Performance

FINANCIAL STATEMENTS

LOCAL MATTERS

Albert Czech Republic

CONSOLIDATED INCOME STATEMENT

€ million, except per share data	Note	52 weeks ended January 1, 2023	52 weeks ended January 2, 2022
Net sales	7	**86,984**	75,601
Cost of sales	8	**(63,689)**	(54,916)
Gross profit		**23,295**	20,685
Other income	8	**663**	531
Selling expenses	8	**(16,989)**	(14,929)
General and administrative expenses	8	**(3,201)**	(2,967)
Operating income		**3,768**	3,320
Interest income		**69**	29
Interest expense		**(248)**	(181)
Net interest expense on defined benefit pension plans	24	**(17)**	(17)
Interest accretion to lease liability	33	**(356)**	(337)
Other financial income (expense)		**—**	(10)
Net financial expenses	9	**(552)**	(517)
Income before income taxes		**3,216**	2,803
Income taxes	10	**(714)**	(591)
Share in income of joint ventures	15	**44**	33
Income from continuing operations		**2,546**	2,246
Income (loss) from discontinued operations	5	**—**	—
Net income		**2,546**	2,246
Attributable to:			
Common shareholders		**2,546**	2,246
Non-controlling interests		**—**	—
Net income		**2,546**	2,246
Earnings per share	29		
Net income per share attributable to common shareholders:			
Basic		**2.56**	2.18
Diluted		**2.54**	2.17
Income from continuing operations per share attributable to common shareholders:			
Basic		**2.56**	2.18
Diluted		**2.54**	2.17

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	Note	52 weeks ended January 1, 2023	52 weeks ended January 2, 2022
Net income		**2,546**	2,246
Remeasurements of pension plans:			
Remeasurements before taxes – income	24	**516**	103
Income taxes	10	**(137)**	(24)
Other comprehensive income that will not be reclassified to profit or loss		**378**	79
Currency translation differences in foreign interests:			
Continuing operations		**671**	766
Income taxes	10	**(1)**	(2)
Cash flow hedges:			
Fair value result for the year		**—**	—
Transfers to net income		**1**	1
Income taxes	10	**—**	—
Non-realized gains (losses) on debt and equity instruments:			
Fair value result for the period		**—**	—
Income taxes		**—**	—
Other comprehensive income of joint ventures – net of income taxes:			
Share of other comprehensive income from continuing operations	15	**—**	—
Other comprehensive income reclassifiable to profit or loss		**670**	765
Total other comprehensive income		**1,049**	843
Total comprehensive income		**3,595**	3,089
Attributable to:			
Common shareholders		**3,595**	3,089
Non-controlling interests		**—**	—
Total comprehensive income		**3,595**	3,089
Attributable to:			
Continuing operations		**3,595**	3,089
Discontinued operations		**—**	—
Total comprehensive income		**3,595**	3,089

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

CONSOLIDATED BALANCE SHEET

€ million	Note	January 1, 2023	January 2, 2022
Assets			
Property, plant and equipment	11	**12,482**	11,838
Right-of-use asset	12	**9,607**	9,010
Investment property	13	**661**	708
Intangible assets	14	**13,174**	12,770
Investments in joint ventures and associates	15	**262**	244
Other non-current financial assets	16	**1,193**	1,193
Deferred tax assets	10	**242**	289
Other non-current assets		**116**	76
Total non-current assets		**37,737**	36,128
Assets held for sale	5	**26**	18
Inventories	17	**4,611**	3,728
Receivables	18	**2,391**	2,058
Other current financial assets	19	**373**	356
Income taxes receivable		**35**	45
Prepaid expenses and other current assets		**301**	387
Cash and cash equivalents	20	**3,082**	2,993
Total current assets		**10,818**	9,584
Total assets		**48,555**	45,712
Equity and liabilities			
Equity attributable to common shareholders	21	**15,405**	13,721
Loans	22	**4,527**	4,678
Other non-current financial liabilities	23	**11,055**	10,473
Pensions and other post-employment benefits	24	**696**	1,107
Deferred tax liabilities	10	**1,005**	746
Provisions	25	**742**	746
Other non-current liabilities		**44**	62
Total non-current liabilities		**18,068**	17,812
Accounts payable		**8,191**	7,563
Other current financial liabilities	26	**2,689**	2,552
Income taxes payable		**230**	96
Provisions	25	**377**	484
Other current liabilities	27	**3,595**	3,483
Total current liabilities		**15,082**	14,179
Total equity and liabilities		**48,555**	45,712

