result in a coupon adjustment if Ahold Delhaize's performance does not achieve one or both of the stated SPTs. The sustainability performance reference date is December 28, 2025. Any adjustment to the rate of interest, if applicable, shall take effect and accrue from the interest payment date immediately following December 28, 2025 (i.e., prospectively).

On March 19, 2021, Ahold Delhaize repaid its floating EUR 300 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 three-year €1.0 billion sustainability linked revolving credit facility, with two one-year extension options. In 2021, the Company successfully agreed on the first extension option with the lenders, taking the facility to 2024. This 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 2021 and 2020, 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 2, 2022, there were no outstanding borrowings under the facility (January 3, 2021: 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 committed and uncommitted credit facilities to cover working capital requirements, issuance of guarantees and letters of credit. As of January 2, 2022, €468 million was utilized (January 3, 2021: €64 million).

23 OTHER NON-CURRENT FINANCIAL LIABILITIES

€ million	January 2, 2022	January 3, 2021
Lease liabilities	**10,061**	8,442
Reinsurance liabilities	**205**	170
Other long-term financial liabilities	**196**	283
Derivative financial instruments	**1**	—
Financial guarantees	**10**	10
Total other non-current financial liabilities	**10,473**	8,905

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 2, 2022, Other long-term financial liabilities mainly consists of:

- $103 million (€91 million) financial liability for the call-and-put options embedded in the NCI of FreshDirect. On January 5, 2021, Ahold Delhaize acquired a majority stake of 80% in FreshDirect and has a right and obligation to acquire the remaining 20% from Centerbridge; see *Note 4.*
- $110 million (€97 million) financial liability for the withdrawal from the 1500 Plan. The non-current portion is $53 million (€47 million) and the current portion of the 1500 Plan withdrawal liability is $57 million (€50 million); see *Note 26*. The National Plan withdrawal liability was fully paid in 2021. As of January 3, 2021, the 1500 Plan and National Plan withdrawal liabilities were $110 million (€90 million) and $176 million (€144 million), respectively. For more information, see *Note 24*;
- $44 million (€39 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 (January 3, 2021: $43 million (€35 million)); and
- $6 million (€5 million) financial liability for rent payments for nine Tops stores that the Company agreed to make for a period of 72 months (January 3, 2021: $10 million (€8 million)); see *Note 34*.

Accounting estimates and judgments

For more information on the accounting estimates for other long-term financial liabilities, see *Note 4*.

23 OTHER NON-CURRENT FINANCIAL LIABILITIES CONTINUED

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 2, 2022	January 3, 2021
Defined benefit liabilities	**613**	763
Other long-term pension plan obligations	**493**	472
Total pension and other post-employment benefits	**1,107**	1,235

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 €28 million is included in *Note 27* (January 3, 2021: €26 million).

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

€ million	2021	2020
Defined benefit costs	**266**	129
Defined benefit costs – FELRA and MAP settlement agreement	**(136)**	174
Total defined benefit costs (see section *Defined benefit plans*)	**130**	303
Defined contribution plans (see section *Defined contribution plans*)	**128**	120
Multi-employer plans (see section *Multi-employer plans (MEPs)*):		
Defined benefit plans	**20**	77
Defined contribution plans	**283**	293
Withdrawal and settlement:		
FELRA and MAP settlement agreement	**—**	502
National Plan withdrawal	**7**	559
1500 Plan withdrawal	**—**	183
Total pension and other post-employment benefit expenses[1]	**568**	2,037

1 In 2021, total pension and other post-employment benefit expenses included a net one-off gain in the amount of €129 million, mainly related to an adjustment of the FELRA and MAP excess benefit liability due to a reassessment in relation to the American Rescue Plan Act of 2021 (ARPA), see *ARPA* section (2020: €1,418 million loss 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 2, 2022	January 3, 2021
Defined benefit liabilities	**613**	763
Defined benefit assets	**(71)**	(78)
Total net defined benefit plan funded status	**540**	685

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.

24 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONTINUED

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.

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 ensure that 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 shortfall 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 2021 and 2020 were as follows:

€ million	**2021**	2020
Service cost:		
Current service cost	**242**	206
Past service cost	**(143)**	67
Net interest expense	**17**	16
Administrative cost	**13**	13
Termination benefits	**2**	1
Components of defined benefit cost recorded in the income statement	**130**	303
Remeasurements recognized:		
Return on plan assets, excluding amounts included in net interest (income) expense	**(177)**	(578)
(Gain) loss from changes in demographic assumptions	**(9)**	(194)
(Gain) loss from changes in financial assumptions	**117**	912
Experience (gains) losses	**(34)**	(32)
Components of defined benefit cost recognized in other comprehensive income	**(103)**	108
Total net defined benefit cost	**28**	411

24 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONTINUED

The changes in the defined benefit obligations and plan assets in 2021 and 2020 were as follows:

	The Netherlands		The United States		Rest of world		Total	
€ million	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Defined benefit obligations								
Beginning of the year	**6,492**	5,911	**1,721**	1,547	**387**	351	**8,600**	7,809
Current service cost	**177**	163	**45**	24	**20**	18	**242**	206
Past service cost	**—**	(107)	**(143)**	174	**—**	—	**(143)**	67
Interest expense	**55**	73	**50**	52	**3**	4	**108**	129
Termination benefits	**—**	—	**—**	—	**2**	1	**2**	1
Contributions by plan participants	**30**	25	**—**	—	**1**	1	**31**	26
Benefits paid	**(125)**	(96)	**(75)**	(76)	**(15)**	(10)	**(214)**	(181)
(Gain) loss from changes in demographic assumptions	**(9)**	(192)	**—**	(2)	**—**	—	**(9)**	(194)
(Gain) loss from changes in financial assumptions	**185**	749	**(50)**	141	**(18)**	23	**117**	912
Experience (gains) losses	**(5)**	(34)	**11**	5	**(40)**	(3)	**(34)**	(32)
Exchange rate differences	**—**	—	**137**	(143)	**—**	—	**137**	(143)
End of the year	**6,799**	6,492	**1,696**	1,721	**339**	387	**8,835**	8,600
Plan assets								
Fair value of assets, beginning of the year	**6,339**	5,642	**1,298**	1,285	**278**	249	**7,915**	7,177
Interest income	**52**	68	**36**	43	**2**	2	**90**	114
Company contribution	**152**	264	**39**	47	**21**	18	**212**	328
Contributions by plan participants	**30**	25	**—**	—	**1**	1	**31**	26
Benefits paid	**(125)**	(96)	**(75)**	(76)	**(15)**	(10)	**(214)**	(181)
Administrative cost	**(10)**	(9)	**(3)**	(3)	**—**	—	**(13)**	(13)
Return on plan assets, excluding amounts included in net interest (income) expense	**148**	445	**35**	116	**(7)**	17	**177**	578
Exchange rate differences	**—**	—	**97**	(113)	**—**	—	**97**	(113)
Fair value of assets, end of the year	**6,587**	6,339	**1,429**	1,298	**279**	278	**8,295**	7,915
Funded status	**(212)**	(153)	**(268)**	(423)	**(60)**	(109)	**(540)**	(685)

The total defined benefit obligation of €8,835 million as of January 2, 2022, includes €239 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.

In 2020, the plan amendments in the Netherlands and the United States resulted in a loss of €67 million. The Dutch pension plan rules have changed as of January 1, 2021, resulting in a total past service credit of €107 million in 2020. 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 the 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

Following the 2020 Dutch pension plan amendment, the accrual rate is assessed annually. In 2021, it was agreed to increase the accrual rate from 1.75% to 1.825%.

24 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONTINUED

In 2020, the introduction of the FELRA and MAP single-employer plan for excess benefits led to a past service cost of $211 million (€174 million) in the United States. In 2021, the enactment of the American Rescue Plan Act resulted in a partial release of the FELRA and MAP excess benefit obligation in the amount of $160 million (€142 million) which is presented as past service cost (see *Multi-employer defined benefit plans – FELRA and MAP settlement agreement)*.

In Greece, the actuarial calculations were updated in accordance with the IFRS Interpretation Committee Agenda Decision issued in May 2021. This resulted in an adjustment of €40 million, which is presented as Experience (gains) losses in Other Europe in the table above.

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 2021 to 2022, Company contributions are expected to decrease from €152 million to €85 million in the Netherlands (impacted by a prepayment of the 2022 contributions in the amount of €55 million), decrease from $47 million (€39 million) to $45 million (€40 million) for all defined benefit plans in the United States, and remain at €21 million for all plans in the rest of the world.

As of year-end 2021, the funding ratio, calculated in accordance with regulatory requirements, of the Dutch plan was 115%. 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 Ahold Delhaize USA pension plan's funding ratio at year-end 2021 was 136%, 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 2022.

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	
%	**2021**	2020	**2021**	2020	**2021**	2020
Discount rate	**1.3**	0.8	**3.1**	2.8	**1.1**	0.7
Future salary increases	**2.5**	2.5	**4.3**	4.3	**4.0**	3.7
Future pension increases	**1.4**	0.8	**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	**2021**	2020	**2021**	2020	**2021**	2020
Longevity at age 65 for current pensioners						
Male	**21.1**	21.0	**20.1**	20.2	**N/A**	N/A
Female	**23.4**	23.3	**22.1**	22.1	**N/A**	N/A
Longevity at age 65 for current members aged 50						
Male	**22.6**	22.5	**21.2**	21.3	**N/A**	N/A
Female	**24.8**	24.7	**23.2**	23.2	**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	**(798)**	**(98)**	**(22)**	**(918)**
0.5% decrease	**952**	**109**	**25**	**1,086**
Future salary increases				
0.5% increase	**95**	**—**	**7**	**103**
0.5% decrease	**(92)**	**—**	**(7)**	**(98)**
Future pension increases				
0.5% increase	**894**	**—**	**N/A**	**894**
0.5% decrease	**(762)**	**—**	**N/A**	**(762)**
Life expectancy				
1 year increase at age 65	**297**	**60**	**1**	**357**

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

24 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONTINUED

PLAN ASSETS

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

	The Netherlands		The United States		Rest of world	
€ million	**2021**	2020	**2021**	2020	**2021**	2020
Equity instruments:						
Consumer goods	**412**	388	**21**	18	**—**	—
Financial services	**212**	188	**17**	13	**—**	—
Telecommunications and information	**261**	223	**11**	11	**—**	—
Energy and utilities	**105**	96	**27**	19	**—**	—
Industry	**470**	423	**9**	8	**—**	—
Other	**445**	346	**148**	102	**9**	8
Debt instruments:						
Government bonds	**2,035**	1,653	**119**	161	**—**	—
Corporate bonds (investment grade)	**488**	446	**641**	601	**—**	—
Corporate bonds (non-investment grade)	**7**	8	**13**	—	**—**	—
Other	**—**	—	**100**	70	**40**	30
Real estate:						
Retail	**1**	2	**—**	—	**—**	—
Offices	**—**	1	**—**	—	**—**	—
Residential	**2**	1	**—**	—	**—**	—
Other	**—**	—	**57**	43	**—**	—
Investment funds	**1,956**	1,842	**107**	145	**—**	—
Insurance contracts	**—**	—	**—**	—	**230**	239
Derivatives:						
Interest rate swaps	**(52)**	280	**—**	—	**—**	—
Forward foreign exchange contracts	**(16)**	27	**—**	—	**—**	—
Cash and cash equivalents	**260**	409	**70**	21	**—**	—
Other	**1**	7	**89**	84	**—**	—
Total	**6,587**	6,339	**1,429**	1,298	**279**	278

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 2021, 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. In 2021, the Fiduciary Committee approved a new asset allocation approach that terminated the strategic weight to hedge funds and replaced it with high-yield debt. A revised glide path of the plan (the split between return-seeking and liability-hedging assets) was also approved. At year-end 2021, the strategic targets were: 8.4% equity securities, 3.6% high yield and 88% liability hedging debt securities.

In 2021, the Dutch plan had €2 million of plan assets invested in Ahold Delhaize's financial instruments (2020: €2 million). In 2021 or 2020, the U.S. plans did not have any plan assets invested in Ahold Delhaize financial instruments.

The actual return on plan assets in 2021 was 3.3% for the Dutch plan (2020: 9.1%) and 0.6% for the Ahold Delhaize USA pension plan (2020: 14.1%).

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 26.5, 13.7 and 14.1 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	**100**	**83**	**10**	**192**
Amount due between two and five years	**397**	**349**	**63**	**809**
Amount due between six and ten years	**656**	**483**	**71**	**1,210**

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 2021 and 2020, the Company contributed €128 million and €120 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 2021 and 2020.

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.

MEP – DEFINED BENEFIT PLANS

At the end of 2020 and 2021, Ahold Delhaize participated in seven MEPs that are defined benefit plans on the basis of the terms of the benefits provided. 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 7.5%. 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 2, 2022 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	2020	March 29, 2025	4	—	2.2%	—
UFCW Local 1262 & Employers Pension Fund	22-6074414/001	Red	Implemented	2020	October 23, 2027-February 12, 2028	6	(19)	30.7%	(6)
Warehouse Employees' Union Local 730 Pension Trust Fund	52-6124754/001	Red (Critical and declining)	Implemented	2020	June 20, 2026-May 15, 2027	4	102	87.0%	88
Other plans[5]						6	4,461	1.5%	(67)
Total						20	4,543		16

€ 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	March 15, 2027	3	94	86.5%	82
Other plans[5]						7	5,489	1.0%	(29)
Total						21	5,627		65

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 €20 million (2020: €77 million including the annual contributions of €56 million for the settled plans FELRA and 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).
3 The deficit/(surplus) of the plans is heavily influenced by the discount rate applied by the plans, which ranges between 6.5% and 7.5%. 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 2, 2022, equal to 4.4%, 23.9%, 0.5% and 0.0%, respectively (January 3, 2021: 4.7%, 23.5%, 0.5% and 0.0%).

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. In 2021, Ahold Delhaize fully paid the remaining National Plan withdrawal liability in the amount of $190 million. The outstanding withdrawal liability for the 1500 Plan, as of January 2, 2022, amounts to $110 million (€97 million) (January 3, 2021: $286 million (€234 million)). This withdrawal liability is recorded as a financial liability; see *Note 23* for the non-current portion and *Note 26* for the current portion.

For the National Plan, a new multi-employer variable annuity pension plan ("VAPP") was established (effective retrospectively as of July 1, 2020). The new plan is a defined benefit plan and the Company applies defined benefit accounting (the plan is included in the *Defined benefit plans* above).

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 2022, the Company expects its total contributions to multi-employer defined benefit plans to be €21 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. 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 approved the combining of MAP into FELRA (the "Combined Plan") and agreed to provide financial assistance to the Combined Plan following its insolvency. The agreement 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 consisted of the following components:

- The PBGC agreed to 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 agreed to pay the withdrawal liability to the Combined Plan in monthly installments, which commenced in February 2021, for 25 years.
- Giant Food created 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 created 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 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 in 2020. 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*).

