

Sustainability Bond Report

Sustainability Bond Report

Dear reader,

Last year Ahold Delhaize launched its first Sustainability Bond. We issued the bond with the intent to accelerate the transition toward sustainable food systems and to inspire other global retailers and manufacturers. We believe that this will help us grow our business and strengthen our brands in a sustainable way.

Sustainability bonds help us to achieve our sustainable retailing ambitions and we are proud that we can now report our progress. The funds we raised supported increased consumption of sustainable coffee, tea, cocoa and seafood, further reduced carbon emissions and increased sales of healthier products – all of which contribute to a healthier and more sustainable future.

By pursuing our Healthy & Sustainable 2025 ambitions, Ahold Delhaize is setting the standard for healthy and sustainable retailing, leading the way for others, and fulfilling our company purpose to eat well, save time and live better.

We hope you enjoy reading the report.

Frans Muller
Chief Executive Officer



Natalie Knight
Chief Financial Officer



Introduction

In June 2019 Ahold Delhaize announced that it successfully issued its first Sustainability Bond, amounting to €600 million with a term of 6 years, maturing on June 26, 2025. The transaction, which made Ahold Delhaize the first retailer to issue a euro-denominated Sustainability Bond, highlighted the company's commitment to accelerate the transition to sustainable food systems.

The bond's proceeds were used to finance Ahold Delhaize's new or existing environmental and social impact projects in three categories: procurement of sustainably-produced products, reduction of climate impact and promotion of healthier eating. These projects align with the ambitions of the UN Sustainable Development Goals (SDG 3 Good health and well-being, SDG 12 Responsible consumption and production, SDG 13 Climate Action, SDG 14 Life below water and SDG 15 Life on land) and support the company's "Healthy and Sustainable" growth driver as part of its Leading Together strategy.

We are pleased with the results of this Sustainability Bond and look forward to applying the learnings to future sustainability-linked financing to achieve our Healthy & Sustainable ambitions.

This report provides insights into how the proceeds have been used one year after the bond was issued.

The allocation and impact reporting contained in this Sustainability Bond Report has been reviewed by Sustainalytics as part of their Annual Review dated June 15, 2020. Sustainalytics is a leading global provider of ESG research and rating and their Annual Review is also published on their [website](#).



Procurement of sustainably-sourced products



Climate impact



Healthier Eating



Background Ahold Delhaize

Our family of great local brands serves millions of customers each week in the United States, Europe and Indonesia. Our local retail brands are the core of our business – they operate at the heart of our communities and are how our customers know us. Teams in all our businesses work hard every day to translate our global Leading Together strategy to fit local needs, because they know their customers and communities best. At group level, we set global strategies and frameworks, share best practices and encourage economies of scale across our company.

Healthy and Sustainable is one of the five growth drivers of our Leading Together strategy. We launched our Healthy and Sustainable ambition towards 2025 in early 2020. Building on the success from our 2016-2020 Sustainable Retailing targets, we are reinforcing our focus to enable healthy and sustainable choices. The key focus areas are to increase healthier eating, accelerate product transparency and eliminate waste. At the same time, we will continue to increase our efforts to reduce climate impact, respect human rights, maintain best in class product safety and sustainability standards and improve workplace safety for our 380,000 associates.

2019 Key Facts:

€66.3 billion
net sales

€2.8 billion
underlying operating income

4.2%
underlying operating margin

48%
own brand food sales from healthy products

32%
CO₂ reduction compared to 2008

380
thousand associates

54 million
customers served every week

19*1
great local consumer-facing brands

6,967*2
stores serving our local communities
in Europe and the United States

*1 Including the brands of our joint ventures

*2 Excluding the stores of our joint ventures





Procurement of sustainably sourced products

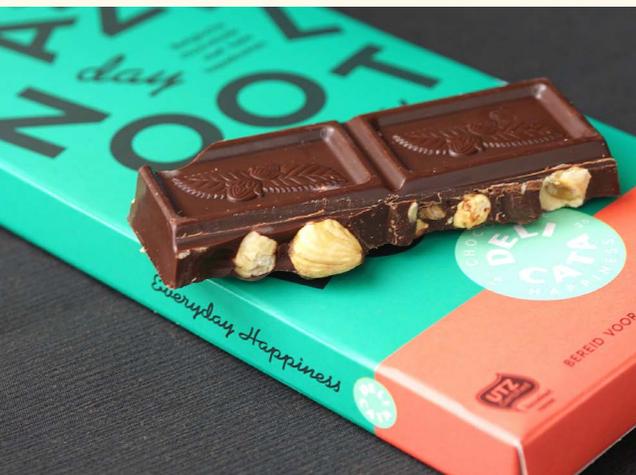
We take responsibility for improving the environmental and social footprints of our products. Diving deep into our supply chain helps us ensure that our products are more sustainable from production to plate. The largest portion of the Sustainability Bond proceeds were used by our brands to further expand our sourcing of sustainable seafood, coffee, tea, and cocoa. In 2019, the total amount spent on the procurement of own-brand certified seafood, cocoa, coffee and tea in 2019 amounted to €843m, just over half of which was financed with the bond proceeds.

For these four commodities, Ahold Delhaize has a target of 100% sustainably-sourced own brand products by the end of 2020. The bond funding supported the acceleration of the sustainable procurement in 2019 to more than 95% for tea, coffee, and seafood. For cocoa, significant progress was made from 49% in 2018 to 84% in 2019. More information on Ahold Delhaize's approach to sustainable sourcing of commodities can be found [here](#).