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 January 3, 2021		**11**	**12,246**	**(839)**	**(3)**	**1,016**	**12,432**
Net income attributable to common shareholders		—	—	—	—	2,246	2,246
Other comprehensive income attributable to common shareholders		—	—	764	1	79	843
Total comprehensive income 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**
Net income attributable to common shareholders		—	—	—	—	2,546	2,546
Other comprehensive income attributable to common shareholders		—	—	670	1	378	1,049
Total comprehensive income attributable to common shareholders		—	—	670	1	2,925	3,595
Dividends		—	—	—	—	(979)	(979)
Share buyback		—	—	—	—	(998)	(998)
Cancellation of treasury shares		(1)	(1,385)	—	—	1,386	—
Share-based payments		—	—	—	—	66	66
Balance as of January 1, 2023	21	**10**	**9,603**	**595**	**(1)**	**5,198**	**15,405**

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 1, 2023	52 weeks ended January 2, 2022
Income from continuing operations		**2,546**	2,246
Adjustments for:			
Net financial expenses	9	**552**	517
Income taxes	10	**714**	591
Share in income of joint ventures	15	**(44)**	(33)
Depreciation, amortization and impairments	8	**3,668**	3,068
(Gains) losses on leases and the sale of assets / disposal groups held for sale		**(205)**	(76)
Share-based compensation expenses	32	**65**	48
Operating cash flows before changes in operating assets and liabilities		**7,296**	6,361
Changes in working capital:			
Changes in inventories		**(747)**	(283)
Changes in receivables and other current assets		**(162)**	(43)
Changes in payables and other current liabilities		**451**	580
Changes in other non-current assets, other non-current liabilities and provisions		**(331)**	(216)
Cash generated from operations		**6,507**	6,399
Income taxes paid – net	10	**(397)**	(931)
Operating cash flows from continuing operations		**6,110**	5,468
Operating cash flows from discontinued operations		**—**	—
Net cash from operating activities		**6,110**	5,468
Purchase of non-current assets		**(2,490)**	(2,371)
Divestments of assets / disposal groups held for sale		**288**	82
Acquisition of businesses, net of cash acquired	28	**(20)**	(529)
Divestment of businesses, net of cash divested	28	**12**	(5)
Changes in short-term deposits and similar instruments		**—**	44
Dividends received from joint ventures	15	**38**	28
Interest received		**56**	16
Lease payments received on lease receivables		**115**	103
Other		**(13)**	(2)
Investing cash flows from continuing operations		**(2,014)**	(2,634)
Investing cash flows from discontinued operations		**—**	—
Net cash from investing activities		**(2,014)**	(2,634)
Proceeds from long-term debt	28	**—**	848
Interest paid		**(174)**	(138)
Repayments of loans	28	**(162)**	(427)
Changes in short-term loans	28	**(93)**	90
Repayment of lease liabilities	28	**(1,755)**	(1,569)
Dividends paid on common shares	21	**(979)**	(856)
Share buyback	21	**(997)**	(994)
Other cash flows from derivatives	28	**—**	—
Other		**(28)**	(5)
Financing cash flows from continuing operations		**(4,188)**	(3,052)
Financing cash flows from discontinued operations		**—**	—
Net cash from financing activities		**(4,188)**	(3,052)
Net cash from operating, investing and financing activities		**(92)**	(218)
Cash and cash equivalents at the beginning of the year (excluding restricted cash)		**2,968**	2,910
Effect of exchange rates on cash and cash equivalents		**178**	276
Cash and cash equivalents at the end of the year (excluding restricted cash)	28	**3,054**	2,968

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

LOCAL MATTERS

Mega Image Romania

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 February 28, 2023, the Management Board authorized the financial statements. The financial statements, as presented in this Annual Report, are subject to adoption by the Ahold Delhaize General Meeting of Shareholders. 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.

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 2022 consisted of 52 weeks and ended on January 1, 2023. The comparative financial year 2021 consisted of 52 weeks and ended on January 2, 2022.

