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# Who we are

## Ahold Delhaize at a glance

**Ahold Delhaize is one of the world’s largest food retail groups, a leader in supermarkets and eCommerce, and a company at the forefront of sustainable retailing.**

Our family of great local brands serves over 50 million customers each week, in Europe, the United States and Indonesia<sup>1</sup>.

Our Leading Together strategy, launched in November 2018, provides a framework for success, leveraging both our scale and local strength. It guides our decisions and defines shared values and promises, while giving our great local brands the flexibility to best serve their customers, associates and communities.



<sup>1</sup> Joint venture operations.

<sup>2</sup> Including the brands of our joint venture partners.

Store formats include: supermarkets, convenience stores, online shopping, compact hypermarkets, hypermarkets, cash and carry, drugstores and wine and liquor stores.

# Where we operate

## Our great local brands

We operate across the United States and Europe with a joint venture in Indonesia.

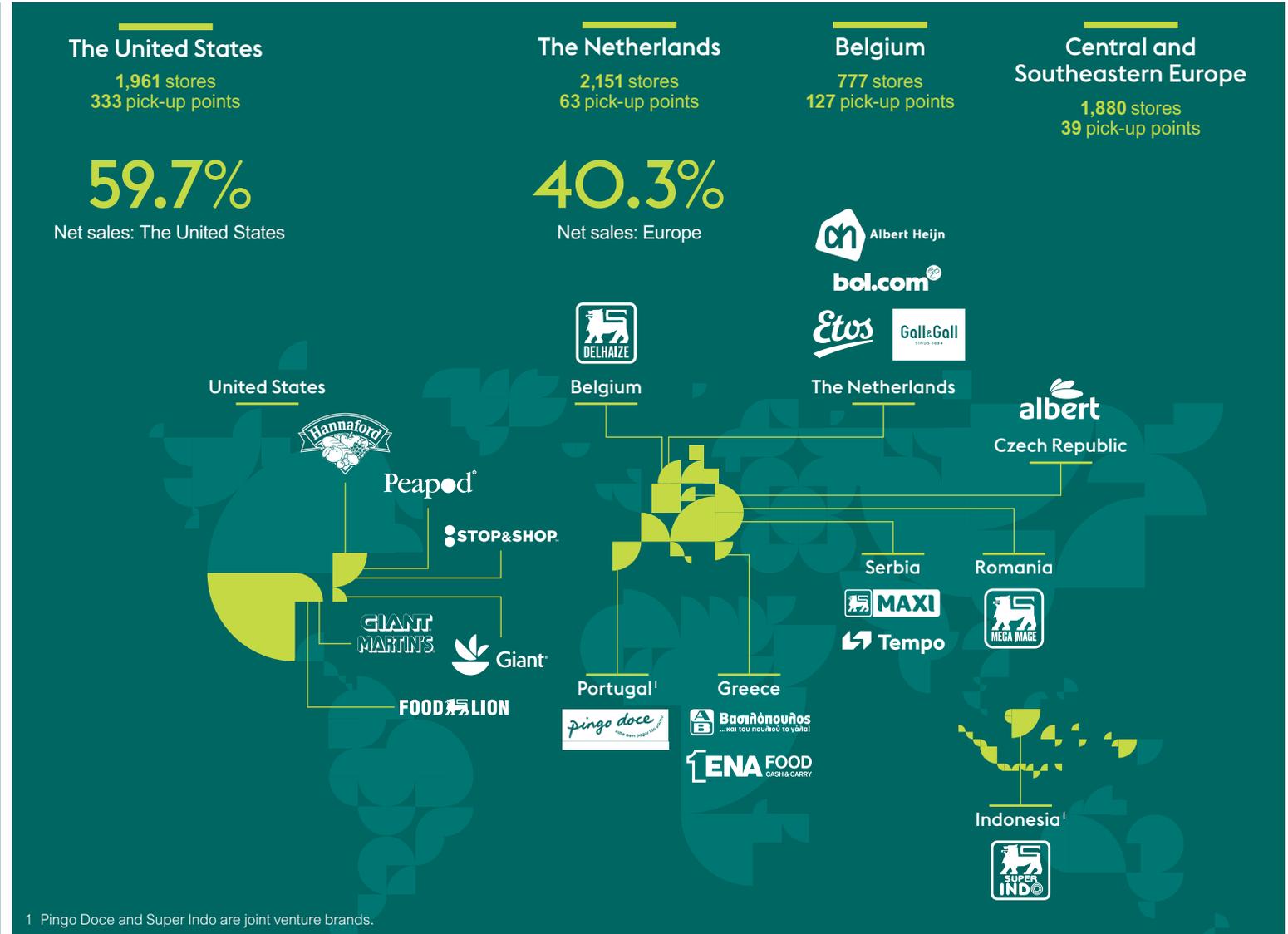
Our strong and trusted local brands are leaders in their markets and are at the heart of our businesses. They serve customers through a total of 6,769 stores and 562 grocery pick-up points, broken down by segment in the map. In addition, our bol.com brand operates a network of pick-up points.

For more information about our brands, see our website at [www.aholddelhaize.com/en/brands/](http://www.aholddelhaize.com/en/brands/)

Net sales by region



- The United States (59.7%)
- The Netherlands (22.6%)
- Belgium (8.1%)
- Central and Southeastern Europe (9.6%)



# Market overview

**Technology, new business models and empowered consumers are accelerating change in the retail industry. Retailers are transforming in response to these trends.**

**At Ahold Delhaize<sup>1</sup>, we are constantly on the lookout for better ways to anticipate and address the changes impacting the consumer and the retail industry landscapes.**

The trends described here are the ones we believe are most relevant to our business, and around which we will accelerate our activities in coming years through our Leading Together strategy.



For more information, see *Our growth drivers*.

## Technology

**The development of technology is moving at an unprecedented rate and has the potential to completely reshape retail.**

Artificial intelligence makes it possible to automate and optimize almost every aspect of the value chain. Over the next decade, voice and natural language processing are expected to become the norm for interaction between humans and machines.