Beginning January 1, 2021, Giant's associates who are represented by UFCW Locals 27 and 400 began to accrue benefits under a single-employer variable annuity plan. The defined benefit obligation of $211 million as of January 3, 2021, related to this new variable annuity single-employer plan and represented the best estimate based on information available at year end 2020. As of January 2, 2022, the best estimate was revised and the defined benefit obligation was reduced to $54 million (see *American Rescue Plan Act of 2021 (ARPA)* below).

AMERICAN RESCUE PLAN ACT OF 2021 (ARPA)

On March 11, 2021, the American Rescue Plan Act of 2021 ("ARPA") was signed into law. ARPA establishes a special financial assistance program to be administered by the Pension Benefit Guaranty Corporation (PBGC) and funded by transfers from the U.S. Treasury through September 30, 2030. Under this program, eligible multi-employer pension plans may apply to receive a one-time cash payment intended to be the amount required for the plan to pay all benefits through the last day of the plan year ending in 2051. The payment received under this special financial assistance program would not be considered a loan and would not need to be paid back.

The Combined Plan is eligible for special financial assistance and submitted an application to the PBGC on December 30, 2021.The anticipated special financial assistance to the Combined Plan is expected to significantly delay the insolvency of the Combined Plan and consequently significantly reduce the liability of the single-employer plan for excess benefits for which Ahold Delhaize recorded a defined benefit liability in the amount of $211 million in our financial year 2020. The amount of the liability for the excess benefits payable under Giant Food's single-employer plan was reassessed as part of the application process, and the liability was reduced to $54 million, which represents the best estimate based on information available at year end and includes judgment to determine the projected insolvency based on an assumed investment return.

24 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONTINUED

ARPA has no impact on the FELRA and MAP withdrawal liability presented in the table above as "Other long-term pension plan obligations." It also has no impact on the 2020 withdrawals from the National Plan and the 1500 Plan.

Eligible plans include, among others, plans that are in "critical and declining" status in any plan year beginning in 2020, 2021, or 2022. Applications for financial assistance must be submitted no later than December 31, 2025. In addition to the Combined Plan, each of the following plans to which various subsidiaries of Ahold Delhaize contribute are expected to be eligible, and to apply, for the special financial assistance:

- New England Teamsters & Trucking Industry Pension Plan
- Warehouse Employees' Union Local 730 Pension Trust Fund
- Bakery and Confectionery Union and Industry Pension Fund

The PBGC issued an interim final rule regarding the special assistance program on July 9, 2021. The PBGC included a 30-day public comment period from the date of publication. The guidance provides additional clarity regarding the application process, plans eligible for priority consideration, the method for determining the specific amount of the special financial assistance available to an eligible plan, conditions on plans that receive the assistance (including with respect to withdrawal liability), investment considerations, and the timing of payments. The final rule has not yet been published.

While ARPA is expected to provide financial assistance to the New England Teamsters & Trucking Industry Pension Plan, the Warehouse Employees' Union Local 730 Pension Trust Fund and the Bakery and Confectionary Union and Industry Pension Fund, the expected future contributions to those multi-employer plans will not be impacted in the short term. The ongoing contribution requirements will continue to be based on the collective bargaining agreements in place. Accordingly, the special financial assistance for these three plans should not have any impact on Ahold Delhaize's ongoing contribution obligation.

MEP – DEFINED CONTRIBUTION PLANS

Ahold Delhaize also participates in 39 MEPs (2020: 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 €283 million and €293 million to multi-employer defined contribution plans during 2021 and 2020, respectively. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2021 and 2020. These plans vary significantly in size, with contributions to the three largest plans representing 62% of total contributions (2020: 52%).

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.

In 2021, the enactment of the ARPA resulted in a partial release of the FELRA and MAP excess benefit obligation. In the decision to partially release this excess benefit obligation, management has applied judgment in determining the projected insolvency as this depends on the assumed investment return. In 2021, the effect of ARPA is accounted for similarly to how we would account for an amendment of the plan, with the change recorded as a negative past service cost.

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	Other	Total
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**
Year ended January 2, 2022						
Additions charged to income	**264**	**73**	**55**	**6**	**25**	**422**
Acquisitions through business combinations	**11**	**—**	**—**	**—**	**1**	**12**
Used during the year	**(192)**	**(17)**	**(65)**	**(8)**	**(22)**	**(303)**
Released to income	**(46)**	**(1)**	**(3)**	**(3)**	**(3)**	**(57)**
Interest accretion	**7**	**—**	**—**	**1**	**1**	**8**
Effect of changes in discount rates	**(28)**	**—**	**—**	**—**	**—**	**(28)**
Other movements	**7**	**—**	**—**	**—**	**—**	**7**
Exchange rate differences	**67**	**1**	**1**	**2**	**2**	**73**
Closing carrying amount	**980**	**110**	**37**	**30**	**74**	**1,231**
As of January 2, 2022						
Current portion	**332**	**89**	**35**	**11**	**18**	**484**
Non-current portion	**648**	**21**	**2**	**19**	**56**	**746**
Carrying amount	**980**	**110**	**37**	**30**	**74**	**1,231**

Maturities of total provisions as of January 2, 2022, are as follows:

€ million	Self-insurance program	Claims and legal disputes	Severance and termination benefits	Onerous contracts	Other	Total
Amount due within one year	332	89	35	11	18	484
Amount due between one and five years	410	17	2	10	26	465
Amount due after five years	238	4	—	8	30	281
Total	**980**	**110**	**37**	**30**	**74**	**1,231**

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 €21 million as of January 2, 2022 (January 3, 2021: €20 million), mainly 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 2, 2022**	January 3, 2021
Lease liabilities – current portion	**1,201**	1,143
Interest payable	**36**	33
Short-term borrowings	**145**	74
Bank overdrafts	**807**	683
Reinsurance liabilities – current portion (see Note 16 and Note 23)	**67**	77
Loans – current portion (see Note 22)	**197**	348
Deposit liabilities	**17**	16
Derivative financial instruments	**1**	—
Other	**82**	11
Total other current financial liabilities	**2,552**	2,386

For more information on lease liabilities, see Note 33.

Bank overdrafts includes an amount of €807 million (January 3, 2021: €681 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).

Other mainly includes the current portion of the Local 1500 withdrawal liability; see Note 24.

Accounting policies

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

27 OTHER CURRENT LIABILITIES

€ million	January 2, 2022	January 3, 2021
Accrued expenses	**1,819**	1,630
Compensated absences	**565**	515
Payroll taxes, social security and VAT	**576**	533
Deferred income	**237**	203
Gift card liabilities[1]	**249**	208
Other[2]	**37**	37
Total other current liabilities	**3,483**	3,125

1 Gift card sales for the year in the amount of €605 million and exchange rate differences of €8 million, offset by redemptions in the amount of €559 million and breakage in the amount of €12 million resulted in an ending balance of gift card liabilities of €249 million.
2 Includes the current portion of the pension-related liability for FELRA and MAP of €28 million (January 3, 2021: €26 million). See *Note 24*.

The non-current portion of the Deferred income amounts to €51 million (January 3, 2021: €54 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 2, 2022	January 3, 2021
Cash and cash equivalents as presented in the statement of cash flows	**2,968**	2,910
Restricted cash	**25**	23
Cash and cash equivalents as presented on the balance sheet	**2,993**	2,933

The following tables present additional cash flow information:

€ million	2021	2020
Non-cash investing activities		
Accounts payable at year-end related to purchased non-current assets	**414**	334
Assets acquired under leases[1]	**651**	638
Reassessments and modifications to leases[2]	**1,071**	1,143
Acquisition of businesses (see *Note 4*)		
Total purchase consideration	**(881)**	(5)
Purchase consideration in kind	**173**	—
Purchase consideration paid by other parties	**166**	—
Deferred consideration payable	**2**	—
Cash acquired (excluding restricted cash)	**11**	1
Acquisition of businesses, net of cash acquired	**(529)**	(4)
Divestments of businesses		
Net cash flows related to Tops Markets	**(2)**	(3)
Net cash flows from divestment of subsidiaries and businesses[3]	**45**	—
Divestment of businesses	**44**	(3)
Cash divested	**(49)**	—
Divestment of businesses, net of cash divested	**(5)**	(3)
Reconciliation between results on divestments of discontinued operations and cash (paid) received		
Result on divestments of discontinued operations before income taxes	**—**	—
Result on divestment of subsidiaries and businesses[3]	**6**	—
Net assets (liabilities) divested	**39**	—
Changes in provisions and other financial liabilities – net	**(2)**	(3)
Divestment of businesses	**44**	(3)
Cash divested	**(49)**	—
Divestment of businesses, net of cash divested	**(5)**	(3)

1 The additions to right-of-use assets (see *Note 12* and *Note 13*) include €79 million of additions through sale and leaseback transactions and €2 million of lease incentives received net of initial direct costs (2020: €7 million of additions through sale and leaseback transactions and €4 million of initial direct costs net of lease incentives received), which are excluded from the amount of non-cash investing activities.
2 The modifications and remeasurements to right-of-use assets (see *Note 12* and *Note 13*) and to net investment in leases classified within non-current and current financial assets (see *Note 16* and *Note 19*) include €5 million of lease incentives received net of initial direct costs (2020: €16 million of lease incentives received net of initial direct costs), which are excluded from the amount of non-cash investing activities.
3 Predominantly includes divestment of a captive insurance business that did not qualify as a discontinued operation.

28 CASH FLOW CONTINUED

Changes in liabilities arising from financing activities for the years ended January 2, 2022, and January 3, 2021:

€ million	Loans	Lease liabilities	Short-term borrowings and bank overdrafts	Derivative assets	Derivative liabilities	Total
As of January 3, 2021	**4,210**	**9,586**	**757**	**—**	**—**	**14,553**
Proceeds from long-term debt[1]	**845**	**—**	**—**	**—**	**—**	**845**
Acquisitions through business combinations	**137**	**593**	**—**	**—**	**—**	**730**
Repayments of loans and lease liabilities[2]	**(427)**	**(1,575)**	**—**	**—**	**—**	**(2,002)**
Classified (to) held for sale or sold	**(3)**	**—**	**—**	**—**	**—**	**(3)**
Changes in short-term borrowings and overdrafts	**—**	**—**	**90**	**—**	**—**	**90**
Other cash flows from derivatives	**—**	**—**	**—**	**—**	**—**	**—**
Fair value changes	**(1)**	**—**	**—**	**—**	**2**	**1**
Additions to lease liabilities	**—**	**797**	**—**	**—**	**—**	**797**
Reassessments and modifications to leases	**—**	**1,060**	**—**	**—**	**—**	**1,060**
Termination of leases	**—**	**(51)**	**—**	**—**	**—**	**(51)**
Amortization of fair value adjustments and interest accretion to lease liability	**(6)**	**337**	**—**	**—**	**—**	**331**
Other non-cash movements	**—**	**(1)**	**—**	**—**	**—**	**(1)**
Exchange rate differences	**119**	**516**	**105**	**—**	**—**	**740**
As of January 2, 2022	**4,874**	**11,262**	**952**	**—**	**2**	**17,090**

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 €7 million of lease incentives received net of initial direct costs and excludes €2 million of lease payments classified as divestment of business, net of cash divested.

€ 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.

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:

	2021	2020
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic and diluted earnings per share	**2,246**	1,397
Number of shares (in millions)		
Weighted average number of common shares for the purposes of basic earnings per share	**1,028**	1,067
Effect of dilutive potential common shares:		
Conditional shares from share-based compensation programs	**6**	5
Weighted average number of common shares for the purposes of diluted earnings per share	**1,034**	1,072

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	2021	2020
Income from continuing operations, attributable to common shareholders for the purposes of basic and diluted earnings per share	**2,246**	1,397

Both basic and diluted income per share from discontinued operations attributable to common shareholders amounted to €0.00 (2020: €0.00), based on the income (loss) from discontinued operations attributable to common shareholders of nil (2020: nil) 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 2, 2022, 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 2021 rate, with all other variables held constant, the hypothetical result on income before income taxes would have been a decrease (increase) of €4 million (2020: a decrease (increase) of €5 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 gain on foreign exchange recognized in the 2021 income statement related to the revaluation of unhedged leases reported in the balance sheet amounted to €1 million (2020: loss of €15 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 €79 million (2020: €69 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 2, 2022, 96% of Ahold Delhaize's long-term bonds was at fixed rates of interest (January 3, 2021: 92%). In 2021, the Company entered into a fixed to floating interest rate swap, which is taken into account in the percentage as of January 2, 2022 (see section *Derivatives*).

Interest rate sensitivity analysis

The total interest expense recognized in the 2021 income statement related to the variable rates of short- and long-term debt amounted to nil (2020: 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 (2020: €1 million).

The total interest income recognized in the 2021 income statement amounted to €29 million (2020: €35 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 €6 million or a loss of €6 million, respectively (2020: gain of €7 million or a loss of €7 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 2, 2022, the amounts due under the supply chain finance arrangements classified as trade payables were €989 million (January 3, 2021: €862 million). For more information on the accounting policies regarding supply chain finance arrangements see section *Accounting policies – Supply chain financing*. 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 2, 2022. For further discussion on Ahold Delhaize's receivables, see *Note 16* and *Note 18*.

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

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.

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 2, 2022, amounted to €175 million (January 3, 2021: €108 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 2, 2022.

€ million	Gross amounts in the balance sheet	Cash collateral received/ pledged[1]	Net exposure
Assets			
Cash and cash equivalents	**859**	**807**	**52**
Total	**859**	**807**	**52**
Liabilities			
Bank overdrafts	**807**	**807**	**—**
Total	**807**	**807**	**—**

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 2, 2022, the Company's liquidity position primarily comprised €2,336 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 nil 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 2, 2022, and January 3, 2021, 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 2, 2022, and January 3, 2021, respectively. See *Note 34* for the liquidity risk related to guarantees.