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:

	2022	2021
U.S. dollar		
Average exchange rate	**0.9515**	0.8461
Year-end closing exchange rate	**0.9341**	0.8795
Czech crown		
Average exchange rate	**0.0407**	0.0390
Year-end closing exchange rate	**0.0414**	0.0402
Romanian leu		
Average exchange rate	**0.2028**	0.2032
Year-end closing exchange rate	**0.2022**	0.2021
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]
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		

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.

Risks and uncertainties

An integrated comprehensive analysis of the principal risks faced by Ahold Delhaize is included in the *Risks and opportunities* section of this Annual Report. COVID-19 continues to affect the Company's business operations, but to a much lesser extent than in previous years. While disruption related to COVID-19 has eased during 2022, there is still a risk of further waves, and uncertainty still exists around potential new variants.

The main risks relate to the macro-economic developments resulting from the war in Ukraine, which continue to impact the Company's business and its operations.

War in Ukraine and wider macro-economic developments

The war in Ukraine has destabilized the world economy, leading to a severe energy crisis in Europe and contributing to higher inflation, rising interest rates and slowing economic growth in Europe and the United States. While the Group does not have any operations in Ukraine or Russia, and is not directly affected by trading restrictions or sanctions, it is affected by these wider macro-economic consequences of the war. Rising costs across the value chain – including from increasing commodity prices – supply chain delays and labor shortages continue to create a challenging environment for the retail industry. Food retailing is especially impacted by these dynamics and the resulting inflation. These macro-economic developments impact the Company's balance sheet valuations, results and cash flow. Increasing interest rates mainly impacts the Company's lease liabilities, pension obligations and self-insurance provision, and rising prices increases pressure on the profit margins.

We are continuously monitoring and assessing any further potential impacts of the ongoing war in Ukraine on our people, macro-economic conditions, and operational and supply chain aspects in the markets where our brands operate.

Climate change

The climate-related risks can be divided 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).

- Transition risks: Our financial performance may be affected by the nature, speed and focus of policy, legal, technology and market changes.
- Physical risks: Our financial performance may be affected in the future by changes in water availability, sourcing and quality; food security; and extreme temperature changes.

2 BASIS OF PREPARATION CONTINUED

We consider 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 (see *Note 11*). We also consider climate-related risks for larger projects and limit financial losses by procuring Property Damage and Business Interruption (PDBI) insurance against damage from natural catastrophes and weather-related events, such as floods, hurricanes and winter storms.

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, the wider macro-economic consequences of the war in Ukraine 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. An impairment trigger assessment is performed on a quarterly basis to determine whether there is an indication, based on either internal or external sources of information, that an asset or a CGU may be impaired.

The Company performed its annual goodwill impairment test in the fourth quarter. Free cash flow projections for the CGUs reflect current macro-economic circumstances, including increases in energy costs and inflation as well as certain cost saving initiatives to reduce negative impacts. The Weighted Average Cost of Capital (WACC) rates applied increased compared to the prior year as a result of these macro-economic developments. For more information, see *Note 14*.

With regard to non-current assets other than goodwill and other intangible assets with indefinite lives, the Company assessed, on a quarterly basis, whether there was any indication that non-current assets were impaired. Where such indicators of impairment existed, the Company estimated the recoverable amount of the individual asset, where possible, or, otherwise, the CGU to which the asset belonged. The pre-tax discount rates that were applied increased compared to the prior year as a result of the wider macro-economic developments. For more information, see *Note 11*.

Pension obligations and self-insurance provision

The Company's pension and self-insurance provisions were impacted by the increased economic uncertainty and related risks. The impact on the actuarial assumptions used reflects the current economic outlook and is mutually compatible, including estimated future salary increases.

The discount rates applied increased compared to the prior year as a result of these macro-economic developments.

Income taxes

The 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 impact from the wider macro-economic consequences of the war in Ukraine 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.

3 GENERAL ACCOUNTING POLICIES CONTINUED

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 *Definitions and abbreviations*.

New accounting policies effective for 2022

The following amendments and revisions to existing standards became effective for Ahold Delhaize's consolidated financial statements as of January 3, 2022:

- Amendments to IAS 16, "*Property, Plant and Equipment: Proceeds before Intended Use*"
- Amendments to IAS 37, "*Onerous Contracts Cost of Fulfilling a Contract*"
- Amendments to IFRS 3, "*Reference to the Conceptual Framework*"
- Annual improvements cycle 2018-2020, which included amendments to IFRS 1, "*First-time Adoption of International Financial Reporting Standards,*" IFRS 9, "*Financial Instruments,*" IFRS 16, "*Leases*" and IAS 41, "*Agriculture*"

These amendments have no impact on the Company's consolidated financial statements.