The fifth generation of mobile communications, 5G, is likely to accelerate the adoption of wearable technology that can access cloud capabilities directly rather than relying on mobile phones.

Finally, the data collected from Internet of Things (IoT)-enabled devices will drive opportunities to personalize the customer experience, optimize operations and develop new, previously unimaginable propositions and operating models.

## Online and mobile

**We see eCommerce growing rapidly and swiftly reshuffling the established order of retail.**

This is partly fueled by mobile technology, which is broadening fast access to information and increasing customer expectations around speed, convenience and personalization.

This ongoing shift will disrupt established retail models, forcing both consumer packaged goods companies and retailers to build their digital capabilities. Complexity in logistics and fulfillment are expected to grow, requiring retailers to serve varying customer needs at every point of the day and offer services like same-day and instant delivery.

While traditional grocers are partnering with third-party players to better address these digitally-enabled needs, pure online companies are looking for physical touchpoints to enhance their services to consumers. And they manage to do this by rolling out innovative store formats that range from hyper-convenient checkout-free outlets to full-sized supermarkets that seamlessly integrate offline and online services.

The rise of eCommerce and the increasing use of interfaces such as mobile or voice make it ever more important for retailers to have a multi-channel strategy.

## Convenience

**In general, customers have busy lifestyles and less time and ability to shop for and prepare nutritious food than in the past.**

But at the same time, many people are striving towards healthier diets. Retailers are diversifying their assortments to include healthy and nutritious ready-to-eat or ready-to-heat options to meet these needs.

Consumers also have growing expectations of convenience in the shopping experience. Today, they have the ultimate control over how they browse, shop, and receive products and services, often enabled by technology. Consumers want products to be available when they want them, where they want them and how they want to purchase them – either online or offline – and be readily comparable.

Retailers are responding with data-driven personalization, the rise of (almost) instant delivery and a range of new store formats.

<sup>1</sup> "Ahold Delhaize" or "the Company" refers to Koninklijke Ahold Delhaize N.V. and/or any of its subsidiaries, if applicable.



# Market overview

continued

## Health and well-being

**Consumers’ perception of what “healthy” means has changed, as people have become more knowledgeable about the relationship between the food they eat and their overall health and well-being.**

Many consumers today are inspired to eat healthier diets. What this means is different for everyone – one customer could see it as prioritizing fruits and vegetables, another as adopting a paleo or vegan diet. A growing number of consumers are seeking products that are made with simple, natural ingredients that they recognize and understand, and this is reflected in growing sales of “cleaner label” foods.

Consumers want advice that fits their specific goals and needs. We are seeing a rapidly emerging trend towards personalized nutrition, where consumers receive individual advice based on their own health data.

Consumers are also moving beyond the idea that health is tied just to physique. Solutions for “being healthy” are no longer limited to diet and exercise. Consumers seek a more well-rounded approach to health and wellness that is both personal and functional, taking into account the physical, mental, financial, social and spiritual aspects of life.

## Resource availability

**Climate change and a growing demand for food could impact our ability to secure basic resources.**

Climate change poses an existential threat, as it risks disrupting the stable temperatures that have allowed human civilization to flourish over thousands of years. Combined with an increasing global demand for food, this is putting natural resources under stress all over the world. The current climate scenario predicts decreased agricultural yields and productivity. This could lead to an inability to source basic products and serve our customers and communities.

In addition, common agriculture practices are leading to soil depletion, which impacts food yields and the quality and nutritional value of produce. Water quality – which affects food safety and quality – and quantity are also at risk in some areas as climate change worsens the availability of freshwater resources and industries compete for these resources.

To address these issues, retailers and suppliers will have to work together and invest in sustainable production practices, while engaging and enabling consumers to shift their consumption behaviors.

## Consolidation

**We expect to see increased future consolidation in grocery retail, especially in markets that are still facing a high degree of fragmentation.**

Across our industry, consolidation is considered a favorable strategy to counter low growth and decreasing margins by creating significant synergy opportunities.

At the same time, vertical integration is also accelerating. Grocers are integrating backwards through businesses like food farms and processing plants to guarantee supply and quality and lower costs.

Consumer packaged goods companies are integrating forward and developing direct-to-consumer sales models enabled by eCommerce. This is helping them build more meaningful relationships with consumers, while at the same time creating a threat to the traditional retail model.

## Operating model and workforce of the future

**Technological innovation and digitalization will permeate every functional area of retail businesses.**

Technology will impact the labor force of the future, and companies are already looking for solutions to ensure employees have the right skills going forward.

Intelligent automation and artificial intelligence will increase efficiency and accuracy, enhancing human abilities and freeing workers to drive market growth and deploy creative strategies. Successful organizations will continuously evaluate the external environment and nimbly adjust to changing conditions, becoming more agile.

Furthermore, an authentic, purpose-driven culture that allows for personalization will be critical to engaging the workforce of the future. Employees will work in networked, highly collaborative teams, while seeking to define their unique contribution in line with the organization’s purpose.

In response to the changing market conditions, companies will employ a fluid workforce. They will source and manage talent through employment models that include permanent employees, affiliates, partners, publicly available talent and even customers.



# Our stakeholders

**As a global company, we have a large variety of stakeholders. To customers, associates and communities – the three primary groups that Ahold Delhaize impacts – we promise to be a better place to shop, a better place to work and a better neighbor. We also commit to transparency and high integrity with a broad list of stakeholders who have a strong interest in our company, including shareholders, global and local suppliers, governments and NGOs.**

Our stakeholders help us to get better every day by challenging us, sharing insights into their concerns, offering feedback on how we are doing, and collaborating with us to solve problems. We engage with them in both formal and informal ways throughout the year.

During 2018, we invited key internal and external stakeholders to give us their feedback on Ahold Delhaize's most material economic, social and environmental impacts. Stakeholders were selected to represent a broad range of perspectives, including those that challenge our business choices, while including a strong sample size from associates, customers, NGOs, investors and others. The results are consolidated in our updated materiality matrix; see *Our response to stakeholder needs*.