In addition to the procurement of sustainably-produced commodities, some of the proceeds were allocated to the production cost of the 'Urban Farm' on the roof of the Delhaize store in Boondaal, Belgium. This greenhouse facility provides fresh herbs and produce for the store directly below, piloting a new method for procuring sustainably-grown products.



KPI	2017 results	2018 results	2019 results	2020 target
% of own-brand products containing tea certified against an acceptable standard	72%	84%	97%	100%
% of own-brand coffee products certified against an acceptable standard	82%	87%	96%	100%
% of own-brand products containing cocoa certified against an acceptable standard	53%	49%	84%	100%
% of own-brand seafood product sales certified against an acceptable standard, from sustainable sources assessed by a credible third party, or from credible FIPs / AIPs	92%	94%	98%	100%





Climate impact

Ahold Delhaize and its brands are taking action to reduce greenhouse gas emissions from the operations of its brands and businesses. We are lowering direct emissions by investing in more efficient energy, refrigeration and transportation systems. We are also reducing food waste – one of the major global drivers of climate emissions – from our stores and distribution centers and we are helping our customers to reduce their share.

From the bond proceeds, €161m was invested in renewable energy installations, energy efficient equipment, refrigeration improvements, and green buildings across our brands. This amount represents the majority of the capital expenditures invested in 2018 and 2019 across our three largest markets – the United States, the Netherlands, and Belgium. Specific projects included the installation of LED lighting, heat reclaim systems, CO2 refrigeration systems, energy efficient doors on refrigerated cases, and solar panels in distribution centers, stores and offices.

Proceeds were also invested to support the building of a new warehouse for bol.com, our online retailer in the Netherlands and Belgium, to the 'Outstanding' rating level of the BREEAM sustainability assessment.

Capital investments supported by bond proceeds contributed to a further reduction in our carbon footprint, thereby surpassing the 2020 target of 30% reduction of emissions per square meter from the 2008 baseline.

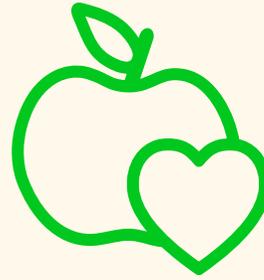
Beyond infrastructure projects, the bond proceeds also supported further reduction in food waste and its related carbon emissions. An investment was made at our Ahold Delhaize USA brands in new forecasting and replenishment programs. These systems supported decreases in food waste in 2019 and will continue to reap benefits in the coming years.



KPI	2017 results	2018 results	2019 results	2020 targets
% change in CO ₂ equivalent emissions per m ² of sales area (from 2008 baseline)	-26%	-28%	-32%	-30%
Total renewable electricity produced on site (million kWh)	20	20	51	not applicable
% ozone-friendly refrigerants	74%	77%	78%	85%
% of total food waste recycled	68%	76%	77%	80%
% of waste recycled	73%	76%	77%	90%
Tonnes of food waste per food sales (t/€ million)	5.3 -3%	5.2 -5%	5.0 -9%	4.38 -20%



Healthier eating



Eating well contributes to good mental and physical health, and can help prevent obesity, diabetes, and other diseases. As a global retailer, our brands can make a difference in customers' and associates' awareness of what they eat and provide healthier food in stores. We want to partner with them to help them live better.

The Ahold Delhaize brands educate customers and associates by promoting nutritional navigation systems, such as Nutri-Score and Guiding Stars, in stores and online. They also reformulate products to make them healthier, and introduce new healthy product innovations to our markets.

Enabling healthier choices is a top priority for Ahold Delhaize, which is why it was included in this bond even though the relative investment amounts are small. A small portion of the bond – 1% - was used to implement and expand healthier eating initiatives while maintaining affordability, including R&D for reformulated products and the marketing and distribution of healthier products.

The largest investments were made in the nutritional navigation systems that provide transparency on product nutritional value. In the United States, improvements were made to the [Guiding Stars program](#). In Europe, investments supported the roll-out of the Nutri-Score system for Delhaize Belgium. This investment sets the stage for other Ahold Delhaize European brands that will also apply Nutri-Score to guide customers to healthier choices. The Guiding Stars and Nutri-Score systems have positive customer response as they provide clear, easy-to-use, science-based information that makes it easy to choose healthier products.

Additional funds were applied to reformulations to improve the nutritional value of own brand products. The biggest positive impact on their own brand healthy food sales from reformulation of products was at Stop & Shop, Giant Food and The GIANT Company.

Investments in Guiding Stars, Nutri-Score, and product reformulation were the main drivers of growth in the percentage of sales of healthy own brand products from 2018 to 2019.



KPI	2017 results	2018 results	2019 results	2020 targets
% of healthy own-brand food sales as a proportion of total own-brand food sales	46%	47%	48%	50%
% of own-brand products with front-of-pack nutritional labeling	87%	88%	95%	100%

Closing

This bond was designed to address sustainable consumption, and the transition to more sustainable food systems. The design was purposeful – focused more on the costs of buying sustainably-produced products than on the more traditional capital investments funded by green bonds. We did this because more sustainable consumption is a very important lever to building a more resilient future, and one that we feel deserves attention from the financial markets.

Many investors responded positively, and we are grateful for their trust in Ahold Delhaize and for their focus to drive a more sustainable economy. The learnings from this project will help Ahold Delhaize – and we hope other companies as well – to further align how we finance the business with the company's strategy to drive growth through health and sustainability.

Megan Hellstedt
VP Sustainable Retailing

Miguel Silva Gonzalez
SVP Treasury