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

Year ended January 2, 2022

€ 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	**(4,354)**	**(178)**	**(2,299)**	**(2,787)**	**(5,264)**
Other loans	**(274)**	**(60)**	**(212)**	**(3)**	**(275)**
Financing obligations	**(205)**	**(35)**	**(107)**	**(21)**	**(163)**
Mortgages payable	**(41)**	**(45)**	**—**	**—**	**(45)**
Accounts payable	**(7,563)**	**(7,563)**	**—**	**—**	**(7,563)**
Short-term borrowings	**(952)**	**(952)**	**—**	**—**	**(952)**
Reinsurance liabilities	**(272)**	**(72)**	**(154)**	**(55)**	**(281)**
Other long-term financial liabilities	**(276)**	**(80)**	**(161)**	**(45)**	**(286)**
Other	**(29)**	**(17)**	**—**	**—**	**(17)**
Derivative financial liabilities					
Derivatives	**(2)**	**(1)**	**—**	**(1)**	**(2)**

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

Year ended January 3, 2021

€ 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	(3,920)	(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 long-term financial liabilities	(291)	(9)	(264)	(17)	(290)
Other	(28)	—	—	(28)	(28)
Derivative financial liabilities					
Derivatives	—	—	—	—	—

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 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 2, 2022 Carrying amount	January 2, 2022 Fair value	January 3, 2021 Carrying amount	January 3, 2021 Fair value
Financial assets at amortized cost				
Loans receivable	**85**	**85**	47	52
Trade and other (non-)current receivables	**2,445**	**2,445**	1,982	1,982
Lease receivable	**492**	**516**	442	468
Cash and cash equivalents	**2,993**	**2,993**	2,933	2,933
Short-term deposits and similar investments	**15**	**15**	58	58
	6,029	**6,053**	5,461	5,493
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	**281**	**281**	254	254
Investments in debt instruments	**145**	**145**	138	138
	426	**426**	391	391
Derivative financial instruments				
Derivatives	**—**	**—**	—	—
Total financial assets	**6,455**	**6,479**	5,853	5,884

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

€ million	January 2, 2022 Carrying amount	Fair value	January 3, 2021 Carrying amount	Fair value
Financial liabilities at amortized cost				
Notes	**(4,354)**	**(4,721)**	(3,920)	(4,422)
Other loans	**(274)**	**(274)**	(2)	(2)
Financing obligations	**(205)**	**(149)**	(214)	(176)
Mortgages payable	**(41)**	**(42)**	(74)	(80)
Accounts payable	**(7,563)**	**(7,563)**	(6,795)	(6,795)
Short-term borrowings	**(952)**	**(952)**	(757)	(757)
Interest payable	**(36)**	**(36)**	(33)	(33)
Other long-term financial liabilities[1]	**(276)**	**(278)**	(291)	(309)
Other	**(29)**	**(29)**	(28)	(28)
	(13,731)	**(14,044)**	(12,115)	(12,603)
Financial liabilities at fair value through profit or loss				
Reinsurance liabilities	**(272)**	**(272)**	(248)	(248)
Derivative financial instruments				
Derivatives	**(2)**	**(2)**	—	—
Total financial liabilities excluding lease liabilities	**(14,004)**	**(14,317)**	(12,363)	(12,851)
Lease liabilities	**(11,262)**	N/A	(9,586)	N/A
Total financial liabilities	**(25,266)**	N/A	(21,949)	N/A

1 Other long-term financial liabilities include a long-term financial liability for the non-controlling interest in FreshDirect in the amount of $103 million (€91 million) (see *Note 4*).

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 2, 2022, is nil (January 3, 2021: 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 2, 2022, short-term deposits and similar instruments (€15 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 2, 2022 Fair value Assets	Fair value Liabilities	Notional amount
Interest rate swaps[1]	After 5 years	**—**	**(1)**	**176**
Total fair value hedges		**—**	**(1)**	**176**
Forward foreign currency contracts	Within 1 year	**—**	**(1)**	**43**
Total derivatives – no hedge accounting treatment		**—**	**(1)**	**43**
Total derivative financial instruments		**—**	**(2)**	**219**

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

1 Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2021 (not relevant in 2020).

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

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 (FVOCI) 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.

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

A financial asset is measured at FVOCI 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 FVOCI 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 reclassified to profit or loss when the 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 investment in equity instruments at FVOCI.

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.

Impairment of financial assets

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. 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 the 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.

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 reclassified to the income statement when the forecasted transaction is ultimately recognized. 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 (SB) to be key management personnel as defined in IAS 24 "Related Party Disclosures." At the end of 2021, the ExCo consisted of the Management Board (MB) and two other members.

The total compensation of key management personnel in 2021 amounted to €24,571 thousand (2020: €32,449 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 €1 million (2020: €2 million).

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, and the additional ExCo members who were not part of the Management Board.

	2021				2020			
€ thousand	**MB members**	**Former MB members[1]**	**Other ExCo**	**Total ExCo**	MB members	Former MB members[1]	Other ExCo	Total ExCo
Base salary	**3,518**	**—**	**1,354**	**4,872**	3,251	216	2,007	5,474
EIP[2]	**4,398**	**—**	**1,406**	**5,804**	4,877	216	3,182	8,275
Other[3]	**968**	**—**	**1,202**	**2,170**	1,105	73	2,057	3,235
Share-based compensation[4]	**7,329**	**—**	**1,489**	**8,818**	7,140	861	3,305	11,306
Pensions[5]	**466**	**—**	**213**	**679**	332	44	222	598
Remuneration of the members of the ExCo	**16,679**	**—**	**5,664**	**22,343**	16,705	1,410	10,773	28,888

1 Former MB members includes members that resigned during the respective year.
2 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 report*. The overall 2021 performance multiplier was 125% for MB and 150% for other ExCo (2020: 150% for MB and other ExCo).
3 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.
4 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 2021 reflects this year's portion of the share grants over the previous four years (plans 2018 to 2021). For more information on the share-based compensation expenses see *Note 32*.
5 Pension costs are the total net periodic pension costs of the applicable pension plans.

For more details on the remuneration of the individual members of the Management Board, see the *Remuneration report*.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

The Remuneration Policy for the Supervisory Board was adopted by the General Meeting of Shareholders on April 8, 2020, and became effective retroactively as of January 1, 2020. The table below specifies the total remuneration of the members of the Supervisory Board.

	2021			2020		
€ thousand	**SB members**	**Former SB members**	**Total SB**	SB members	former SB members	Total SB
Remuneration of the members of the Supervisory Board	**1,211**	**65**	**1,276**	1,058	254	1,312

For more details on the remuneration of the individual members of the Supervisory Board, see the *Remuneration report*.

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 2021 and 2020, the Company entered into the following transactions with unconsolidated related parties:

For the year ended January 2, 2022

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
Allston Yards	—	—	36	—	—
Cathedral Commons	—	1	—	—	19
Other	—	4	4	—	9
Total	—	5	40	—	28

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

These unconsolidated related parties consist of:

- JMR, a joint venture of Ahold Delhaize in the retail business (see *Note 15*).
- Allston Yards Parcel B Developer, LLC , a real estate joint venture in which Ahold Delhaize is a member.
- 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 2021 and 2020.
- "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 2021, Ahold Delhaize's share-based compensation program consisted of a share grant program called Global Reward Opportunity (GRO). Total 2021 GRO share-based compensation expenses were €48 million (2020: €59 million). Ahold Delhaize's share-based compensation programs are equity-settled.

The fair value of the performance shares granted under the GRO program in 2021 at grant date was €43 million, of which €6 million related to the Management Board members. The fair value is expensed over the vesting period of the grants, adjusted for expected annual forfeitures of 5% (2020: 5%) excluding Management Board members. For the share-based compensation expenses allocable to the individual Management Board members, see the *Remuneration report*.

GRO program

MAIN CHARACTERISTICS OF PERFORMANCE SHARES GRANTED IN 2019 THROUGH 2021

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 comprises 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 that comprises 12 companies (see the *Remuneration report* 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 below 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 Healthy and Sustainable 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.

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 through 2021:

2019–2021 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 2018

The performance shares granted in 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 on the next page 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 2018:

TSR performance peer group for performance shares granted in 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

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 2018:

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 2022

In 2022, the performance shares granted in 2019 will vest. The performance shares vesting will comprise performance shares based on the Company's RoC, EPS, TSR and sustainability performance. As of the end of 2021, Ahold Delhaize ranked 5th in the TSR peer group with respect to the 2019 grant. Based on this TSR ranking, the vesting percentage for the portion of the 2019 performance shares dependent on Ahold Delhaize's TSR performance was 75%.

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 2019 performance shares dependent on Ahold Delhaize's RoC, EPS and sustainability performance is 130%, 150% and 111% respectively.

On April 14, 2022, a maximum of 0.3 million performance shares granted in 2019 to current 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 14, 2022, a maximum of 2.3 million performance shares granted in 2019 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.

The following table summarizes the status of the GRO program during 2021 for the Management Board members and for all other employees in the aggregate.

	Outstanding at the beginning of 2021	Granted	Performance adjustment[1]	Vested[2]	Forfeited	Outstanding at the end of 2021
Management Board members						
Shares MB members[3]	892,060	301,666	51,664	355,590	—	**889,800**
Other employees						
2018 grant	2,243,546	281	375,320	2,589,309	29,838	**—**
2019 grant	1,963,382	30,210	—	2,520	165,112	**1,825,960**
2020 grant	2,112,634	36,712	—	2,612	229,212	**1,917,522**
2021 grant	—	2,042,064	—	2,344	166,774	**1,872,946**
Total number of shares	7,211,622	2,410,933	426,984	2,952,375	590,936	**6,506,228**

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 2018 grant was April 15, 2021. The share price was €23.02 on April 15, 2021.
3 For an overview of the shares outstanding for the Management Board members, see the *Remuneration report*.

VALUATION MODEL AND INPUT VARIABLES

The weighted average fair value of the performance shares granted in 2021, for all eligible participants including Management Board members, amounted to €7.44 per share for TSR performance shares and €20.34 per share for RoC performance shares, EPS performance shares and sustainability performance shares (2020: €14.54 per share for TSR performance shares and €20.02 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:

	2021	2020
Closing share price at grant date (€)	**22.88**	22.42
Risk-free interest rate	**(0.7)%**	(0.6)%
Volatility	**21.4%**	21.2%
Assumed dividend yield	**4.1%**	3.8%

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

32 SHARE-BASED COMPENSATION CONTINUED

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* and *Note 13* 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 2, 2022, and January 3, 2021, respectively, based on the undiscounted payments.

€ million	**January 2, 2022**	January 3, 2021
Less than one year	**1,545**	1,406
One to five years	**5,409**	4,870
Five to ten years	**3,787**	3,251
Ten to fifteen years	**1,752**	1,422
More than fifteen years	**1,223**	1,040
Total undiscounted lease payments	**13,717**	11,990
Lease liabilities included in the balance sheet	**11,262**	9,586
Current portion (*Note 26*)	**1,201**	1,143
Non-current portion (*Note 23*)	**10,061**	8,442

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.

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 2, 2022, potential uncommitted future cash outflows of an estimated €36 billion (undiscounted) (2020: €33 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 €1,020 million (2020: €1,107 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 2, 2022	Number of contracts with termination options not exercised or not considered reasonably certain to be exercised as of January 2, 2022	Number of contracts with termination options exercised or considered reasonably certain to be exercised as of January 2, 2022
	Number of leases	Number of leases	Number of leases
Total Ahold Delhaize	**2,500**	**2,150**	**350**

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.

33 LEASES CONTINUED

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 €1,311 million (2020: €1,193 million). The 2021 and 2020 numbers mainly relate 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 2020 and 2021. In 2020, the gain on sale and leaseback transactions of €20 million was mainly the result of transactions in Belgium and the Czech Republic. In 2021, the gain on sale and leaseback transactions of €7 million was mainly the result of transactions in Belgium, the Czech Republic and the Netherlands.

AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

€ million	2021	2020
Variable lease payments not included in the measurement of lease liabilities	**(18)**	(16)
Expenses related to short-term leases	**(22)**	(28)
Expenses relating to leases of low-value assets that are not shown above as short-term leases	**(18)**	(15)
Total rent expense	**(58)**	(59)
Depreciation charge for right-of-use assets	**(1,134)**	(1,083)
Interest accretion to lease liability	**(337)**	(357)
Gains (losses) on sale and leaseback transactions	**7**	20
Income from subleasing right-of-use assets	**58**	71

During 2021, net impairments of €3 million (2020: €2 million) on right-of-use assets (excluding investment properties) and nil (2020: €1 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	2021	2020
Total cash outflow for leases	**(1,630)**	(1,646)

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.

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 2, 2022	January 3, 2021
Less than one year	**94**	102
One to two years	**82**	83
Two to three years	**64**	62
Three to four years	**50**	47
Four to five years	**32**	36
More than five years	**77**	82
Total undiscounted lease payments	**400**	413

33 LEASES CONTINUED

FINANCE LEASES

Net investment in leases

€ million	2021	2020
As of the beginning of the year		
Current portion	88	78
Non-current portion	397	396
Carrying amount at the beginning of the year	485	474
Interest accretion	13	13
Acquisitions through business combinations	21	—
Repayments	(103)	(99)
Impairment losses and reversals – net	—	(1)
Terminations	(1)	(2)
Reassessments and modifications	46	19
Reclassifications (to) from right-of-use assets	91	97
Exchange rate differences	14	(17)
Closing carrying amount	566	485
As of the end of the year		
Current portion	91	88
Non-current portion	475	397
Carrying amount at the end of the year	566	485

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 2, 2022	January 3, 2021
Less than one year	101	99
One to two years	94	86
Two to three years	82	78
Three to four years	71	66
Four to five years	56	56
More than five years	134	105
Total undiscounted lease payments receivable	539	491
Unearned finance income	(43)	(45)
Total discounted lease payments receivable	496	445
Cumulative impairment losses	(4)	(4)
Lease receivable	492	442
Unguaranteed residual value	74	43
Net investment in leases	566	485

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	2021	2020
Operating leases		
Rent income relating to fixed payments on operating leases	140	156
Rent income relating to variable payments on operating leases	6	5
Total rent income	146	162
Interest income on net investment in leases	13	13

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

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.

33 LEASES CONTINUED

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.

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 judgments for more information.

33 LEASES CONTINUED

Accounting policies continued

AS A LESSOR

The Company classifies 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 equal to the transferred proceeds or cash received.

34 COMMITMENTS AND CONTINGENCIES

Investment commitments

As of January 2, 2022, Ahold Delhaize had outstanding investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €369 million and €17 million, respectively (January 3, 2021: €230 million and €5 million, respectively). These investment commitments include contractual commitments for contributions to franchisees. 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 2, 2022 (January 3, 2021: €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 and 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 and 2023. 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 2, 2022, the Company's purchase commitments were approximately €2.4 billion (January 3, 2021: €1.3 billion). In 2021, Food Lion entered into a long-term supply agreement with Maryland-Virginia Milk Producers Cooperative for milk and milk related products. The initial term is 10 years and the related purchase commitment amounts to $0.6 billion (€0.5 billion) and is included in the €2.4 billion purchase commitments.

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 2, 2022, the Company has no significant outstanding commitments related to business acquisitions.

34 COMMITMENTS AND CONTINGENCIES CONTINUED

Contingent liabilities

GUARANTEES

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

€ million	January 2, 2022	January 3, 2021
Lease guarantees	**689**	713
Lease guarantees backed by letters of credit	**15**	20
Corporate and buyback guarantees	**14**	17
Total	**718**	750

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.