We collaborate with other retailers and manufacturers, through memberships in industry associations and other partnerships, to improve global health, sustainability, transparency, compliance monitoring and the well-being of workers in our communities and around the world. Ahold Delhaize has a strong collaboration with the Consumer Goods Forum, a platform to work on non-competitive issues such as sustainability and health and wellness. Ahold Delhaize CEO Frans Muller succeeded former CEO Dick Boer as a Forum board member in July 2018.

Other memberships include regional and local industry associations, such as the Food Marketing Institute, the Dutch Food Retail Association ("Centraal Bureau Levensmiddelenhandel"), the European Retail Round Table, and Eurocommerce.

Ahold Delhaize is a signatory of the United Nations Global Compact – an initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption. These 10 principles are addressed in our policies, practices, and Leading Together strategy.

## Customers

**Our business is built on our relationships with our customers.**

Our great local brands engage with them every time they visit the stores or shop online. We stay tuned in to what they want through third-party surveys, consumer studies, focus groups, and through the immediate feedback they provide to our customer service departments, associates and websites and through social media.

Customers in our markets continue to tell us they are looking for value and want an easy shopping experience, supported by technology. They want high-quality products, and are increasingly looking for options that are healthier, while staying accessible and delicious.

Customers also tell us they want to be informed about sustainable production and responsible consumption and they value products that are made with respect for people, animals and the planet. They underline the importance of recycling, sustainable packaging and the joint responsibility to minimize food waste.

# Our stakeholders

continued

## Associates

**Associates bring our Leading Together strategy to life every day, working together to serve customers across stores, warehouses and support offices.**

Our brands seek the input of their associates to shape our strategy and leverage ideas to improve. Every associate plays an important role as we build relationships with customers, with our neighbors and with each other. We strive to offer an inclusive place to work, where differences are respected and valued, and where all associates can achieve their full potential.

In 2018, the annual associate engagement survey was conducted across all of our Ahold Delhaize brands. We had a strong participation rate of 83% and saw an overall engagement rate of 79%, a one percentage-point improvement over last year's results.

The survey showed that associates are proud and strong advocates of our brands. They enjoy a work environment where they feel included, respected and well-informed about expectations.

We aim to run strong businesses that offer stable jobs and great career opportunities. Our businesses are committed to the principles of equal employment opportunities, freedom of association and respecting legal rights to collective bargaining.

## Communities

**Our brands are closely connected to their communities, playing a role in the lives of millions of people every day.**

The brands engage with many different entities in their local communities, including food banks, governments, civic organizations, schools, research institutes, industry bodies, charitable organizations, franchisees and affiliates, and suppliers.

Each brand partners locally with community organizations and collaborations to deliver on our strategy and improve outcomes for our stakeholders. For example, they partner with educational organizations to increase healthy eating education for children and with food banks to redistribute unsold food.

With our suppliers, we maintain multiple communication channels, including face-to-face meetings, online communication and supplier events.

Input from our suppliers, both local and global, helps us to create better products for customers, find new ways to reduce food waste, and increase economic, social and environmental value for the communities we source from throughout the supply chain.

## Shareholders

**We strongly believe that by serving customers, associates and communities well, our businesses will prosper and our shareholders will benefit.**

Our shareholders put their trust in us by investing in Ahold Delhaize financially, and we seek and value their input because it helps us become a better retailer.

Investors and shareholders monitor our company closely and support and challenge us on our strategy and how we manage our businesses. We communicate with them through quarterly disclosures and both financial and non-financial performance briefings – such as during our annual General Meeting of Shareholders and capital markets days.

To demonstrate our commitment to long-term success, our disclosures cover both our financial as well as Environmental, Social and Governance (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.

 For more information on our financial performance, see page *Group financial review*.

 For more information on our sustainability performance, see page *Group sustainability performance review*.

# Our role in the value chain



**As a food retailer, Ahold Delhaize is positioned in the middle of the value chain, delivering products from farmers and suppliers to consumers through our retail stores and online operations.**

**With our scale and leading position, we can have a significant influence on making each stage of the value chain more sustainable, in partnership with our stakeholders.**

We are committed to increasing our positive impact and driving sustainable practices throughout the global value chain – for the benefit of our customers, associates and communities – and we have implemented performance indicators and targets to help us do this.

We work to conserve resources right from the raw materials stage. We set sustainable sourcing targets for seven critical commodities, and we partner with farmers, suppliers and industry groups to reach them.

Our local brands work to map and understand their supply chains and assess how natural resources are being used, or how good working conditions are monitored and ensured.

We reduce our carbon footprint through energy-efficient stores, offices, distribution centers and transportation.

Ahold Delhaize associates serve millions of customers every day – helping them shift to healthier diets. Through local initiatives, the brands support the neighborhoods around their stores as well as local communities in the supply chain. Increasing the transparency of environmental and social impacts along the value chain is a challenge, but one that we strive towards, as it helps us evaluate where and how we can improve together with our partners.

For more information on material impacts as identified by our stakeholders, see *Our response to stakeholder needs*. For more detailed information on Sustainable Retailing data and definitions see *Performance: Sustainability*.

# Our Leading Together strategy

## Our purpose

Together, we build **Great Local Brands**,  
bringing **Fresh Inspiration Every Day**

## Our business model

### Save for our customers:

- Buy better
- Operate smarter
- Waste less

### Offer an omnichannel experience:

- Supermarkets and smaller stores
- eCommerce
- Meal solutions



### Invest in our customer proposition:

- Fresher & healthier
- Best own brands
- Local, personal & convenient
- Dependable value
- Sustainable

See page 16

## Our promises



See page 17

## 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 we don't take ourselves too seriously.

## Our growth drivers

Our growth drivers are the areas we will invest in to accelerate profitable growth through our Leading Together strategy.

1

Omnichannel growth

2

Technology

3

Healthy and sustainable

4

Portfolio and scale efficiencies

5

Best talent

See page 18

# Our business model

Our business model is a continuous cycle that shows how our great local brands create value for all our stakeholders.

Across Ahold Delhaize, each brand works to save, drive same-store sales and fund growth.