New accounting policies not yet effective for 2022

The International Accounting Standards Board (IASB) issued several standards, or revisions to standards, that are not yet effective for 2022, but will become effective in coming years.

IFRS 17, "Insurance contracts"

IFRS 17 replaces IFRS 4, ''Insurance Contracts.'' It establishes principles for recognition, measurement, presentation and disclosure requirements for insurance and reinsurance contracts. The standard introduces a general model for recognition and measurement but allows a premium allocation approach (''PAA''), which is an optional simplification for measurement of liability for remaining coverage for insurance and reinsurance contracts with short-term coverage. The standard also 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's self-insurance program (see *Note 25*) is out of scope of IFRS 17. Part of the self-insured risk is ceded under a reinsurance treaty, which is a pooling arrangement between unrelated parties. At the same time, Ahold Delhaize assumes a share of the reinsurance treaty risks. In connection with this pooling arrangement, the Company recognizes reinsurance assets and reinsurance liabilities (see *Note 16*, *Note 19*, *Note 23* and *Note 26*). These contracts fall within the scope of IFRS 17 and are eligible for recognition and measurement under PAA. The company expects that the application of IFRS 17 to these contracts will not have a significant effect on the future consolidated financial statements.

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. Since approving these amendments, the IASB has issued further amendments with regard to classification (as current or non-current), presentation and disclosures of liabilities for which an entity's right to defer settlement for at least 12 months is subject to the entity complying with conditions after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024. 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.

3 GENERAL ACCOUNTING POLICIES CONTINUED

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.

Amendments to IFRS 16, "Lease liability in a sale and leaseback"

In September 2022, the IASB issued amendments to IFRS 16. The amendments clarify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in the sale and leaseback transaction. These amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

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 Cycloon for a total purchase consideration of €43 million. The provisional allocation of the fair values of the identifiable assets acquired, liabilities assumed, and the goodwill arising from the acquisitions during 2022 is as follows:

€ million	Cycloon	Other acquisitions[1]	**Total acquisitions**
Property, plant and equipment	3	—	**3**
Right-of-use asset	1	(1)	**—**
Other intangible assets	13	—	**13**
Other non-current financial assets	—	3	**3**
Other non-current assets	—	—	**—**
Assets held for sale	—	1	**1**
Inventories	—	—	**1**
Receivables	5	—	**5**
Prepaid expenses and other current assets	—	—	**—**
Cash and cash equivalents	—	—	**—**
Loans	—	—	**—**
Lease liabilities	(1)	—	**(1)**
Deferred tax liability	(1)	—	**—**
Accounts payable	(5)	—	**(5)**
Other current financial liabilities	—	—	**—**
Other current liabilities	(7)	(6)	**(13)**
Net identifiable assets acquired	**9**	**(3)**	**6**
Goodwill	33	5	**38**
Total purchase consideration	**43**	**2**	**44**
Deferred consideration payable – non-current	(27)	—	**(27)**
Settlement of deferred consideration payable	—	1	**1**
Purchase consideration settlement with other parties	—	1	**1**
Cash acquired (excluding restricted cash)	—	—	**—**
Acquisition of businesses, net of cash acquired	**15**	**5**	**20**

1 Includes acquisition of two stores in Europe as well as measurement period adjustments recognized subsequent to the amounts initially recognized and reported for other acquisitions in 2021.

4 ACQUISITIONS CONTINUED

Acquisition of Cycloon

On December 21, 2021, Ahold Delhaize announced that bol.com entered into a strategic alliance with delivery expert Cycloon. The parties intend to jointly accelerate the growth of Cycloon and bol.com and share the ambition to make delivery more sustainable and socially responsible.

The transaction closed on April 30, 2022. A majority stake (50% plus one share) was acquired by bol.com, with an obligation to buy the remaining shares and become full owner in 2026. Ahold Delhaize paid €15 million in cash and recognized €27 million in non-current deferred consideration payable relating to the obligation to increase its shareholding to 100% in 2026.

The deferred consideration for acquiring the remaining shares is classified as "Other long-term financial liability" and is subsequently measured at amortized cost pursuant to IFRS 9. The goodwill recognized is attributable to the synergies expected from the combination of the operations of bol.com and Cycloon. The goodwill from the acquisition of Cycloon is not deductible for tax purposes.