LEASE GUARANTEES

Ahold Delhaize or its subsidiaries may be contingently liable for leases that have been assigned and/or transferred to third parties in connection with facility closings and dispositions. Ahold Delhaize could be required to perform 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 2, 2022, the €689 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 2, 2022	January 3, 2021
Tops divestments	**285**	291
BI-LO/Bruno's divestment	**115**	105
Sweetbay, Harveys and Reid's divestment	**76**	95
Bottom Dollar Food divestment	**87**	89
Other[1]	**126**	132
Total lease guarantees	**689**	713

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 €584 million and €603 million as of January 2, 2022, and January 3, 2021, respectively. If Ahold Delhaize is called upon to satisfy its obligations under the outstanding lease guarantees, it has several potential defenses to reduce the Company's gross exposure.

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 $17 million (€15 million) as of January 2, 2022 (2020: $25 million (€20 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.

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.

34 COMMITMENTS AND CONTINGENCIES CONTINUED

In December 2020, Ahold Delhaize's subsidiary, Delhaize Le Lion/De Leeuw SCA ("DLL"), received an adjustment notice from the Belgian tax authorities relating to its 2018 tax return. In 2018, DLL executed a common control transaction and transferred the shares of the former Delhaize USA business from DLL to Koninklijke Ahold Delhaize NV (share transaction) with the business purpose of combining the former Delhaize USA business with the former Ahold USA business, to simplify the legal structure and be able to file one consolidated federal tax return in the United States. This share transaction is tax exempt in Belgium for DLL and falls under the participation exemption in the Netherlands for the receiving entity Koninklijke Ahold Delhaize NV. The applied purchase price of the underlying Delhaize USA shares is supported by an external valuation report. With the adjustment notice, the Belgian tax authorities informed DLL that, in their opinion, the applied purchase price does not reflect the market value of the underlying shares and they thus rejected the external valuation report. Although the entire share transaction was tax exempt in Belgium, an upward correction of the purchase price received by DLL is a taxable event under the Belgian tax code. The maximum exposure relating to this adjustment notice amounts to €382 million (including a 10% penalty increase). Ahold Delhaize does not accept this correction, and, in our opinion, the adjustment notice and all the arguments of the Belgian tax authorities are without any merit. In January 2021, DLL filed an objection letter to the adjustment notice. The Belgium tax authorities rejected the provided arguments as stated in the objection letter and issued for 2018 an additional assessment notice of €382 million. We decided to pay the additional assessment notice in order to avoid an interest charge of 4% per annum on the amount due and to avoid adverse tax consequences such as the compensation with all possible tax receivables. In the meanwhile, Ahold Delhaize engaged another independent third-party valuator and an external law firm to perform an assessment of the original valuation report as well as the legal and tax grounds to issue the additional assessment notice. Based on their conclusions, we decided that the basis to issue an additional assessment of €382 million is without any merit and, as such, DLL recorded a receivable for the full paid amount. DLL will use all legal and tax remediation options to defend its position against the additional assessment of €382 million.

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 2008-2016. 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. On June 18, 2021, the Supreme Court ruled to quash the ruling of the Court of Appeal in Amsterdam and referred the matter to the Court of Appeal in The Hague. The proceedings will continue after the VAHFR brings the matter before the court in The Hague. This ruling does not change our assessment of the merits of the case and 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.

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 responded 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

34 COMMITMENTS AND CONTINGENCIES CONTINUED

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 significant subsidiaries, joint ventures and associates directly or indirectly owned by Ahold Delhaize as of January 2, 2022. Subsidiaries, joint ventures and associates not important to providing an insight into the Ahold Delhaize Group as required under Dutch law are omitted from this list.

Significant subsidiaries (consolidated)			Ownership %
Retail trade Europe			
The Netherlands			
Albert Heijn B.V.*	Zaandam		100%
Albert Heijn Franchising B.V.*	Zaandam		100%
Gall & Gall B.V.*	Zaandam		100%
Etos B.V.*	Zaandam		100%
bol.com B.V.*	Utrecht		100%
Belgium			
Delhaize Le Lion / De Leeuw Comm. VA / SCA	Brussels		100%
Albert Heijn België NV / SA	Antwerp		100%
Greece			
Alfa-Beta Vassilopoulos Single Member S.A.	Athens		100%
Serbia			
Delhaize Serbia d.o.o. Beograd	Belgrade		100%
Romania			
Mega Image SRL	Bucharest		100%
Czech Republic			
Albert Česká republika, s.r.o.	Prague		100%
Grand-Duchy of Luxembourg			
Delhaize Luxembourg S.A.	Pommerloch		100%
Retail trade United States			
United States			
The Stop & Shop Supermarket Company LLC	Quincy	Massachusetts	100%
Food Lion LLC	Salisbury	North Carolina	100%
The GIANT Company LLC	Carlisle	Pennsylvania	100%
Giant of Maryland LLC	Landover	Maryland	100%
Hannaford Bros. Co., LLC	Scarborough	Maine	100%
Fresh Direct Holdings, Inc.	Bronx	New York	80%
Other			
The Netherlands			
Ahold Delhaize Coffee Company B.V.*	Zaandam		100%
Ahold Europe Real Estate & Construction B.V.*	Zaandam		100%
Ahold Finance U.S.A., LLC*	Zaandam		100%
Ahold Delhaize Nederland B.V.*	Zaandam		100%
Delhaize "The Lion" Nederland B.V.*	Zaandam		100%
United States			
ADUSA Commercial Holdings, Inc.	Salisbury	North Carolina	100%
ADUSA Supply Chain Services, LLC	Salisbury	North Carolina	100%
Ahold Information Services Inc.	Greenville	South Carolina	100%
Ahold Lease U.S.A. Inc.	Quincy	Massachusetts	100%
Ahold Delhaize USA, Inc.	Quincy	Massachusetts	100%
American Sales Company LLC	Lancaster	New York	100%
Delhaize America, LLC	Salisbury	North Carolina	100%
Delhaize US Holding, Inc.	Salisbury	North Carolina	100%
Guiding Stars Licensing Company, LLC	Scarborough	Maine	100%
MAC Risk Management, Inc.	Quincy	Massachusetts	100%
The MollyAnna Company	Williston	Vermont	100%
Retail Business Services LLC	Salisbury	North Carolina	100%
Peapod Digital Labs, LLC	Chicago	Illinois	100%
Grand-Duchy of Luxembourg			
Lion Lux Finance S.à.r.l.	Pommerloch		100%
Lion Retail Holding S.à.r.l.	Pommerloch		100%
Switzerland			
Ahold Delhaize Finance Company N.V.	Geneva		100%
Ahold Delhaize International Sàrl	Geneva		100%
Ahold Delhaize Licensing Sàrl	Geneva		100%
Curaçao			
Ahold Insurance N.V.	Willemstad		100%
CUW B.V.	Willemstad		100%

Significant joint ventures and associates (unconsolidated)			Ownership %
JMR – Gestão de Empresas de Retalho, SGPS, S.A.	Lisbon	Portugal	49%
P.T. Lion Super Indo	Jakarta	Indonesia	51%

35 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES CONTINUED

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 *.

36 SUBSEQUENT EVENTS

There have been no significant subsequent events.

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

€ million	Note	52 weeks ended January 2, 2022	53 weeks ended January 3, 2021
Intercompany head office and other recharges		**72**	92
General and administrative expenses		**(64)**	(65)
Total operating expenses	2	**(64)**	(65)
Operating income		**8**	27
Interest expense		**(52)**	(47)
Other financial income (expense)		**(60)**	(48)
Net financial expenses		**(112)**	(95)
Loss before income taxes		**(103)**	(69)
Income taxes	5	**36**	35
Income from subsidiaries and investments in joint ventures after income taxes	7	**2,313**	1,431
Net result after tax		**2,246**	1,397

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 2, 2022	January 3, 2021
Assets			
Right-of-use asset		—	1
Intangible assets	6	71	57
Deferred tax assets	5	10	9
Financial assets	7	21,475	19,938
Total non-current assets		21,557	20,005
Receivables	8	19	60
Prepaid expenses		24	25
Cash and cash equivalents		113	47
Total current assets		156	132
Total assets		21,712	20,137
Liabilities and shareholders' equity			
Issued and paid-in share capital		10	11
Additional paid-in capital		10,988	12,246
Currency translation reserve		(75)	(839)
Cash flow hedging reserve		(2)	(3)
Reserve participations		449	420
Accumulated deficit		104	(800)
Net income		2,246	1,397
Shareholders' equity	9	13,721	12,432
Provisions	10	1	2
Loans	11	5,369	4,944
Other non-current liabilities		—	17
Total non-current liabilities		5,369	4,960
Current liabilities	12	2,622	2,742
Total liabilities and shareholders' equity		21,712	20,137

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

PERFORMANCE

NOTES TO THE 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	2021	2020
Labor costs	**(23)**	(27)
Other operational expenses	**(30)**	(30)
Depreciation and amortization	**(11)**	(9)
Total expenses by nature	**(64)**	(65)

Labor costs consists of employee expenses of €17 million (2020: €22 million), other related employee costs of €3 million (2020: €3 million) and other contracted personnel expenses of €3 million (2020: €2 million).

3 EMPLOYEES

The average number of employees of Koninklijke Ahold Delhaize N.V. in full-time equivalents during 2021 was six (2020: seven), 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 €17 million, €1.3 million and €0.2 million, respectively, for 2021 (2020: expenses of €22 million, €1.2 million and €0.2 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 2021 and in 2020, are specified as follows:

2021

€ thousand	PwC	Member firms/ affiliates	Total 2021
Audit fees	**3,062**	**4,335**	**7,398**
Audit-related fees	**1,501**	**229**	**1,730**
Tax advisory fees	**—**	**201**	**201**
Total	**4,563**	**4,766**	**9,329**

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

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. Tax advisory fees relate to tax compliance services performed in the U.S.

5 INCOME TAXES

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

€ million	2021	2020
Current income taxes – the Netherlands	**34**	37
Deferred income taxes – the Netherlands	**2**	(2)
Total income taxes	**36**	35

Effective income tax rate

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

	2021	
	€ million	Tax rate
Loss before income taxes	**(103)**	
Income tax (expense) benefit at statutory tax rate	**26**	**25.0%**
Adjustments to arrive at effective income tax rate:		
Reserves, (non-)deductibles and discrete items	**10**	**10.0%**
Total income taxes (expense) benefit	**36**	**35.0%**

	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%

5 INCOME TAXES CONTINUED

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 2, 2022, and January 3, 2021, are as follows:

€ million	December 29, 2019	Recognized in income statement	Other	January 3, 2021	**Recognized in income statement**	**Other**	**January 2, 2022**
Derivatives and loans	11	(3)	—	8	**2**	**—**	**10**
Blended rate deferred tax fiscal unity	—	1	—	1	**—**	**(1)**	**—**
Total gross deductible temporary differences	11	(2)	—	9	**2**	**(1)**	**10**
Tax losses and tax credits	—	—	—	—	**—**	**—**	**—**
Total net deferred tax asset position	11	(2)	—	9	**2**	**(1)**	**10**
Total deferred tax liabilities	—	—	—	—	**—**	**—**	**—**
Net deferred tax assets	11	(2)	—	9	**2**	**(1)**	**10**

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	**2021**	2020
Share buyback	**(2)**	—
Total	**(2)**	—

6 INTANGIBLE ASSETS

€ million	Software
As of January 3, 2021	
At cost	85
Accumulated amortization and impairment losses	(28)
Carrying amount	**57**
Year ended January 2, 2022	
Additions	28
Transfers	(3)
Amortization	(11)
Closing carrying amount	**71**
As of January 2, 2022	
At cost	110
Accumulated amortization and impairment losses	(39)
Carrying amount	**71**

7 FINANCIAL ASSETS

€ million	January 2, 2022	January 3, 2021
Investments in subsidiaries, joint ventures and associates	**20,667**	18,933
Loans receivable from subsidiaries	**798**	1,006
Other derivatives (see *Note 13*)	**10**	—
Total financial assets	**21,475**	19,938

The changes in the Investments in subsidiaries, joint ventures and associates were as follows:

€ million	2021	2020
Beginning of year	**18,933**	19,943
Share in income	**2,313**	1,431
Dividends	**(1,360)**	(1,438)
Intercompany transfers	**(1)**	—
Share of other comprehensive income (loss) and other changes in equity	**16**	(4)
Exchange rate differences	**766**	(999)
End of year	**20,667**	18,933

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

Loans receivable

€ million	2021	2020
Beginning of year	**1,006**	1,066
Intercompany transfers	**(208)**	(60)
End of year	**798**	1,006
Current portion	**—**	—
Non-current portion of loans	**798**	1,006

The loans receivable are related to loans with subsidiaries.

8 RECEIVABLES

€ million	January 2, 2022	January 3, 2021
Receivables from subsidiaries	**18**	41
Receivables from joint ventures	**—**	1
Income tax receivable	**—**	17
Other receivables	**1**	1
Total receivables	**19**	60

9 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 2, 2022, €13,721 million, an amount of €460 million is non-distributable (January 3, 2021: €431 million out of total equity of €12,432 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 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)
Share-based payments	—	—	—	—	—	61	61
Other items	—	—	—	—	—	(1)	(1)
Balance as of January 3, 2021	**11**	**12,246**	**(839)**	**(3)**	**420**	**597**	**12,432**
Net income attributable to common shareholders	**—**	**—**	**—**	**—**	**—**	**2,246**	**2,246**
Other comprehensive income (loss)	**—**	**—**	**764**	**1**	**—**	**79**	**843**
Total comprehensive income (loss) attributable to common shareholders	**—**	**—**	**764**	**1**	**—**	**2,325**	**3,089**
Dividends	**—**	**—**	**—**	**—**	**—**	**(856)**	**(856)**
Share buyback	**—**	**—**	**—**	**—**	**—**	**(995)**	**(995)**
Cancellation of treasury shares	**(1)**	**(1,258)**	**—**	**—**	**—**	**1,259**	**—**
Share-based payments	**—**	**—**	**—**	**—**	**—**	**51**	**51**
Other changes in reserves	**—**	**—**	**—**	**—**	**28**	**(28)**	**—**
Balance as of January 2, 2022	**10**	**10,988**	**(75)**	**(2)**	**449**	**2,350**	**13,721**

1 Other reserves include, among others, the remeasurements of defined benefit plans. Costs for internally developed software are also included in other reserves (€1 million as of January 2, 2022 and nil as of January 3, 2021).

10 PROVISIONS

€ million	January 2, 2022	January 3, 2021
Provision for negative equity subsidiaries	**—**	—
Other provisions	**1**	2
Total provisions	**1**	2

As of January 2, 2022, nil is expected to be utilized within one year (January 3, 2021: €2 million).