By continuously looking for ways to buy better, operate smarter and waste less, we maintain the ability to invest in our evolving customer proposition and offer an omnichannel shopping experience:

## Save for our customers

To jump-start this continuous cycle, we always look for ways to save for our customers. We evaluate every area of our businesses to see where we can do things smarter and better to save money, conserve resources and reduce waste.

### Buy better

Our great local brands cultivate long-term partnerships with suppliers, working together to innovate and develop own-brand product ranges. They also achieve savings through buying alliances. In sourcing practices, we aim to always operate in a competitive and fair way.

### Operate smarter

Our brands are streamlining operations and implementing new technologies and automation to achieve cost efficiencies.

### Waste less

Our local businesses are striving to reduce waste by improving their everyday operations. They do this through initiatives such as next-generation replenishment, re-engineering packaging, reducing plastic waste and driving energy efficiency.

## Invest in our customer proposition

Our brands invest into the local customer proposition to provide a great shopping experience that meets consumers' changing needs and builds loyalty.

### Fresher and healthier

With broad fresh and healthier product assortments, our brands are making healthier eating easy, tasty, affordable and rewarding.

### Best own brands

Each brand focuses on building innovative own-brand product ranges to keep differentiating itself and maintain its competitive edge.

### Local, personal and convenient

We strive to build stronger relationships with customers – through the service provided by our associates and through personalized offers and convenience, enabled by technology. Our brands tailor the shopping experience to the needs of people in their neighborhoods and sell a wide range of local products.

### Dependable value

We want every family to be able to do their weekly shopping with our brands, regardless of their budget, so our local businesses continue to make pricing more competitive.

### Sustainable

We work to develop more sustainable practices and provide transparency across the value chain.

## Offer an omnichannel experience

Ahold Delhaize seeks to fund growth in three key channels – supermarkets and smaller stores, eCommerce and meal solutions – so that our brands can be there wherever and however customers shop, providing more of the meals our customers enjoy each day. We are building a portfolio of strong brands that reach #1 or #2 positions in their local markets.

### Supermarkets and smaller stores

Supermarkets are our core channel and the main focus of our investments. Our brands work to keep the stores regularly refreshed and remodeled so they remain appealing to customers. In addition, some of our brands operate smaller formats and are continuously developing them to fulfill customers' growing demand for convenience.

### eCommerce

Across our brands, we continue to develop eCommerce solutions, to make shopping more convenient, personal and inspiring. Our great local brands constantly aim to improve the quality of their service, tailor the assortment to meet or exceed customer expectations, and make online shopping available to more people.

### Meal solutions

We are continuing our expansion into meal solutions to meet customer demand for easier, fresher and healthier meal options. Our efforts are focused on meal kits, food counters and meals-on-demand.



# Our promises

We promise customers, associates and communities that our brands will always strive to be a better place to shop, a better place to work, and a better neighbor – every day.

All of our brands share these promises and fulfill them according to what's best for their local markets.

## A better place to shop

People everywhere are demanding more convenience from the shopping experience.

They expect to be able to shop whenever and however they want, in large stores with wide assortments, small stores for on-the-go, and online shopping for the ultimate convenience of home delivery or pickup. They want the food they buy to be fresh and healthy and expect retailers to help them make the right choices to meet their needs and those of their loved ones.

We promise that we will always work to deliver our customers a better place to shop. We will make shopping easier, fresher and healthier for customers, every day.

### How we measure success



#### Net promoter score

Net promoter score, which gauges customers' willingness to recommend our great local brands to others.

## A better place to work

As one of the world's largest retailers, people are at the center of everything we do. Today, maybe more than ever, people want to feel engaged in their work and know that it has a purpose.

We want to foster a healthy and diverse working environment where people can develop both professionally and personally. Our brands are dedicated to being good employers, providing enriching career opportunities and treating associates with appreciation and respect.

Our brands strive to be a better place to work, every day.

### How we measure success



#### Overall engagement score

Associate engagement, as measured by an annual survey of all associates by an external vendor.

## A better neighbor

The world around us is changing fast, and as a global retailer, we can have a significant impact on issues important to people in our local communities, such as climate change, health and waste reduction.

It is important to us to be closely connected to our communities – after all, they are home not only to our customers but also to our colleagues.

In all our local communities, we promise to become a better neighbor, every day.

### How we measure success



#### Score on the DJSI

Progress against our Sustainable Retailing targets and the assessment of our sustainability performance by the Dow Jones Sustainability Index.

# Our growth drivers

We have a strong foundation and top-notch talent – and are well-positioned to win. Through our five growth drivers, we will accelerate on what will make a difference in the future food retail landscape.

1

## Omnichannel growth

Making it possible for our customers to shop however and whenever is most convenient through our omnichannel offering.



2

## Technology

Partnering to invest in the technology of the future and deploy it across our company today, to improve the customer experience and increase efficiency.



3

## Healthy and sustainable

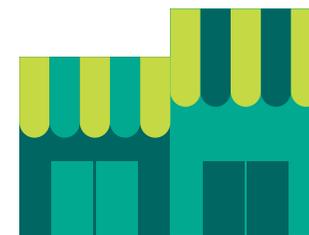
Taking the lead in offering our customers healthier and more sustainable options.



4

## Portfolio and scale efficiencies

Having both the ambition and the opportunity to grow our business in a fragmented retail market, while scaling our efficiencies to partially self-fund our growth.



5

## Best talent

Staying in the lead by attracting, developing and retaining the best talent, with new capabilities.



# Our growth drivers

continued

1

## Omnichannel growth

**We will boost our omnichannel growth by investing in our store network and online capabilities – and our scale will help us do this.**

We will continue to reposition our store brands – including our largest brand, Stop & Shop – to be even more customer-centric and locally differentiated.

At the same time, we are investing more in our home delivery capabilities, developing our pick-up points and further leveraging our online brands such as bol.com and Peapod.

People are cooking less and want easier, fresher, healthier meal options. We see a great opportunity to keep expanding into meal solutions, focusing on meal kits, food counters and meals-on-demand.