Since the acquisition, Cycloon has had an insignificant impact on net sales and net income in 2022.

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 requires 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 1, 2023**	January 2, 2022
Non-current assets and disposal groups held for sale	**26**	18
Total assets held for sale	**26**	18

Assets held for sale at January 1, 2023, primarily comprises non-current assets of retail locations in Europe of €26 million (January 2, 2022: €13 million) and in The United States of nil (January 2, 2022: €5 million). The assets held for sale in Europe include retail locations in the Netherlands relating to the cooperating agreement between Jan Linders and Albert Heijn as announced on December 14, 2022.

Discontinued operations

Discontinued operations for the years ended 2022 and 2021 included minor adjustments on various discontinued operations and past divestments.

Accounting policies

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

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 and FreshDirect
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)

Segment reporting 2022

€ million	The United States	Europe	Global Support Office	Ahold Delhaize Group
Net sales	55,218	31,767	—	86,984
Of which: online sales	4,157	4,461	—	8,618
Operating income (loss)	2,605	1,173	(10)	3,768
Adjusted for:				
Impairment losses and reversals – net[1]	212	24	—	235
(Gains) losses on leases and the sale of assets – net	(181)	(17)	—	(198)
Restructuring and related charges and other items	(33)	(49)	4	(78)
Underlying operating income (loss)	2,603	1,131	(6)	3,728
Other segment information				
Additions to non-current assets[2]	2,283	1,798	26	4,107
Depreciation and amortization[3]	2,114	1,305	14	3,433
Share-based compensation expenses	36	17	12	65

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 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.

Information about geographical areas

€ million	The Netherlands (country of domicile)	The United States	Rest of world	Ahold Delhaize Group
2022				
Net sales[1]	**17,284**	**55,218**	**14,482**	**86,984**
Non-current assets[2]	**6,336**	**22,242**	**7,347**	**35,925**
2021				
Net sales[1]	16,431	45,455	13,716	75,601
Non-current assets[2]	6,135	20,942	7,249	34,326

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

To define the reportable segments for Europe and the U.S., 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	2022	2021
Sales from owned stores	**71,090**	61,052
Sales to and fees from franchisees and affiliates	**6,957**	6,570
Online sales	**8,618**	7,704
Wholesale sales	**319**	274
Net sales	**86,984**	75,601

Sales by segment for 2022 are as follows:

€ million	The United States	Europe	Ahold Delhaize Group
Sales from owned stores	**50,846**	**20,244**	**71,090**
Sales to and fees from franchisees and affiliates	**—**	**6,957**	**6,957**
Online sales	**4,157**	**4,461**	**8,618**
Wholesale sales	**215**	**104**	**319**
Net sales	**55,218**	**31,767**	**86,984**

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

Net sales by product category are as follows:

Percentage of net sales	2022	2021
Food: perishable	**45%**	45%
Food: non-perishable	**35%**	35%
Non-food	**15%**	16%
Pharmacy	**3%**	3%
Gasoline	**2%**	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

Expenses by nature

The aggregate of cost of sales, selling expenses and general and administrative expenses is specified by nature as follows:

€ million	2022	2021
Cost of product	**59,965**	51,962
Labor costs	**12,674**	11,179
Other operational expenses	**7,699**	6,621
Depreciation and amortization	**3,433**	3,007
Rent expenses	**70**	58
Impairment losses and reversals – net	**235**	61
(Gains) losses on leases and the sale of assets – net	**(198)**	(76)
Total expenses by nature	**83,879**	72,812

The increase in Impairment losses and reversals – net is mainly driven by impairments on Intangible assets. For more information, see *Note 14*.

Other income by nature

Other income is specified as follows:

€ million	2022	2021
Rent income	**155**	146
Advertising income	**28**	15
Other income	**480**	371
Total other income	**663**	531

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.