11 LOANS

	January 2, 2022	
€ million	Non-current portion	Current portion
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**	**—**
EUR 600 notes 0.375%, due 2030	**600**	**—**
USD 827 notes 5.70%, due 2040	**496**	**3**
Long-term loans from subsidiaries	**1,748**	**596**
Other loans	**190**	**60**
Deferred financing costs	**(15)**	**(4)**
Total loans	**5,369**	**654**

The long-term loans from subsidiaries mature in 2026 (€391 million), 2028 (€900 million) and 2029 (€458 million). For more information on the external loans, see *Note 22* to the consolidated financial statements.

Other loans include a €250 million drawing under a committed credit facility (€60 million matures in 2022 and €190 million matures in 2023).

	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	464	3
Long-term loans from subsidiaries	2,144	650
Deferred financing costs	(15)	(4)
Total loans	4,944	949

12 CURRENT LIABILITIES

€ million	January 2, 2022	January 3, 2021
Short-term borrowings from subsidiaries	**1,819**	1,512
Loans – current portion	**654**	949
Bank debt and lines of credit	**41**	182
Income tax payable	**2**	—
Payables to subsidiaries	**27**	17
Interest payable	**22**	20
Other current liabilities	**57**	62
Total current liabilities	**2,622**	2,742

The current liabilities are liabilities that mature within one year.

13 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	2021	2020
Beginning of year	**—**	—
Fair value changes	**10**	—
End of year	**10**	—

13 DERIVATIVES CONTINUED

Current derivatives – assets

€ million	2021	2020
Beginning of year	—	12
Fair value changes	—	(12)
End of year	—	—

Non-current derivatives – liabilities

€ million	2021	2020
Beginning of year	**16**	—
Fair value changes	**(16)**	16
End of year	—	16

Current derivatives – liabilities

There were no current derivative liabilities in 2021 and 2020.

14 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.

15 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 €485 million as of January 2, 2022, (January 3, 2021: €486 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 $17 million (€15 million) as of January 2, 2022 (January 3, 2021: $25 million (€20 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.

16 DISTRIBUTION OF PROFIT

If approved by the General Meeting of Shareholders, a final dividend of €0.52 per common share will be paid on April 28, 2022. This is in addition to the interim dividend of €0.43 per share, which was paid on September 2, 2021. The total dividend payment for the full year 2021 would, therefore, total €0.95 per share (2020: €0.90).

17 SUBSEQUENT EVENTS

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

Zaandam, the Netherlands

March 1, 2022

Management Board

Frans Muller

Natalie Knight

Kevin Holt

Wouter Kolk

Supervisory Board

Peter Agnefjäll (Chair)

Bill McEwan (Vice Chair)

René Hooft Graafland

Katie Doyle

Helen Weir

Mary Anne Citrino

Frank van Zanten

Bala Subramanian

Jan Zijderveld

PERFORMANCE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STATEMENTS

ESG statements

INTRODUCTION

ESG performance is an important part of how we measure our company's success. In this section, we provide an overview of the reporting framework we apply and the activities that fall within its scope. This section also includes performance on the most important indicators we track, which methodology we use for measuring performance and what data collection process and considerations we take into account when reporting on these indicators. To read more about our governance in this area, see *How we manage our ESG performance.*

The various ESG statements have been selected and tailored to meet stakeholders' expectations to the extent possible and provide such information that is necessary for an understanding of the development, performance, position and impact of our activities relating to relevant ESG topics; see *ESG materiality assessment*.

GLOBAL REPORTING INITIATIVE

We report on our progress in accordance with the GRI Standards: Core option. GRI maintains comprehensive sustainability reporting standards, which are the result of an independent multi-stakeholder process. The GRI requirements are more detailed and extensive than the reporting obligations under the current applicable legal framework. An overview of how we followed the GRI standards can be found on the Ahold Delhaize website at *www.aholddelhaize.com*. For more information on the definitions used, see *Glossary.*

SCOPE

This year's Annual Report on fiscal year 2021 contains ESG data focusing on where we have the most material impact. For scope 3 carbon emissions, the reporting covers the fiscal year 2020. For more information on how we report on scope 3, see the methodology used and data collection and considerations in *Environmental ESG statements*.

All Ahold Delhaize brands except FreshDirect, bol.com, Etos and Gall & Gall, unless otherwise noted, are included in the figures. FreshDirect is excluded as it was acquired during the year. Bol.com, Etos and Gall & Gall are excluded for some indicators due to the nature of the business.

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 2021, we explain it in 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 the *Glossary*, 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 *Glossary* section, together with the definitions of other non-financial alternative performance measures used in the ESG statements and elsewhere in this report.

Some performance indicators do not fully cover each ESG topic (e.g., available and affordable products), and for various topics it is not yet possible to define relevant performance indicators that are meaningful, quantifiable, and/or reliably measurable. The disclosures in our Annual Report are limited to the performance indicators deemed relevant for our business.

ESG statements

ENVIRONMENTAL

SCOPE 1 and 2 CARBON EMISSIONS

As the pace of climate change speeds up, we are committed to reducing carbon emissions in our own operations. Our great local brands continue to invest in energy efficiency, improve their refrigeration systems, further modernize their logistics fleets and opt for eco-friendly fuels.

Performance indicator description[6]	2021	2020	2030 target
% reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2)[1,2] – market-based approach	**31%**	23%	50%
Total CO_2-equivalent emissions (thousand tonnes) – market-based approach[3,4,5]	**2,827**	3,148	
Total CO_2-equivalent emissions (thousand tonnes) – location-based approach[3,4]	**3,476**	3,591	
Scope 1 location based (thousand tonnes)[3,4]	**1,728**	1,771	
Scope 2 market based (thousand tonnes)[4,5]	**1,099**	1,378	
Scope 2 location based (thousand tonnes)[4]	**1,748**	1,820	

1 Reduction is from a 2018 baseline of 4,073 thousand tonnes CO_2-equivalent emissions.
2 2018 baseline has been restated due to acquisitions, inclusion of last-mile delivery and updated conversion factors for refrigerants from IPCC and average residual mix emissions factors.
3 2020 absolute CO_2-equivalent emissions has been restated from 3,035 to 3,148 for the market-based approach and from 3,399 to 3,591 due to updated conversion factors for refrigerants from IPCC.
4 2021 absolute CO_2-equivalent emissions include impact from acquisitions and last-mile delivery, resulting in a 5% impact compared to 2020.
5 2020 absolute CO_2-equivalent emissions has been restated to apply average residual mix emissions factors. This is consistent with 2021 calculations.
6 2020 and 2021 figures include Etos, Gall & Gall and bol.com.

ENERGY CONSUMPTION

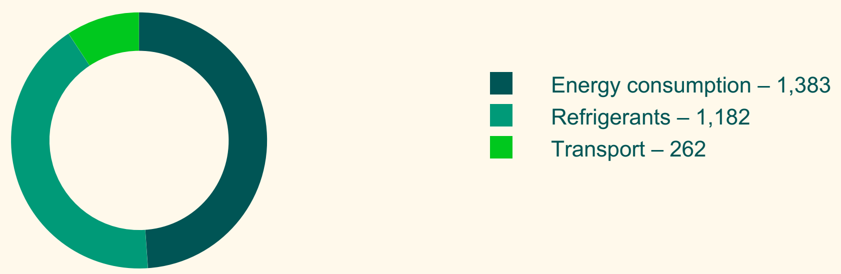
Performance indicator description[1]	2021	2020
Facilities energy consumption (million kWh)[2]	**6,714**	6,561
% renewable electricity on total electricity consumed	**21%**	12%

1 2020 and 2021 figures include Etos and Gall & Gall.
2 2020 and 2021 figures include bol.com.

Carbon emissions per m² of sales area

1 2019 and 2020 figures have been restated to only include emissions from own operations, in line with the scope of our science-based targets.

CO_2-equivalent emissions per type (in thousand tonnes)



ESG statements
ENVIRONMENTAL

Methodology

We report our scope 1 and 2 carbon emissions data according to the Greenhouse Gas (GHG) Protocol Corporate Standard. CO_2 emissions data consists of a calculated CO_2 equivalent: actual CO_2 emitted plus equivalent emission from other greenhouse gases.

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.

We use the latest available emission factors in our reporting. We source location-based electricity emission factors from the International Energy Agency (IEA, 2021 edition; 2019 data) for European countries and from the Environmental Protection Agency (EPA) (based on eGrid 2019 values, issued in February 2021) 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, GWP values of all refrigerant blends used in Ahold Delhaize facilities were calculated based on GWP values of refrigerants from the Intergovernmental Panel for Climate Change Assessment Report 6, AR6 Chapter 7 (2021).

Data collection and considerations

Data on energy consumption, leakage for refrigerant substances and liters of diesel used for owned transport is collected on a quarterly basis on site level at each brand. The sources of this data include invoices, remote meter records, third-party service provider reports and internal reports. Source data is reviewed internally and reported to the group through an internal reporting tool that stores the conversion factors to calculate the carbon emissions. Absolute carbon emissions are calculated by multiplying the source data with the relevant conversion factors.

Data is not always available in real time or immediately after quarter close. In these cases, we use data extrapolated from previously known consumption.

If data is not available at all, e.g., for a portion of the franchise stores, we use estimates calculated using locations that are comparable in size and format.

During 2021, several events took place that impacted Ahold Delhaize's scope 1 and 2 absolute carbon emissions: Food Lion acquired Southeastern Grocers, Albert Heijn acquired DEEN supermarkets, IPCC updated the conversion factors for refrigeration substances, and last-mile delivery was included for the Ahold Delhaize USA brands. This resulted in a restatement of the 2018 baseline to 4,073 thousand tonnes (+11.3%). The 2021 performance reflects these changes as well, while the 2020 data only includes the change from the updated conversion factors following the IPCC report.

GRI indicator

05-1 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.

ESG topic

CO_2 emissions and climate change.

SCOPE 3 CARBON EMISSIONS

To reduce carbon emissions along our value chain, our brands will partner with suppliers to focus on four areas: reducing waste, increasing the number of low-carbon products in their assortments, reducing emissions from outsourced transportation, and engaging with suppliers to reduce their emissions.

Performance indicator description[2]	2020	2030 target
Absolute CO_2-equivalent emissions from the value chain (scope 3) (thousand tonnes)	**65,930**	
% change in absolute CO_2-equivalent emissions from the value chain (scope 3)[1]	**14%**	-15%

1 Change is from a 2018 baseline of 57,605 thousand tonnes CO_2-equivalent emissions.
2 Includes Etos, Gall & Gall and bol.com.

Relative to net sales, our scope 3 carbon emissions decreased by 3.8% in 2020 compared to 2018.

	2020 share (%)
Scope 3 – Purchased goods and services	88%
Scope 3 – Use of sold products	5%
Scope 3 – Other categories	7%
Total scope 3 footprint	100%

Methodology

Our carbon footprint methodology follows the guidelines of the World Business Council for Sustainable Development (WBCSD)/World Resources Institute (WRI) and Greenhouse Gas (GHG) Protocol regarding corporate greenhouse gas accounting and reporting.

Calculating scope 3 emissions is complex. Our brands have hundreds of thousands of products on their shelves supplied by more than 10,000 direct suppliers. All of these direct suppliers source materials and ingredients from their own suppliers, resulting in complex supply chains covering all areas of the world.

As a result of this complexity, actual data on our scope 3 carbon emissions is currently not consistently available, and we continue to work to improve this. As our brands continue to reach out to their suppliers, we expect increasing access to actual data, which will make our numbers more accurate. At the moment, we fully rely on assumptions and estimations when calculating our scope 3 carbon emissions.

Our scope 3 footprint consists of 10 relevant scope 3 emission categories (out of 15 defined by the GHG protocol). We used two main calculation methods defined by the GHG Protocol: the average data and spend-based methods. We applied the method that was most suitable, based on the category.

Data collection and considerations

Scope 3 carbon emissions data is collected on an annual basis. We report on scope 3 emissions with a one-year delay, as information to calculate the data is in some cases received from third parties and therefore not yet available at year end.

CALCULATING CATEGORY 1: PURCHASED GOODS AND SERVICES
Purchased goods, the most material category, accounts for 88% of our total scope 3 footprint. The main assumptions and estimates used in our calculation of the category Purchased goods are as follows:

We use different input data sets to calculate the emissions from products and services, depending on the information available in our brands' data systems. No validated supplier data was available, so we used weight of products purchased (6%), value of products purchased (2%), weight from products sold corrected for waste (26%) and value from products sold corrected for margin and waste to come to value of products purchased (66%). The correction for margin and waste is done at brand level but assumed to be the same for all product categories, and is not diversified to product category.

These average data method calculations are based on the publicly available emission intensity of different foods. For products with weight (32%), we mainly used the Big Climate Database (all brands except for Delhaize Belgium) and Agribalyse (solely for Delhaize Belgium). With these databases, all retail-specific product categories were assigned special emission factors that enabled us to apply corresponding emission intensities for each category.

For the spend-based method (68%), we used the emission intensities of different food and non-food industries (source: UK Department for Environment, Food & Rural Affairs (Defra) for food (emission factor 1.06) and Base Carbone for different non-food categories) and multiplied this by products sold corrected for margin and waste.

As a consequence, due to our plans to implement further due diligence procedures in connection with scope 3 carbon emissions, reducing the use of assumptions and estimates, our numbers might materially change over time.

For services, the footprint is calculated using the spend-based method and activity data are the annual brand-level purchased value of products and services multiplied by the emission intensity for relevant services (source: Defra (emission factor 0.2275)).

CALCULATING CATEGORY 11: USE OF SOLD PRODUCTS
The second biggest emission category is category 11: Use of sold products, which accounts for 5% of our total estimated scope 3 emissions. This category is impacted by the gasoline stations some of our brands operate. Emissions are calculated using an average data method, by multiplying the total volume of petrol sold to customers by the relevant emission factor from EPA.

CALCULATING OTHER SCOPE 3 CATEGORIES:
We have combined several smaller emission categories together as "other categories" that account for 7% of our estimated scope 3 emissions. These include fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, end-of-life treatment of sold products, franchises, and investments. The emission calculations are done using an average data method and are based on publicly available emission factors for each category (source: Defra, SimaPro, CO2emissiefactoren.nl, EPA, and different input activity data).

GRI indicator

305-3 Other indirect (scope 3) GHG emissions.

ESG topic

CO_2 emissions and climate change.

FOOD WASTE

Food loss and waste negatively impacts food security worldwide and fuels climate change. We have a three-pronged approach to driving down food waste. Firstly, we reduce food waste across our brands' operations, including stores, warehouses and transport. Secondly, we divert surplus food to food banks and charities and to innovative operations such as restaurants that cook with unsold food. And thirdly, we divert food no longer suitable for human consumption to other recycling methods to prevent it from going to landfill.