2

## Technology

**Technology will help us improve our customer offering and increase efficiency.**

We are using technology to make the three billion offers we send out each year more personalized and compelling.

When we adjust our assortment using machine learning, our customers find more of the products they want. By simplifying the checkout process and rolling out technology to help customers navigate stores and build shopping lists, we are making shopping easier.

We are also making fulfillment more efficient by investing in fully mechanized distribution centers, micro-fulfillment and optimized forecasting and replenishment.

3

## Healthy and sustainable

**Customers and communities across all our markets are looking for ways to eat cleaner, smarter and healthier, and are concerned about the impact of their shopping on people and the environment.**

Our vision is to be the leading sustainable retailer in our markets by innovating to improve health, drive sustainable consumption and maximize human potential. To meet the increasing demand for healthier diets, we will continue improving the nutritional value of our products and supporting customers in finding healthier options, while accelerating our focus on affordability and personalization.

We are committed to creating more circular systems for plastic packaging, and are testing blockchain and other methods to improve transparency about our products. In addition, we will build new, ambitious climate targets to accelerate emission reduction from our operations and supply chain.

4

## Portfolio and scale efficiencies

**We have built a solid platform and the right capabilities to enable us to pursue both organic and inorganic growth.**

We will continue to evolve our portfolio: building and strengthening our leading market positions, leveraging our scale and expanding our strong local brands, customer reach and geographical presence. We strive for a #1 or #2 position in each market, and will also grow in attractive existing or adjacent markets.

Our commitment is to partially self-fund our growth investments and acceleration through our Save for Our Customers cost program. Save for Our Customers is in our DNA, and we believe there are many more efficiencies to go after and to scale across our group.

5

## Best talent

**Our leadership team has the strength and experience to drive our strategy and grow our business even further.**

And the larger team of more than 372,000 associates are engaged, experienced and passionate about serving customers and communities across all our brands.

It is essential we offer them the right opportunities because they make everything we do possible. Our brands will continue to improve their working environment with an engaged, inclusive, balanced and healthy workplace for all associates.

# Our response to stakeholder needs

**To drive a sustainable business, we are committed to creating value for our many stakeholders.**

We are making it easier for our customers to eat more nutritious food, which helps to reduce the prevalence of diseases and increase overall vitality. We are reducing food waste, to responsibly manage the earth's resources. Our work with food banks helps feed the undernourished in our communities. And we are committed to celebrating a diverse and inclusive workforce and seeing associates reach their potential and thrive in life and business.

We are continuously driving performance improvements in climate impact, product safety and sustainability, safety at work and local community connection.



# Our response to stakeholder needs

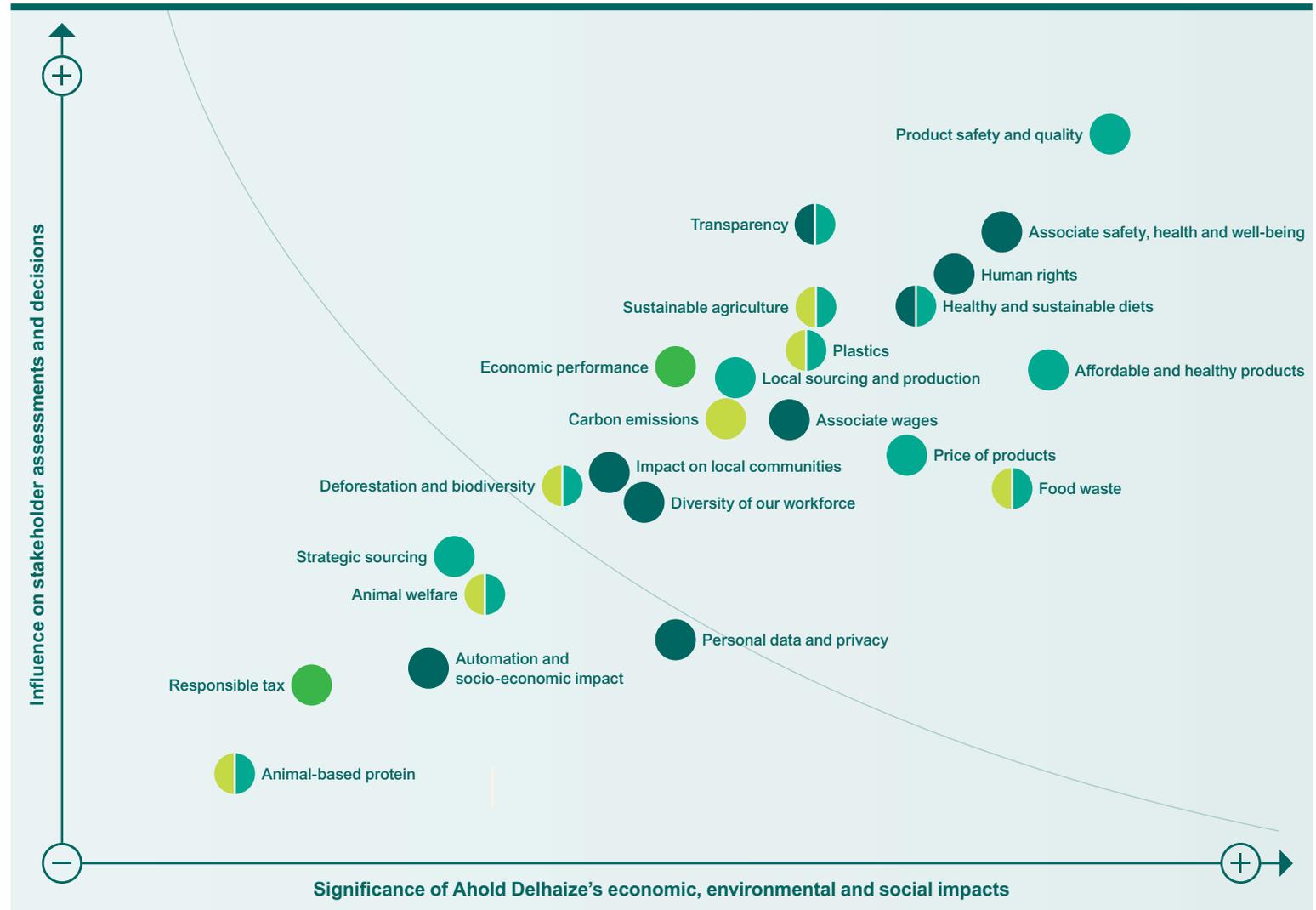
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Each year, we perform a materiality assessment, gathering input from associates, customers, investors and other external stakeholders to assess our biggest impacts on society.