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	2022	2021
Interest income	**69**	29
Interest expense	**(248)**	(181)
Net interest expense on defined benefit pension plans	**(17)**	(17)
Interest accretion to lease liability	**(356)**	(337)
Gains (losses) on foreign exchange	**13**	(3)
Fair value losses on financial instruments	**(19)**	(4)
Other gains (losses)	**7**	(4)
Other financial income (expense)	**—**	(10)
Net financial expenses	**(552)**	(517)

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

Interest expense relates primarily to notes and financing obligations and also includes:

- Interest accretions to provisions, which mainly consists of interest accretions to the provision for self insurance in the amount of €39 million (2021: €7 million). For details, see *Note 25*.
- Interest accretion on the FELRA settlement liability of €19 million (2021: €15 million). See *Note 24*.
- Interest expenses on the other long-term financial liabilities, which includes the interest accretion on the financial liability for the call-and-put options embedded in the non-controlling interest of FreshDirect of €22 million (2021: €16 million) and interest accretion on the Local 1500 withdrawal liability of €2 million (2021: €3 million). Interest accretion on the National Plan withdrawal liability was nil in 2022 (2021: €5 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 2022 and 2021.

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

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 2022, the Company recorded a net exchange gain of €2 million in operating income (2021: net exchange loss of €3 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	2022	2021
Current income taxes		
Domestic taxes (the Netherlands)	**(158)**	(171)
Foreign taxes		
United States	**(294)**	(241)
Europe – Other	**(102)**	(123)
Total current tax expense	**(553)**	(535)
Deferred income taxes		
Domestic taxes (the Netherlands)	**—**	5
Foreign taxes		
United States	**(138)**	(45)
Europe – Other	**(23)**	(16)
Total deferred tax expense	**(161)**	(56)
Total income taxes on continuing operations	**(714)**	(591)

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 25.8%. The following table reconciles the statutory income tax rate with the effective income tax rate in the consolidated income statement:

	2022	
	€ million	**Tax rate**
Income before income taxes	**3,216**	
Income tax expense at statutory tax rate	**(830)**	**25.8%**
Adjustments to arrive at effective income tax rate:		
Rate differential (local rates versus the statutory rate of the Netherlands)	**107**	**(3.3)%**
Deferred tax income (expense) related to recognition of deferred tax assets – net	**3**	**(0.1)%**
Non-taxable income (expense)	**(16)**	**0.5 %**
Other	**23**	**(0.7)%**
Total income taxes	**(714)**	**22.2%**

	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 %

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.

Non-taxable income (expense) for 2022 includes a tax expense on non-deductible impairment in the amount of €14 million.

Other includes discrete items, such as one-time transactions, movement in tax uncertain positions and (state) tax rate changes impacting deferred tax in the balance sheet.

In December 2021, the OECD issued model rules for a new global minimum tax framework and several countries, including the Netherlands, have announced the intention to bring these into effect in the foreseeable future. While the overarching framework has been published, we are awaiting the legislation and detailed guidance to assess the full implications.

Income taxes on discontinued operations

Current and deferred income tax related to discontinued operations amounted to nil in 2022 (2021: nil).

10 INCOME TAXES CONTINUED

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 1, 2023, and January 2, 2022, are as follows:

€ million	January 3, 2021	Recognized in income statement	Other	January 2, 2022	**Recognized in income statement**	**Other**	**January 1, 2023**
Leases and financings	393	(6)	18	404	**(7)**	**18**	**416**
Pensions and other (post-)employment benefits	482	(30)	9	461	**15**	**(118)**	**359**
Provisions	86	17	2	105	**(24)**	**43**	**123**
Interest	51	8	15	74	**(12)**	**3**	**65**
Other	84	(27)	8	65	**(12)**	**(32)**	**21**
Total gross deductible temporary differences	1,095	(39)	53	1,109	**(40)**	**(85)**	**984**
Unrecognized deductible temporary differences	(2)	—	(5)	(7)	**—**	**—**	**(7)**
Total recognized deductible temporary differences	1,093	(39)	48	1,102	**(40)**	**(86)**	**977**
Tax losses and tax credits	358	(32)	41	366	**(30)**	**9**	**346**
Unrecognized tax losses and tax credits	(241)	2	(28)	(267)	**3**	**(5)**	**(269)**
Total recognized tax losses and tax credits	116	(30)	13	99	**(27)**	**5**	**77**
Total net deferred tax asset position	1,209	(69)	61	1,202	**(67)**	**(81)**	**1,053**
Property, plant and equipment and intangible assets	(1,365)	47	(120)	(1,438)	**(34)**	**(50)**	**(1,522)**
Inventories	(170)	(34)	(14)	(217)	**(60)**	**(12)**	**(289)**
Other	(15)	—	12	(3)	**—**	**(2)**	**(5)**
Total deferred tax liabilities	(1,550)	13	(122)	(1,659)	**(93)**	**(64)**	**(1,816)**
Net deferred tax assets (liabilities)	(341)	(56)	(60)	(457)	**(161)**	**(145)**	**(763)**