Performance indicator description	2021	2020	2021 target
Tonnes of food waste per food sales (t/€ million)	**4.48**	4.53	
% reduction in food waste per food sales (t/€ million)[1]	**18%**	17%	16%
Total tonnes of food waste	**258,528**	259,378	
Tonnes of food waste sent to disposal per food sales (t/€ million)	**1.14**	1.15	
% of total food waste recycled	**75%**	75%	
% of unsold food donated to feed people	**19%**	16%	

1 Reduction is shown against a 2016 baseline of 5.48 t/€ million.

Methodology

We calculate food waste according to the Food Loss and Waste Protocol: a multi-stakeholder effort to develop the global accounting and reporting standard for quantifying food and associated inedible parts removed from the supply chain. This means that our definition of food waste includes waste sent to animal feed, bio-based materials, anaerobic digestion, composting/aerobic digestion, controlled combustion and landfill. Food waste does not include donations from hunger relief organizations, theft and cash shortages.

We follow Champions 12.3 Guidance on Interpreting Sustainable Development Goal Target 12.3. According to this, the definition of food loss and waste applies to both food that is intended for human consumption and its associated inedible parts that leave the human food supply chain because Target 12.3 comes under SDG 12 ("sustainable consumption and production") and not SDG 2 ("ending hunger"). This means it is about both food security and resource-use efficiency, and not about food security alone. As a result, inedible parts, such as orange peels leftovers from making freshly squeezed orange juice sold in our Albert Heijn stores, count as food waste in our figures.

Data collection and considerations

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. Given the variety of circumstances under which the data is collected, it may have limited 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 with varying degrees of maturity in how they collect data. In some cases, weights are estimated based on average bin weight and frequency of service.

The metric we use is tonnes of food waste per € million food sales. Food sales are measured in euro and are impacted by exchange rates. The figures in this Annual Report are reported using actual exchange rates.

For some brands, estimates are used when calculating the total tonnes of unsold food donated to people as actual weight data is not available.

GRI indicator

306-2 Waste generated and 306-2 Management of significant waste-related impacts.

ESG topic

Food waste.

ESG statements
ENVIRONMENTAL

TOTAL WASTE

Our total waste stream includes all cardboard/paper, plastic, food, glass, metal and other material waste produced in our distribution centers, stores and offices. Measuring and managing this waste is important to our Healthy and Sustainable strategy as it contributes to eliminating waste and reducing our carbon emissions.

Performance indicator description	2021	2020
Total waste generated (thousand tonnes)	**1,129**	1,090
% of waste recycled	**79%**	79%

Methodology

Total waste generated includes food waste, cardboard, plastic, glass, metal and wood.

Data collection and considerations

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. 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 and 306-5 Waste directed to disposal.

ESG topic

Food waste, CO_2 emissions and climate change.

PLASTIC PACKAGING

Across the globe, millions of tonnes of plastic end up in landfills, are burned or leak into the environment – and that amount is rising every year. We aim to move to a more circular system that reduces the negative impacts of plastic product packaging.

Performance indicator description	2021	2025 target
Own-brand primary plastic product packaging (thousand tonnes)	**158**	
% own-brand primary plastic product packaging that is reusable, recyclable, or compostable	**36%**	**100%**

Methodology

Most of our brands report plastics on a component level, while some brands that have less granularity in their data report elements for which the main structural element (comprising at least 50% of packaging weight) is plastic, including packaging components that are part of this larger plastic packaging (labels, sleeves and triggers/sprays).

The assessment methodology for recyclability follows the guidelines of the Ellen MacArthur Foundation New Plastics Economy Global Commitment regarding recyclability of plastic packaging.

A packaging or packaging component is recyclable if: (a) its successful post-consumer collection, sorting, and recycling is proven to work in practice and at scale and (b) no materials or components disrupt the system for recycling.

Essentially, that means that for point (a) we use the latest results of the Global Commitment's Recycling Rate Survey to check those plastic packaging categories for which there is evidence that a "system for recycling" exists in practice and at scale today (a 30% post-consumer recycling rate in multiple regions, collectively representing at least 400 million inhabitants). For point (b), we check if the color of plastic packaging fits the system for recycling or hinders its ability to be recycled.

Data collection and considerations

The European brands collected and reported on plastic packaging data on a quarterly basis over 2021, and the U.S. brands did so on an annual basis, reporting from the beginning of Q4 2020 through the end of Q3 2021. Data collection is accomplished through supplier questionnaires that are distributed either directly or via a third party. These surveys enable us to collect the information per plastic packaging component, such as weight, type of plastic and color.

Data received from suppliers is reviewed internally for accuracy and completeness. In order to determine the total weight of own-brand plastic product packaging, the weight of each SKU's components are multiplied by the SKU sales.

ESG statements
ENVIRONMENTAL

Recyclability of own-brand primary plastic packaging is assessed internally or, in some cases, via a third party. In some of our brands, data availability prevented us from doing a full EMF assessment. In these cases, we performed the recyclability steps as well as possible.

At the end of 2021, our brands were able to collect information for over 97% of all own-brand products. Of this data, 89% is information directly received from suppliers. For the remaining 11%, our brands estimated the weight of the plastic packaging using the average weights of similar products. Estimated plastic packaging weight is generally identified as not recyclable.

The current percentage of reusable, recyclable or compostable own-brand primary plastic product packaging is completely based on recyclable packaging, as reusable and compostable packaging is used in very small amounts that do not impact the overall percentage at group level.

GRI indicator

301-1 Materials used by weight or volume.

ESG topic

Sustainable packaging.

WATER CONSUMPTION

Performance indicator description[1]	2021	2020
Total water consumption (thousand m^3)[2]	**7,936**	7,237

1 2020 and 2021 figures include Etos and Gall & Gall.
2 2020 figures exclude Albert Heijn.

Methodology

Total water consumed by our brands' company-operated stores and distribution centers (DCs) during the reporting period.

Data collection and considerations

Water consumption data is collected on an annual basis. Our brands compile supplier invoices to determine water consumption for our own stores, own warehouses, and outsourced warehouses.

If water consumption is not fully known at the time of data collection (i.e., if invoices have not yet been received), we may use estimations, based on three approaches: (1) using the invoice from the same month in the prior year (2) if the store or DC wasn't open in the prior year, making an estimation based on the previous month or (3) if the store or DC wasn't open in prior months, using an average – excluding extreme results – of water used by the same store format during that year.

GRI indicator

N/A.

ESG topic

N/A.

EU TAXONOMY

Introduction

The EU Taxonomy establishes a list of economic activities considered to be environmentally sustainable, in line with the EU's environmental objectives, including carbon neutrality and the targets outlined in the Paris Agreement. The EU Taxonomy defined six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

For 2021, the first year of implementation, only the criteria for the classification of the first two objectives, climate change mitigation and climate change adaptation, are available and applicable. The criteria for the other four environmental objectives are being developed by the Platform on Sustainable Finance and are expected to be published in 2022.

The European Parliament and the European Council have prioritized certain economic activities that can make the most relevant contribution to mitigating and adapting to climate change; the EU Taxonomy currently only covers criteria for these economic sectors. This includes sectors with the highest contribution to CO_2 emissions (energy, manufacturing, transport and buildings), as well as activities enabling their transformation.

Economic activities should be evaluated to determine if they are "environmentally sustainable" within the meaning of the Taxonomy Regulation.

As a result, the turnover, capital expenditure (CapEx) and operating expenditure (OpEx) associated with these sustainable activities must be determined and reported. The EU Taxonomy requires companies to disclose the proportion of their turnover, capital expenditure and operational expenditure that contributes to achieving their environmental objectives.

For the current reporting period, businesses are only required to disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in their total turnover, capital and operational expenditure and provide some qualitative information. As it is an evolving legislation, it could be that the technical screening criteria will change over time.

Economic activities eligible under the EU Taxonomy

To assess eligibility, we identified the activities as included in the Climate Delegated Act of the EU Taxonomy, as adopted by the European Commission on June 4, 2021. We have identified the following activities Ahold Delhaize is engaged in that are eligible under the EU Taxonomy. All four of these economic activities are applicable for both the climate change mitigation and climate change adaptation environmental objectives:

Activity number[1]	Activity name	Description and main activities by Ahold Delhaize
7.3	Construction and real estate activities: Installation, maintenance and repair of energy efficiency equipment	Individual measures to improve energy efficiency, including insulation to existing components, such as external walls, roofs and ground floors and products for the application of the insulation to the building; replacement of existing windows with new energy-efficient windows, external doors and energy-efficient light sources; and the installation, replacement, maintenance and repair of heating, ventilation and air-conditioning and water heating systems, including equipment related to district heating services. This activity will include most of the store remodeling activities where the activities improve energy efficiency.
7.7	Construction and real estate activities: Acquisition and ownership of buildings	Buying real estate and exercising ownership of that real estate. Entering into new real estate lease agreements (additions to right-of-use assets) is technically not an acquisition or ownership of a building but as the broader definition of CapEx under the EU Taxonomy includes right-of-use assets, this economic activity will be used for this CapEx despite the acquisition term.
6.5	Transportation: Transport by motorbikes, passenger cars and light commercial vehicles	Purchase, financing, renting, leasing and operation of vehicles designated as category M1 (passenger vehicles), N1 (commercial vehicles with mass less than 3.5 tonnes) or L (two- and three-wheeled vehicles and quadricycles). This activity includes company car leases as well as small delivery vehicles mainly used in the e-commerce business.
6.6	Transportation: Freight transport services by road	Purchase, financing, leasing, rental and operation of vehicles designated as category N1 (mass less than 3.5 tonnes), N2 (masses between 3.5 and 12 tonnes) or N3 (more than 12 tonnes). This activity includes all transportation done by the Company using its own trucks but will not include any outsourced transportation services unless the vehicles under these agreements are considered leases.

1 Activities and the related activity numbers as defined in the EU Taxonomy Climate Delegated Act.

Estimates and judgments

Real estate: While the company and its brands, from time to time, construct new buildings on existing (or newly acquired) land or renovating existing buildings, these construction activities are always outsourced to a professional developer / construction company. This is why we selected economic activity "7.7. Acquisition and ownership of buildings" instead of "7.1. Construction of new buildings" and "7.2. Renovation of existing buildings."

The economic activity "7.7. Acquisition and ownership of buildings" includes CapEx of right-of-use assets.

The replacement or retrofitting of refrigerants is not specifically mentioned under "7.3. Installation, maintenance and repair of energy efficiency equipment" but refrigerators (as household appliances) are included under "3.5 Manufacture of energy efficiency equipment for building"; therefore, we believe that when this equipment is used in construction, it is also eligible and thus included in the 7.3 economic activity.

Energy: Ahold Delhaize brands regularly install solar panels on the roofs of stores and distribution centers; however, the installation is considered to be an integral part of the building and most (if not all) of the energy generated by these solar panels is utilized in the applicable store or distribution center. Therefore, while activity "4.1. Electricity generation using solar photovoltaic technology" might seem applicable, all our solar panel installations on top of roofs are considered to be part of economic activity "7.6. Installation, maintenance and repair of renewable energy technologies."

Smaller activities classified as non-eligible: The following activities have been identified as supporting economic activities in which Ahold Delhaize is actively participating. However, based upon an analysis of the 2021 CapEx, it was concluded that the total aggregated CapEx spent during 2021 on the activities listed below were clearly insignificant compared to the overall CapEx, as defined by the EU Taxonomy, of €4,279 million. As a result, they are considered to be small or insignificant activities for 2021 and, therefore, will not be reported on as eligible, but classified as non-eligible.

Activity number[1]	Activity name
7.4	Construction and real estate activities: Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
7.5	Construction and real estate activities: Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings
7.6	Construction and real estate activities: Installation, maintenance and repair of renewable energy technologies
5.5	Water supply, sewage, waste management and remediation: Collection and transport of non-hazardous waste in source-segregated fractions
5.7	Water supply, sewage, waste management and remediation: Anaerobic digestion of bio-waste
5.8	Water supply, sewage, waste management and remediation: Composting of bio-waste
6.4	Transportation: Operation of personal mobility devices, cycle logistics
8.1	Information and communication: Data processing, hosting and related activities
8.2	Information and communication: Data-driven solutions for GHG emissions reduction
10.2	Financial and insurance activities: Reinsurance

1 Activities and the related activity numbers as defined in the EU Taxonomy Climate Delegated Act.

Key performance indicators under the EU Taxonomy

TURNOVER
As food retail is not considered a high-emitting sector, it currently does not match the description of economic activities and the technical screening criteria, as laid out in the Climate Delegated Act, that classifies economic activities as sustainable. No net sales are recorded in the consolidated income statement for the secondary activities identified above. Therefore, due to the way that the legislation is structured, our turnover is not covered by and thus not eligible in the EU Taxonomy. As a result, we report zero percentage eligibility.

Accounting policies

Turnover eligibility is calculated in accordance with the definition as per Article 8 of the EU Taxonomy. The net sales line as included in the consolidated income statement is the turnover equivalent under the EU Taxonomy. See also *Note 7* to the consolidated financial statements.

Estimates and judgments

Other income is disclosed as a separate line in the consolidated income statement and, as such, is not considered to meet the definition of turnover under the EU Taxonomy. Other income includes, for example, rent income from real estate.

CAPITAL EXPENDITURE (CapEx)
We have allocated our CapEx to eligible activities in accordance with the EU Taxonomy. Where insignificant CapEx was spent on economic activities in 2021, these activities were considered to be small or insignificant (see above), and, as such, reported as non-eligible, even though some might qualify under the EU Taxonomy.

See *ESG – Environmental* for the quantitative disclosures applicable to this indicator.

ESG statements
ENVIRONMENTAL

Accounting policies

We have determined the CapEx eligibility in accordance with the definition as per Article 8 of the EU Taxonomy. The CapEx includes additions to tangible[1] and intangible assets during the financial year considered before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. It also includes additions to tangible and intangible assets resulting from business combinations but excludes additions to goodwill.

The additions follow the accounting principles as disclosed in the financial statements of this Annual Report. A reconciliation of the additions included in the financial statements (*Notes 11*, *12*, *13* and *14* to the consolidated financial statements) to the total CapEx under the EU Taxonomy is included below.

1 Tangible assets comprise the balance sheet line items property, plant and equipment, right of use assets and investment property.

Reconciliation of the alternative financial performance measure: CapEx

(€ millions)	2021
Additions to property, plant and equipment (PPE) (*Note 11*)	1,942
Acquisition of PPE through business acquisitions (*Note 11*)	364
Additions to investment property – owned (*Note 13*)	29
Additions of right-of-use assets – PPE (*Note 12*)	726
Acquisition of right-of-use assets – PPE through business acquisitions (*Note 12*)	644
Additions of right-of-use assets – investment property (*Note 13*)	2
Additions to intangible assets (*Note 14*)	468
Acquisition of intangible assets through business acquisitions (*Note 14*)	580
Subtotal	**4,755**
Adjustments: Excluding additions to goodwill (*Note 14*)	(476)
CapEx used for EU Taxonomy purposes	**4,279**

According to the EU Taxonomy, CapEx should be adjusted for any environmentally sustainable bonds issued with the purpose of financing specific EU Taxonomy-aligned projects to avoid double counting. We issued a sustainability bond in June 2019 to finance some existing environmental and social projects; the proceeds have been fully allocated to projects in 2020 and, therefore, no adjustment is needed for the CapEx calculation in 2021.