Our current material topics are plotted on the matrix to the right. The matrix reflects stakeholders' feedback on the scale of Ahold Delhaize's impact and how much the topics influence their decision-making on environmental, social and economic topics. The 2018 material topics have not changed significantly from the 2017 assessment, but four topics have moved up noticeably: human rights, sustainable agriculture, plastics and transparency.

Our materiality assessment helps us to ensure that our strategy and reporting are in line with our most significant impacts and stakeholder expectations. The results of this assessment, which often drive key business risks and opportunities, have been included in our Enterprise Risk Management process; see *How we manage risk* for more information.

The 2018 materiality analysis will be used as an input as we move forward on our Leading Together strategy and set new sustainable retailing goals.



Areas impacted by the material topics ● People ● Planet ● Product ● Performance

## Our response to stakeholder needs

continued

**We use the UN Sustainable Development Goals (SDGs) as a compass for our strategy, and as a reference when completing our annual materiality assessment. The IO SDGs that we contribute to the most through our global strategy are shown below. In addition, as we work together with many partners in the value chain to drive progress on the SDGs and achieve our sustainability agenda, we see SDG 17 as an enabler for success.**



For more information on our strategy and how we support the SDGs, see *Performance: Sustainability* in this Annual Report and our website [www.aholddelhaize.com](http://www.aholddelhaize.com).

### Stakeholder engagement

In 2018, we engaged with stakeholders on various topics including human rights, sustainable agriculture practices, sustainable protein, plastic waste reduction and animal welfare improvements. We are committed to promptly and thoughtfully responding to requests and feedback from stakeholders on these complex issues. As many of these challenges require industry-wide solutions, we often partner with other retailers, manufacturers, and expert organizations to co-create solutions that, for instance, improve human rights protection in complex supply chains, or find the right balance between reducing plastic packaging while ensuring fresh and safe food.

Our dialogue with stakeholders gives us greater visibility into impacts along our value chain, and helps us identify new partnerships and actions. We value the interactions and feedback – which happen directly with our brands or at a regional or global level – as they help us evaluate trade-offs and be strategic about the changes we implement in our business.

We continue to improve how we communicate about the stakeholder feedback we receive and the related positions we take, particularly through our global website. We recognize the increasing importance of transparency to customers and other stakeholders.

### Management approach

The purpose of our management approach is to enhance positive impacts and avoid, mitigate or remediate negative economic, social and environmental impacts of our businesses on society at large. The material topics can have impacts that are limited to the Ahold Delhaize organization, including its stores, offices, distribution centers and associates, or go beyond to impact society. We manage our material topics at multiple levels in the organization, through our daily business practices within the brands and globally through our Sustainable Retailing strategy (see *Performance: Sustainability* and *Definitions* for more details).

The leaders of our local brands are responsible for developing and implementing local strategies to address relevant material topics, and they set annual targets on all the Ahold Delhaize Sustainable Retailing performance indicators. On a quarterly basis, each brand leader performs an assessment on the brand's year-to-date data and discusses progress and potential data quality improvements with the Ahold Delhaize President and CEO and the VP Sustainable Retailing.

We use global KPIs and targets to drive progress toward our 2020 sustainability agenda. However, because some specific market characteristics require a local approach – for example, on local sourcing or serving local communities – the management approach on material topics is not only driven globally. Material topics addressed in the table below are those with a high influence on stakeholder decisions and on which Ahold Delhaize has a significant impact. We have included references to the SDGs most supported by our efforts.



Please visit our website for a more comprehensive view on how we manage material topics and for a Reference Table linking our activities to the Global Reporting Initiative (GRI) standards.

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





# Our response to stakeholder needs

continued

## People

	Management approach, KPIs and targets	SDG reference
<b>Associate safety, health and well-being</b>	<p>We integrate safe working conditions into workplace designs and operational procedures and measure and monitor accidents, occupational illness and related absenteeism. Annual targets are set to further increase safety measures and support associates' health and well-being through brand-level programs. See our website at <a href="http://www.aholddelhaize.com">www.aholddelhaize.com</a> for more details and information on our programs.</p> <p><b>2020 target</b></p> <ul style="list-style-type: none"> <li>Score of 75% on index of healthy workplace questions in associate engagement survey</li> </ul> <p><b>KPIs</b></p> <ul style="list-style-type: none"> <li>Rate of lost days due to accidents</li> <li>Rate of occupational illnesses per million hours worked</li> </ul>	<p><b>3.4</b> Promote mental health and well-being</p> <p><b>8.5</b> Achieve decent work for all and equal pay for all equal work</p> <p><b>8.8</b> Protect labor rights and promote safe and secure working environments for all workers</p>
<b>Human rights</b>	<p>We are committed to respecting the human rights of associates, customers, communities and the people who work throughout our supply chains. In 2018, we began a human rights due diligence process based on the UN Guiding Principles on Human Rights.</p> <p><b>2020 target</b></p> <ul style="list-style-type: none"> <li>80% of own-brand production units meeting social compliance standards</li> </ul>	<p><b>8.7</b> Eradicate forced labor</p> <p><b>8.8</b> Protect labor rights and promote safe and secure working environments for all workers</p>
<b>Associate wages</b>	<p>Our remuneration policy is based on our commitment to the key principle of fair and equitable treatment of associates. Compensation and benefits levels are set by our brands in line with associates' job levels and local market practices. The remuneration practices in each of our local markets are regularly reviewed to take into account market dynamics and economic conditions.</p> <p><b>KPI</b></p> <ul style="list-style-type: none"> <li>Associate engagement survey score</li> </ul>	



# Our response to stakeholder needs

continued

## People (continued)

	Management approach, KPIs and targets	SDG reference
<b>Impact on local communities</b>	<p>Charitable contributions and community investments focus on promoting healthier eating, fighting hunger and strengthening communities. Our brands engage with local communities through a diverse set of programs, including partnerships with local food banks and sponsorship of educational programs on healthier eating for children. For more information on our Framework for Community Connections and examples of our actions, see our website at <a href="http://www.aholddelhaize.com">www.aholddelhaize.com</a>.</p> <p><b>KPIs</b></p> <ul style="list-style-type: none"> <li>• Cash donations by the company to charities</li> <li>• Cash equivalent donations by the company to charities</li> <li>• Cash and cash equivalent donations by customers to charities, facilitated by Ahold Delhaize brands</li> <li>• Tonnes of food donated</li> </ul>	<p><b>2.1</b> Ensure access to nutritious food for all</p>
<b>Diversity of workforce</b>	<p>Associate perception on diversity is measured through an annual associate engagement survey and annual targets are set to drive progress. Our brands are committed to creating an inclusive workplace, and diversity and inclusion are integrated into associates' value propositions through hiring practices, innovative training and leadership development programs.</p> <p><b>KPIs</b></p> <ul style="list-style-type: none"> <li>• Index of inclusive workplace questions in the associate engagement survey</li> <li>• Percentage of female and male associates</li> <li>• Percentage of females on the Executive Committee and Supervisory Board</li> <li>• Percentage of associates by generation</li> </ul>	<p><b>5.5</b> Achieve equal opportunities</p> <p><b>8.5</b> Achieve decent work for all</p> <p><b>10.2</b> Promote inclusion</p> <p><b>10.3</b> Ensure equal opportunity and reduce inequalities of outcome</p>



## Our response to stakeholder needs

continued

### Planet

	Management approach, KPIs and targets	SDG reference
<b>Food waste</b>	<p>We minimize food waste in own operations by preventing it, through optimized store replenishment and on-shelf management, and by re-directing unsold food to feed people. For the food waste that we cannot eliminate, we continue to expand recycling. Our brands identify new ways to partner with food banks and entrepreneurial businesses to redistribute unsold food to still feed people.</p> <p><b>2020 targets</b></p> <ul style="list-style-type: none"> <li>• 20% food waste reduction against 2016 baseline (tonnes / € million food sales)</li> <li>• 90% food waste recycled</li> </ul> <p><b>KPIs</b></p> <ul style="list-style-type: none"> <li>• Tonnes of food waste sent to disposal per food sales</li> <li>• Percentage of unsold food donated to feed people</li> </ul>	<p><b>12.3</b> Halve food waste</p>
<b>Sustainable agriculture</b>	<p>Through our work on critical commodities we collaborate with partners in the industry to drive sustainable farming practices and protect ecosystems. We also source organic products and many fresh products from suppliers who are improving the sustainability of agriculture, for example through Integrated Pest Management, the reduction of chemical applications and better grazing practices.</p> <p><b>2020 targets</b></p> <ul style="list-style-type: none"> <li>• 100% sustainable sourcing for seven commodities in our own-brand products (tea, coffee, cocoa, palm oil, seafood, soy and wood fibers)</li> </ul> <p><b>KPIs</b></p> <ul style="list-style-type: none"> <li>• Percentage of total food sales from certified-organic products</li> <li>• Sales from “free-from” or organic own-brand product lines</li> </ul>	<p><b>2.4</b> Ensure sustainable food production systems</p> <p><b>12.2</b> Achieve efficient use of natural resources</p>
<b>Plastics</b>	<p>At Ahold Delhaize, we appreciate the benefits that plastic packaging brings to our business, but support the need to move to a more circular system to reduce the negative impacts of mismanaged plastic waste.</p> <p>We set a goal related to plastics at the end of 2018, when we joined nearly 300 organizations worldwide in signing the New Plastics Economy Global Commitment for 2025. Our brands have been working on reducing plastics in our operations and optimizing product packaging for years, and this new commitment will guide our next actions.</p> <p><b>2025 target</b></p> <ul style="list-style-type: none"> <li>• 100% of our own-brand plastic packaging is reusable, recyclable or compostable</li> </ul>	<p><b>12.5</b> Reduce waste generation</p> <p><b>14.1</b> Prevent and reduce marine pollution</p>



## Our response to stakeholder needs

continued

### Planet (continued)

	Management approach, KPIs and targets	SDG reference
<b>Carbon emissions</b>	<p>Our brands are working to improve energy-efficiency, reduce refrigerant leakage, increase the use of natural refrigerants, and improve transport efficiencies. We have set targets to cut food waste and source sustainable commodities linked to deforestation. Our brands are also taking steps to reduce supply chain emissions and working with suppliers to develop and transport products to us with fewer emissions. We continue to work to solve the challenge of measuring emissions along our value chain so that we can further reduce climate impact.</p> <p><b>2020 targets</b></p> <ul style="list-style-type: none"> <li>• 30% reduction in CO<sub>2</sub>-equivalent emissions (compared to 2008) from our own operations</li> <li>• 100% certified sustainable sourcing of palm oil, soy, and wood fibers in own-brand products</li> <li>• 20% food waste reduction compared to 2016 (tonnes / € million food sales)</li> </ul>	<p><b>13.2</b> Integrate climate change measures</p> <p><b>7.3</b> Increase energy efficiency</p>
<b>Deforestation and biodiversity</b>	<p>Driving sustainability in the supply chain is a difficult challenge for a single retailer to solve. We take our responsibility seriously and play an active role in our industry to help speed the global shift to sustainable practices. We continue our long-standing commitment to source sustainable seafood, protecting biodiversity in oceans and rivers. Our brands work directly with suppliers, particularly for fruits and vegetables, to encourage the use of practices that protect biodiversity.</p> <p><b>2020 targets</b></p> <ul style="list-style-type: none"> <li>• 100% certified sustainable sourcing of tea, coffee, cocoa, palm oil, soy and wood fibers in own-brand products</li> <li>• 100% of own-brand seafood product sales certified as sustainable</li> </ul>	<p><b>12.2</b> Achieve efficient use of natural resources</p> <p><b>14.4</b> End destructive fishing practices</p> <p><b>15.1</b> Ensure sustainable ecosystems</p> <p><b>15.2</b> Halt deforestation</p>