Accounting estimates and judgments

Reassessments and modifications to right-of-use assets have been excluded for the purposes of the EU Taxonomy calculation of CapEx.

Our current IT systems do not capture the necessary information to determine the underlying economic activities as defined by the EU Taxonomy, and we therefore allocated CapEx to the identified activities based upon a review of readily available information, such as investment proposals, cost centers and asset registers, which might not be completely suitable for classification under the EU Taxonomy. As a result, estimates and judgments were applied, to a certain extent, to determine the CapEx number as reported under the EU Taxonomy.

OPERATING EXPENSES (OpEx)

The legislation also considers the spend on operational expenditure (OpEx) directly attributed to capital expenditure needed for the transition to more sustainable operations to be eligible in accordance with the EU Taxonomy. However, as the operational expenditure, in accordance with the EU Taxonomy definition, is not significant to meet Ahold Delhaize's long-term goals to transition to more sustainable operations, we make use of the exemption for the calculation of OpEx, in accordance with the legislation. This is supported by the review we have done to calculate the additional operating expenses needed to meet our net-zero ambition (see above) and whether these operating expenses are eligible under the EU Taxonomy.

We therefore report zero percentage eligibility based on our materiality assessment.

Accounting policies

The EU Taxonomy defines OpEx as direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to which activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. This definition differs from the broader definition that is used in the consolidated financial statements as Operating expenses or Other operating expenses – see *Note 8*.

The EU Taxonomy allows for an exemption where the operational expenditure is not material for the business model of non-financial undertakings. Ahold Delhaize will make use of this exemption as explained above.

Estimates and judgments

As we are of the opinion that OpEx, in accordance with EU Taxonomy definition, is not significant in meeting Ahold Delhaize's long-term goals to transition to more sustainable operations, we make use of the exemption for the calculation of OpEx, in accordance with the legislation.

ESG statements

SOCIAL

PROMOTE HEALTHIER EATING

We aim to make healthier eating commonplace. By making fresh, nutritious and delicious food available and affordable for everyone, we contribute to healthier communities. Our strong local brands and their broad ranges of products offer fresh inspiration every day.

Performance indicator description	2021	2020	2025 target
% of healthy own-brand food sales as a proportion of total own-brand food sales[1,2]	**53.6%**	49.8%	>55%

1 2020 data includes Peapod.
2 2021: Excluding the impact of Nutri-Score implemented in our European brands, the percentage is 50.4%.

Methodology

The healthy sales standards we used in 2016-2020 follow the Nutri-Score and *Choices* criteria for European brands and *Guiding Stars* ratings for U.S. brands. To determine if products earn a Guiding Star, the methodology uses patented algorithms designed by independent researchers, that analyze the balance of nutrients in a given food using data from nutrition labels, ingredient lists, and the USDA's National Nutrient Database. Based on this analysis, a product earns no star or one, two or three Guiding Stars. If a product earns at least one star, it is marked as a healthy product in our calculation of the performance indicator. For more information, visit the *Guiding Stars website*. In 2021, our European brands implemented the Nutri-Score methodology, developed in France, replacing the Choices criteria. Nutri-Score uses an algorithm to identify how healthy a product is, taking into account product ingredients and nutritional values. It translates the outcome into a score ranging from A to E. If a product earns an A or a B score, it is marked as a healthy product in our calculation of the performance indicator. The impact of this change is 3.0 percentage points when compared to 2020.

Data collection and considerations

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.

GRI indicator

Own indicator: % of healthy own-brand food sales as a proportion of total own-brand food sales.

ESG topic

Healthy products.

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	2021	2020
% 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[1]	**73%**	74%

1 2021 data includes Etos

Methodology

Production sites in high-risk countries (as defined based on the amfori BSCI Countries Risk Classification) must comply with amfori and equivalent audit standards. The amfori Business Social Compliance Initiative is a non-profit organization that supports more than 1,000 international companies in the process of monitoring and improving working conditions in the global supply chain through its own auditing program.

For local production in high-risk countries (Serbia and Romania) we have a tailored approach in which the brands operate in a close relationship with suppliers, resulting in a better understanding of potential local issues. Therefore, the social compliance minimum requirements for these domestic suppliers are set at the stepping stone level and are not included in the percentage of production sites with the full compliance level.

Data collection and considerations

All production units active at the end of the reporting period are in scope for reporting. 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.

ESG topic

Fair labor practices in our supply chains.

ESG statements
SOCIAL

ASSOCIATE ENGAGEMENT

How we value and treat associates and how leaders operate our brands makes a difference. We ensure associates' voices are heard and valued, and we are taking steps to support them in finding purpose in their work, having equitable access to opportunities and being able to grow and contribute to their fullest.

Performance indicator description[1]	2021	2020	Change	2021 target
Associate engagement score (%)	**79%**	81%	(2)pp	≥ 81%
Healthy workplace score	**76%**	76%	—	≥ 76%
Inclusive workplace score	**79%**	79%	—	≥ 79%
Associate development score	**73%**	73%	—	≥ 73%

1 2020 figures include Peapod, Gall & Gall and Etos. 2021 figures include Gall & Gall and Etos.

Methodology

Associate engagement is measured through an annual survey of all associates employed by Ahold Delhaize and the brands. We work with a third party (Perceptyx) to deploy this survey.

Data collection and considerations

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 2021, we had a participation rate of 76% of our total headcount.

GRI indicator

N/A.

ESG topic

Associate safety, health and well-being and Diversity and inclusion.

SAFETY AT WORK

Our brands' commitment to workplace safety is non-negotiable; all associates should feel safe and comfortable at work. In the stores, offices and distribution centers, our brands integrate safe working practices right into the designs, equipment purchases and operational practices.

Performance indicator description[1]	2021	2020
Number of injuries that result in lost days per 100 full-time equivalents[2]	**2.10**	2.02
Occupational illness frequency rate[3]	**0.11**	0.04

1 Safety at work data excludes offices.
2 2020 and 2021 data includes bol.com, Etos, Gall & Gall and Peapod Digital Labs.
3 2020 and 2021 data excludes Alfa Beta, Delhaize Belgium and Delhaize Serbia. 2020 and 2021 data includes Etos and Gall & Gall.

Methodology

The number of serious injuries per 100 FTEs is calculated by dividing the total number of injuries with lost work days by the total number of working hours per 100 FTEs. Work injuries with lost work days refers to any work-related injury occurring in the course and scope of employment that results in at least one day away from work as a result of the medical condition and requiring medical treatment.

The occupational illness frequency rate is calculated as the number of occupational illnesses per million hours worked. Occupational illnesses are work-related illnesses or diseases occurring in the course of scope of employment that require care of a patient by medical professional. The U.S. brands use information from local claims management or insurance providers to monitor performance.

Data collection and considerations

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 local systems.

Whether an illness is assessed as occupational depends on local legislation in the markets where our brands operate, which can differ per region.

GRI indicator

403-9 Work-related injuries.

ESG topic

Associate safety, health and well-being.

ESG statements
GOVERNANCE

PRODUCT SAFETY AND QUALITY

Our brands take responsibility for maintaining the highest levels of safety for products. The focus is on own-brand products. Our brands work to ensure they are safe and produced in clean, efficient facilities with good working conditions. To drive global product safety, we take an active role in various standards committees and working groups.

Performance indicator description	2021	2020
% 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	**98%**	96%
% of high-risk non-food own-brand products that are produced in production units audited by an independent third party against an acceptable standard, or where every lot was tested[1]	**78%**	74%

1 2021 data includes Etos, which had a positive impact on the overall figure of 6 percentage points.

Methodology

All own-brand food production units must achieve a Global Food Safety Initiative (GFSI)-recognized certification. GFSI is a Consumer Goods Forum Coalition of Action that enables continuous improvement of food safety management across the supply chain. The small percentage of production units that cannot receive GFSI certification must comply with Accepted Food Safety Assurance standards, the list of which are maintained by our Product Integrity team at Ahold Delhaize.

Low-, moderate- and high-risk non-food products are defined as such based on a risk assessment. All high-risk products must comply with audit standards. A list of audit standards is maintained by the Ahold Delhaize Product Integrity team.

This year, we are using a different indicator to report non-food safety. Rather than production units, we are reporting on products. We are also reporting testing as an alternative for certification. For non-food safety, the risk profile of the individual product is leading. If the product is a high-risk product, we allow product testing to be applied if certification of the production location is not available. As testing is at a product level, we started reporting on products instead of production locations. This enables us to more accurately keep track of the level of compliance of our high-risk products.

Data collection and considerations

Audits are performed by third-party verification bodies. 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. As a result of travel restrictions related to COVID-19, it was more difficult to get auditors on supplier locations. As a result, some GFSI certifications audits were delayed or done remotely.

Note that for the new non-food safety indicator, there is no one-to-one translation of the figures reported in the 2020 Annual Report to the 2021 Annual Report, as production locations may supply us with multiple high-risk products.

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.

ESG topic

Product safety and quality.

DIVERSITY

At Ahold Delhaize and our great local brands, we believe that, as retailers playing a significant role in society, we have a responsibility to lead by example. We are working hard on our 100/100/100 aspiration to truly engage with associates and represent the brands and businesses in local communities.

Performance indicator description[1]	2021	2020
Number of associates (thousands)	**413**	414
% of female associates	**53%**	54%
% of female Executive Committee members	**17%**	25%
% of female Supervisory Board members	**33%**	40%
% of male associates	**47%**	46%
% of full-time associates	**35%**	35%
% of part-time associates	**65%**	65%
% Greatest Generation (1900-1945)	**—%**	1%
% Baby Boomers (1946-1964)	**13%**	14%
% Generation X (1965-1979)	**21%**	21%
% Generation Y (millennials) (1980-1995)	**24%**	25%
% Generation Z (1996+)	**41%**	40%
% associates covered by collective bargaining	**55%**	53%
Associate turnover	**62%**	

1 2020 and 2021 data includes all brands including Gall & Gall, Etos and bol.com. 2021 data includes FreshDirect. Joint ventures are not included.

ESG statements
GOVERNANCE

Methodology

We have a process in place where we can map all data to automatically calculate the metrics above, which are based on the monthly personnel submissions by the brands or our Global HR system (SuccessFactors). The entire process is secured and the outcomes are provided at an aggregate level. In 2021, we added one new metric in our overview: associate turnover.

Associate turnover is defined as the number of people who left the company compared to the total number of associates. It includes all turnovers regardless of reason.

Data collection and considerations

ASSOCIATE TURNOVER

Turnover is calculated based on averages over the year 2021; the data is based on actuals. We see within our brands that, in some cases, associates return several times after a contract has ended. For example, this may be due to the fact that we also employ young students, who organize their work around their school schedules.

High turnover is common in the retail industry compared to other industries. In 2021, our great local brands and Global Support Offices had an average turnover of 62%. This is reflective of a changing economy and dynamic labor market.

In the U.S., we see retailers becoming more competitive and offering increasingly attractive compensation to employees. The impact of COVID-19 and working from home also resulted in people thinking differently about what is important for them in a job. Because of this shift, individuals are changing jobs more often.

Associate turnover cannot be compared to a previous year as we are reporting these metrics for the first time.

GRI indicator

405-1 Diversity of governance bodies and employees.

ESG topic

Diversity and inclusion.

ESG RATINGS

	2021	2020
DJSI score[1]	**83**	83
MSCI ESG rating[2]	**AA**	A
Sustainalytics score[3]	**20.8**	18

1 DJSI scores companies from 0 -100, where 100 is the best score.
2 MSCI scores companies from C - AAA, where AAA is the best score.
3 Sustainalytics scores companies from 100 - 0, where 0 is the best score.

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 January 4, 2021 to January 2, 2022

Our opinion

In our opinion:

- the consolidated financial statements of Koninklijke Ahold Delhaize N.V. together with its subsidiaries ("the Group" or 'the Company") give a true and fair view of the financial position of the Group as at January 2, 2022 and of its result and cash flows for the period from January 4, 2021 to January 2, 2022 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. ("the Parent Company") give a true and fair view of the financial position of the Company as at January 2, 2022 and of its result for the period from January 4, 2021 to January 2, 2022 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 January 4, 2021 to January 2, 2022 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 2, 2022;
- the following statements for the period from January 4, 2021 to January 2, 2022: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The parent company financial statements comprise:

- the parent company balance sheet as at January 2, 2022;
- the parent company income statement for the period from January 4, 2021 to January 2, 2022;
- the notes, comprising the 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 regulations 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.

As part of designing our audit, we determined materiality and assessed the risks 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 the prior year, 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, magnitude and the related higher inherent risk of material misstatement. With regards to the recognition of the vendor allowance income, we focus on judgmental vendor allowances. Each of these key audit matters have been set out in the section 'Key audit matters' of this report.

Last year, we considered the employee benefit plan measurement and disclosures as a key audit matter because of the magnitude of the amounts involved, management's significant judgment involved estimating the actuarial and demographic assumptions and the technical expertise 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. Due to the group's withdrawals of several US multi-employer plans in 2020 and the application for financial assistance in accordance with the

Other information

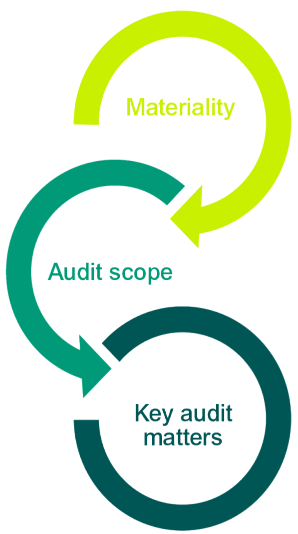
ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

American Rescue Plan Act of 2021, the exposure and complexity of the employee benefits plans decreased and therefore we no longer consider this a key audit matter.

Koninklijke Ahold Delhaize N.V. assessed the possible effects of climate change and its plans to meet the net-zero commitments on its financial position, refer to 'Risks and opportunities' and 'Environmental, Social and Governance' sections of the management report. As part of the Company's strategy to build a healthier planet, the company committed to measure and manage their environmental impacts from carbon emissions. We discussed Group's assessment and governance thereof with management and evaluated the potential impact on the financial position. While the impact of climate change and the Company's commitments to reach their targets are of significant importance for the Company and its stakeholders, the impact is not considered a key audit matter in the audit of 2021.

We ensured that the audit teams at both group and 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 valuations, financial instruments and taxes, and experts in the areas of share-based compensation and actuarial calculations (including pension accounting) in our team.

The outline of our audit approach was as follows:



Materiality
- Overall materiality: €140 million.