## Our response to stakeholder needs

continued

### Product

	Management approach, KPIs and targets	SDG reference
<b>Product safety and quality</b>	<p>Our product integrity policies and procedures set high standards for both safety and quality with our own-brand suppliers. Our operations policies ensure strong safety and quality management from our distribution centers to our stores, including regular facility audits by third parties to confirm compliance. We require our suppliers to go beyond what is legally required for food safety practices, and work directly with Small and Medium-Sized Enterprises to help them achieve an acceptable level of assurance and identify areas for improvement.</p> <p><b>2020 target</b></p> <ul style="list-style-type: none"> <li>• 100% of own-brand food production sites certified against GFSI (Global Food Safety Initiative), or in compliance with an acceptable level of assurance standard</li> </ul>	<p><b>2.4</b> Ensure sustainable food production systems</p> <p><b>12.2</b> Responsible production &amp; consumption</p>
<b>Affordable and healthy products</b>	<p>Offering affordable, healthy products is a key component of our Leading Together strategy. We support customers in shifting to a healthier diet through product innovation, assortment changes, promotions and pricing. We leverage our own-brand healthy and organic or free from products to provide affordable choices, and guide customers to healthy options through navigation systems like Guiding Stars in the U.S. and Nutri-Score in Belgium.</p> <p><b>2020 targets</b></p> <ul style="list-style-type: none"> <li>• 50% of own-brand food sales from healthy products</li> <li>• 100% of own-brand products with front-of-pack nutritional labeling</li> </ul>	<p><b>2.1</b> Ensure access to nutritious food for all</p> <p><b>3.4</b> Reduce non-communicable disease</p>
<b>Healthy and sustainable diets</b>	<p>To meet our commitment to promote healthier eating among customers and associates, the brands are driving innovation towards healthier products, introducing new product lines, improving product sustainability and providing information on healthier diets in the stores and online. In addition, the brands offer services to help customers shift their diets, such as employing dietitians in the stores and guiding customers towards more sustainable products. In response to consumer demand, we are also increasing our organic range and offering more products that do not contain artificial ingredients. We are increasing our focus on supporting associates in moving toward healthier habits, with each brand developing annual plans for improvement.</p> <p><b>2020 targets</b></p> <ul style="list-style-type: none"> <li>• 50% of own-brand food sales from healthy products</li> <li>• 100% sustainable sourcing for seven commodities in our own-brand products</li> <li>• 80% of own-brand production units meeting social compliance standards</li> </ul> <p><b>KPIs</b></p> <ul style="list-style-type: none"> <li>• Percentage of total food sales from certified-organic products</li> <li>• Sales from “free-from” or organic own-brand product lines</li> </ul>	<p><b>2.4</b> Ensure sustainable food production systems</p> <p><b>3.4</b> Reduce non-communicable disease</p>



# Our response to stakeholder needs

continued

## Product (continued)

	Management approach, KPIs and targets	SDG reference
<b>Transparency</b>	<p>Consumers increasingly want to understand the impact of their choices. For example, they want to understand how what they eat impacts their health and the environment. Ahold Delhaize aims to improve transparency throughout its business operations and its communications with stakeholders. For example, the Ahold Delhaize brands make product information available to consumers, through on-pack, online and digital communications. We aim to provide clear nutritional information, as well as sustainability certifications, supplier information and other relevant communications.</p> <p><b>2020 target</b></p> <ul style="list-style-type: none"> <li>• 50% of own-brand food sales from healthy products</li> <li>• 100% of own-brand products with front-of-pack nutritional labeling</li> <li>• 100% sustainable sourcing for seven commodities in our own-brand products</li> </ul>	<p><b>2.4</b> Ensure sustainable food systems</p> <p><b>12.8</b> Ensure information &amp; awareness</p>
<b>Local sourcing and production</b>	<p>Local sourcing and production is important in all our markets. We offer fresh fruit and vegetables in season coming from local producers where possible, and we search out local producers for many types of products to respond to customer demand and support local economies.</p>	<p><b>2.4</b> Ensure sustainable food systems</p> <p><b>12.2</b> Achieve efficient use of natural resources</p>
<b>Price of products</b>	<p>Local price strategies are influenced by various local market specifics, our competitors and our perceived and desired brand position in these markets. Our brands monitor and analyze pricing to perform competitively in their local markets, drive economic performance and market share, and ensure healthy food remains affordable.</p>	



# Our response to stakeholder needs

continued

## Performance

	Management approach, KPIs and targets	SDG reference
<b>Economic performance</b>	<p>The financial performance of the company is essential for operating a sustainable business and is closely managed by executive management at group and brand level. We have a clear financial control framework to support our strategy and aim to maintain a high return on capital.</p> <p>Ahold Delhaize's primary objective in terms of managing capital is the optimization of its debt and equity balances in order to sustain the future development of the business, maintain its investment grade credit rating and maximize shareholder value. Ahold Delhaize may balance its overall capital structure in a number of ways, including through the payment of dividends, capital repayment, new share issues and share buybacks as well as the issuance of new debt or the redemption of existing debt.</p> <p>As part of our promise to be a better neighbor, we seek to make a positive impact on the communities in which our brands operate. One way Ahold Delhaize does this is through the taxes we pay. Our overall tax approach is in line with Ahold Delhaize's business principles and Code of Ethics. Our tax policy is published on our website.</p> <p>See <i>Group financial review</i> for more information and specific financial performance indicators.</p>	<b>8.2</b> Increase economic productivity

Other topics shown in the materiality matrix but not in the table above are relatively less material but monitored as part of daily business operations – particularly when they have a high influence on stakeholders' decisions or are areas on which Ahold Delhaize has a significant impact. We use the complete results of the materiality analysis each year to evaluate the effectiveness of our management approaches and identify key opportunities or risks for our business.