Audit scope
- We conducted audit work at seven components. In 2021, our components subject to a full scope audit remained consistent.
- As a result of COVID-19, our site visits were limited to the components in the Netherlands. We held frequent virtual meetings with all our component auditors, as well as virtual meetings with local management.
- Audit coverage: 88% of consolidated net sales, 85% of consolidated total assets and 86% of consolidated income before income taxes.

Key audit matters
- Impairment testing of goodwill and brand names
- Recognition of vendor allowance income

MATERIALITY

The scope of our audit was 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	€140 million (2020: €150 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.
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 the 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	Based on our judgment, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €10 million and €120 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 any misstatement identified during our audit above €7 million (2020: €7.25 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.

Other information

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

Our audit primarily focused on the significant components of the Group: 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).

We subjected five components to audits of their complete financial information, of which the three components that are individually financially significant to the Group. The other two components, the Belgian and Czech Republic retail operations, were selected to achieve appropriate audit coverage over the consolidated financial statements. Additionally, we selected two components for specific audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Consolidated net sales	88%
Consolidated total assets	85%
Consolidated income before income taxes	86%

None of the remaining components represented more than 4% 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 and brand names impairment testing, board remuneration testing including share-based compensation, compliance of accounting positions taken by the Group in accordance with EU-IFRS and the acquisition of FreshDirect.

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 the scope of the work. We explained to the component audit teams the structure of the Group, the main developments that were 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, that 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. Due to COVID-19, the group audit team was limited to physical visits of the component teams and local management in the Netherlands. We maintained frequent contact with all our component teams through virtual meetings. Virtual meetings were also scheduled with local management. For the United States, the Netherlands, Belgium and Czech Republic, we reviewed relevant parts of the component auditor’s audit files virtually.

By performing the procedures outlined above at the components, combined with additional procedures exercised 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.

OUR AUDIT APPROACH TO FRAUD RISK

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management’s process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud. We considered available information and made inquiries of relevant executives (including Internal Audit, Risk & Controls, Legal, Health and Sustainability and Regional Management), the Management Board and the Supervisory Board.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Other information

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

Fraud risk	Our audit work and observations
Risk of fraud through management override of controls As in all of our audits, we address the risk of management override of controls. This includes evaluating whether there is evidence of bias by management that may represent a risk of material misstatement due to fraud. In this context, we paid particular attention to the significant estimates and judgments made by management. The key opportunities for management manipulation are within the manual elements of the control environment, such as journal entries and related party/suspense accounts. Management may perceive pressure to manipulate accounting estimates that require significant judgment in order to improve results. Additionally, inappropriate accounting policies and treatments may be adopted to achieve the desired outcomes.	Where relevant to our audit, we have evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and assessed the effectiveness of those measures in the processes of generating and processing journal entries and forming estimates. We also paid specific attention to the access safeguards in the IT system and the possibility of functional segregation as a result. We selected journal entries on the basis of risk criteria and performed specific audit procedures on them. We assessed significant judgments made by management, unusual transactions, related party transactions and suspense accounts. We assessed the appropriateness and accurate application of accounting policies in accordance with EU-IFRS. We did not identify any specific indications of fraud or suspicion of fraud in respect of management override of controls.
Risk of fraud in revenue recognition As in all of our audits, we addressed the risk of fraud in revenue recognition. This relates to the presumed management incentive that exists to overstate revenue. As the majority of the company's revenue is recorded at the time of sale, much of which is recorded through point of sales systems and payment is made at the time of sale, there is limited risk of management manipulation. Rather, the risk of fraud in revenue recognition is focused on the occurrence of inappropriate manual transactions.	Where relevant to our audit, we have evaluated the design of the internal control measures that are intended to mitigate the risk of fraud and error in revenue recognition and assessed the effectiveness of those measures. We also paid specific attention to the processes surrounding the relevant IT systems. Through data analysis, we tested both expected and unexpected journal entries and performed relevant testing on revenue transactions throughout the year and the receivable balances at year end. We did not identify any specific indications of fraud or suspicion of fraud in respect of revenue recognition.
Risk of fraud surrounding inappropriate recognition of vendor allowances The Group receives various types of vendor allowances from its suppliers. These allowances form a significant component of cost of sales. The volume-related allowances, the majority, are straight-forward and require little judgment. However, for certain agreements, the recognition of vendor allowance income and receivables require significant judgment from management in terms of satisfying performance obligations. This fraud risk is focused on the potential incentive for management to incorrectly recognize vendor allowance income on agreements where significant judgment and estimation is involved.	For the audit work performed, refer to the key audit matter recognition of vendor allowance income, as set out in the section 'Key audit matters' of this report.

Our risk assessment and procedures performed did not lead to indications for fraud potentially resulting in material misstatements in 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

Key audit matter	Our audit work and observations
Impairment testing of goodwill and brand names *Note 14 Intangible Assets* As at January 2, 2022, the Group's goodwill and brand names are valued at €10.9 billion. The majority of this balance (€6.7 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 or the value in use, 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, due to the magnitude of the balance and the impact of the discount rate on the valuation through the complex assessment process, involving significant management judgments and key assumptions.	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 sales 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 financial plans 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 as at January 2, 2022, amounts to €625 million (Note 18 Receivables). The vendor allowance agreements with suppliers contain volume-related allowances and promotional 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 Group'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. We did not identify any indications of fraud or suspicion of fraud, nor identified material exceptions and we found management's recognition of vendor allowances to be supported by available evidence.

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

OUR AUDIT APPROACH ON GOING CONCERN

Management prepared the financial statements on the assumption that the entity is a going concern and that it will continue its operations for the foreseeable future. Our procedures to evaluate management's going concern assessment included, amongst others:

- Considering whether management's going concern assessment includes all relevant information of which we are aware as a result of our audit, inquired with management regarding management's most important assumptions underlying their going concern assessment and considering whether management identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern;
- Analyzing the financial position per balance sheet date in relation to the financial position per prior year balance sheet date to assess whether events or circumstances exist that may lead to a going concern risk;
- Evaluating management's current budget including cash flows in comparison with the prior year, current developments in the industry and all relevant information of which we are aware as a result of our audit; and
- Performing inquiries of management as to their knowledge of going concern risks beyond the period of management's assessment.

Our procedures did not result in outcomes contrary to management's assumptions and judgments used in the application of the going concern assumption.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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 all the information regarding the management report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by 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 the 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 procedures 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. The Management Board and the Supervisory Board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

OUR APPOINTMENT

We were appointed as auditors of Koninklijke Ahold Delhaize N.V. on April 16, 2013 by the Supervisory Board. This followed the passing of a resolution by the shareholders at the annual general meeting held on April 16, 2013. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of nine years.

EUROPEAN SINGLE ELECTRONIC FORMAT (ESEF)

Koninklijke Ahold Delhaize N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially marked-up consolidated financial statements as included in the reporting package by Koninklijke Ahold Delhaize N.V., complies in all material respects with the RTS on ESEF.

The Management Board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Management Board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required taggings have been applied and whether these are in accordance with the RTS on ESEF.

Other information

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

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 or its controlled entities, for the period to which our statutory audit relates, are disclosed in Note 4 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 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 in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

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 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 1, 2022
PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.

S. Laurie de Hernandez RA

Other information
ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

Appendix to our auditor's report on the financial statements for the period January 4, 2021 to January 2, 2022 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 Finance and Risk 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 actions taken to eliminate threats or safeguards applied.

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 2021

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 2021

Our conclusion

Based on our review nothing has come to our attention that causes us to believe that the environmental, social and governance information included in the annual report 2021 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 environmental, social and governance (ESG); and
- the thereto related events and achievements for the period from January 4, 2021 to January 2, 2022,

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 following sections of the annual report for the period from January 4, 2021 to January 2, 2022 (hereafter: "the ESG information"):

- Strategic report, excluding sections "Risks and opportunities", "EU Taxonomy for sustainable activities (EU Taxonomy)", "Tax transparency and responsibility" and "Performance review";
- Environmental, Social and Governance (ESG) statements, excluding section "EU Taxonomy".

This review is aimed at obtaining a limited level of assurance.

The basis of our conclusion

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'), which is a specific 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 our 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 Koninklijke Ahold Delhaize N.V. 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 together with the reporting criteria. 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 section "Glossary" and sections "Global Reporting Initiative", "Scope", "Non-financial alternative performance measures", "Methodology", "Data collection and considerations" and "GRI indicator" of the "ESG statements" of the Annual Report.

The absence of an established practice on which to draw, to evaluate and measure non-financial 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. Inherent to prospective information, the actual future results are uncertain, and are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information.

In the ESG information references are made to external sources or websites. The information on these external sources or websites is not part of the ESG information reviewed by us. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

Other information

ASSURANCE REPORT ON THE ESG INFORMATION 2021

Responsibilities for the ESG information and the review thereon

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE ESG INFORMATION

The Management Board of Koninklijke Ahold Delhaize N.V. is responsible for the preparation of reliable and adequate ESG information in accordance with the reporting criteria as included in section 'reporting criteria', including selecting the reporting criteria, the identification of stakeholders, determining the material matters and determining that the applicable reporting criteria are acceptable in the circumstances taking into account applicable law and regulations related to reporting. The choices made by the Management Board regarding the scope of the ESG information and the reporting policy are summarized in section "Glossary" and sections "Global Reporting Initiative", "Scope", "Non-financial alternative performance measures", "Methodology", "Data collection and considerations" and "GRI indicator" of the "ESG statements" of the Annual Report.

Furthermore, the Management Board is responsible for such internal control as Management Board determines is necessary to enable the preparation of the ESG information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the company's reporting process on the ESG information.

OUR RESPONSIBILITIES FOR THE REVIEW OF THE ESG INFORMATION

Our responsibility is to plan and perform a review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Our objectives are to obtain a limited level of assurance to determine the plausibility of the ESG information. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

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 other things:

- Performing an analysis of the external environment and obtaining an understanding of 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 internal control 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 error. 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 ESG 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 Romania 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 relevant 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.
- Considering whether the ESG information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

AMSTERDAM, MARCH 1, 2022
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 16* to the parent company financial statements for more information on the dividend on common shares.

DETAILS OF SPECIAL SHAREHOLDER RIGHTS

Ahold Delhaize shareholders have no special rights, see *Corporate governance* for more information about voting rights.

DETAILS OF SHARES WITHOUT PROFIT RIGHTS AND NON-VOTING SHARES

Ahold Delhaize has no common shares without profit rights and no non-voting shares.

APPENDIX

4

Appendix
CONTACT INFORMATION

Shareholder engagement
Ahold Delhaize proactively maintains an open, constructive and ongoing dialogue with its shareholders. We are committed to keeping shareholders updated by informing them transparently and accurately about Ahold Delhaize's strategy, performance and other Company matters and developments that could be relevant to investors' decisions. We disclose information through both financial and non-financial performance briefings, such as during our quarterly results releases, the Annual General Meeting of Shareholders, Investor Days and other special events. We also participate in investor conferences and organize roadshows. All disclosed information is accessible via our website.

Corporate website
On the Company's website you can find recent and archived press releases, financial reports, annual reports, presentations, the financial calendar and other relevant shareholder information. To receive press releases and other Ahold Delhaize news, please subscribe to our email service through our website at *www.aholddelhaize.com*.

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Appendix

KEY DATES

Key dates 2022

Annual General Meeting of Shareholders	April 13
Final dividend 2021	
Ex-dividend date	April 19
Dividend record date	April 20
Payment date	April 28
Interim dividend 2022	
Ex-dividend date	August 12
Dividend record date	August 15
Payment date	September 1
Publication Q1 2022 results	May 11
Publication Q2 2022 results	August 10
Publication Q3 2022 results	November 9

AGM 2022

This year's annual General Meeting of Shareholders will be held on April 13, 2022. The meeting will start at 2.00pm (CET). The agenda and explanatory notes to the agenda can be found on our website at *www.aholddelhaize.com*.

Appendix

CAUTIONARY NOTICE

This Annual Report includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words and expressions such as strateg(y)/(ic), expect(e)/(s)/(ations), year ahead, continue(d)/(ing)/(s), future, throughout, strengthen(ed), commit(ted)/(s)/(ment), ambition(s), long-term, momentum, towards, 2025, uncertainty, challenges, progress, remain(ed)/(s), evolve(ed), grow, would, journey, on track, will, confident, reach, by, ambitious, believe, subject to, targets, go-forward, aim, 2030, know, aspir(e)/(ation)/(ing), goal, currently, develop, keep, next steps, step, anticipate, to reach, no later than, 2050, may, from time to time, most likely, further, plan, realize, vision, development, priorities, trying, want, assumptions, encourage, opportunity/(ies), desire, to meet, well positioned, maintain(ing), stability, always, strive, proposition, growth driver, next ten years, focus, consistent, often, risks, pressure(s), work towards, might, dependent, in the event of, could, potential(ly), impact, performance, accelerate(s), imperative, achieve, possible, already, looking ahead, dilemma, mitigate, can be, exposure, change, salient, finally, upcoming year, objectives, leads, ongoing, unless, must, estimates, judgments, intended, ultimate, yet, in our opinion, our assessment or other similar words or expressions are typically used to identify forward-looking statements.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause the actual results of Koninklijke Ahold Delhaize N.V. (the “Company”) to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to the Company’s inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions on consumer spending; turbulence in the global capital markets; political developments, natural disasters and pandemics; climate change; raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company’s suppliers; the unsuccessful operation of the Company’s franchised and affiliated stores; changes in supplier terms and the inability to pass on cost increases to prices; risks related to environmental, social and governance matters (including performance) and sustainable retailing; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company’s defined benefit pension plans; the failure or breach of security of IT systems; the Company’s inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company’s legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company’s outstanding financial debt; the Company’s ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company’s credit ratings and the associated increase in the Company’s cost of borrowing; exchange rate fluctuations; inherent limitations in the Company’s control systems; changes in accounting standards; adverse results arising from the Company’s claims against its self-insurance program; the Company’s inability to locate appropriate real estate or enter into real estate leases on commercially acceptable terms; and other factors discussed in the Company’s public filings and other disclosures.

Forward-looking statements reflect the current views of the Company’s management and assumptions based on information currently available to the Company’s management. Forward-looking statements speak only as of the date they are made, and the Company does not assume any obligation to update such statements, except as required by law.

Outside the Netherlands, Ahold Delhaize presents itself under the name “Royal Ahold Delhaize” or “Ahold Delhaize.” For the reader’s convenience, “Ahold Delhaize,” the “Company,” the “company,” “Ahold Delhaize Group,” “Ahold Delhaize group” or the “Group” are also used throughout this Annual Report. The Company’s registered name is “Koninklijke Ahold Delhaize N.V.”

Nielsen’s information as included in this Annual Report does not constitute a reliable independent basis for investment advice or Nielsen’s opinion as to the value of any security or the advisability of investing in, purchasing or selling any security.