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 1, 2023**	January 2, 2022
Deferred tax assets	**242**	289
Deferred tax liabilities	**(1,005)**	(746)
Net deferred tax liabilities	**(763)**	(457)

10 INCOME TAXES CONTINUED

As of January 1, 2023, Ahold Delhaize had operating and capital loss carryforwards of a total nominal amount of €2,001 million (January 2, 2022: €2,075 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	2023	2024	2025	2026	2027	2028–2032	2033–2037	After 2037	Does not expire	Total
Operating and capital losses (nominal value)	3	48	80	10	53	381	323	26	1,075	**2,001**
Operating and capital losses (tax value)	—	3	4	—	3	22	17	1	279	**331**
Tax credits	1	1	2	3	2	3	1	—	3	**15**
Tax losses and tax credits	1	4	6	3	5	25	19	1	282	**346**
Unrecognized tax losses and tax credits	(1)	(1)	(1)	(1)	—	—	—	(1)	(265)	**(269)**
Total recognized tax losses and tax credits	—	3	5	3	5	25	19	1	17	**77**

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, €916 million relates to U.S. state taxes, for which a weighted average tax rate of 5.5% 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 €58 million at January 1, 2023 (January 2, 2022: €135 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	2022	2021
Remeasurement of pension plans	**(137)**	(24)
Currency translation differences on loans	**(1)**	(2)
Cash flow hedges	**—**	—
Share buyback	**(1)**	(2)
Share-based compensation	**1**	4
Total	**(139)**	(24)

Income taxes paid

The following table specifies the income taxes paid per country:

€ million	2022	2021
The United States	**(190)**	(260)
The Netherlands	**(120)**	(155)
Belgium	**(17)**	(390)
Greece	**(12)**	(10)
Czech Republic	**(13)**	(11)
Serbia	**(12)**	(8)
Romania	**—**	(3)
Other Europe	**(33)**	(94)
Total income taxes paid	**(397)**	(931)

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. In 2022, no tax payments for Romania due to overpayments in previous years. 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 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**
Year ended January 1, 2023				
Additions	**302**	**798**	**817**	**1,918**
Transfers from under construction	**434**	**470**	**(904)**	**—**
Acquisitions through business combinations	**—**	**3**	**—**	**3**
Depreciation	**(684)**	**(1,005)**	**—**	**(1,689)**
Impairment losses	**(27)**	**(13)**	**—**	**(40)**
Impairment reversals	**1**	**—**	**—**	**1**
Assets classified (to) from held for sale or sold	**(38)**	**(7)**	**(1)**	**(46)**
Other movements	**3**	**(4)**	**47**	**45**
Exchange rate differences	**298**	**155**	**(1)**	**452**
Closing carrying amount	**7,644**	**4,303**	**534**	**12,482**
As of January 1, 2023				
At cost	**14,681**	**11,431**	**534**	**26,647**
Accumulated depreciation and impairment losses	**(7,037)**	**(7,127)**	**—**	**(14,164)**
Carrying amount	**7,644**	**4,303**	**534**	**12,482**

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

The higher of the value in use or fair value less cost of disposal represents an asset's recoverable amount. The value-in-use method involves estimating future cash flows. The present value of estimated future cash flows has been calculated using pre-tax discount rates ranging between 6.2% and 13.5% (2021: 5.9%-12.0%). 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 2022, Ahold Delhaize recognized net impairment losses of €39 million for property, plant and equipment (2021: €37 million). These were related to The United States (2022: €22 million, 2021: €28 million) and Europe (2022: €17 million, 2021: €9 million) and were recognized mainly for underperforming and closed stores.

The additions to property, plant and equipment include capitalized borrowing costs of €2 million (2021: €5 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 2.7% and 7.7% (2021: 2.4%-6.5%).

Other movements mainly includes transfers between asset classes and transfers between property, plant and equipment, investment property and intangible assets.

The carrying amount of buildings and land includes amounts related to assets held under financings of €108 million (January 2, 2022: €109 million). Ahold Delhaize does not have legal title to these assets.

Company-owned property, plant and equipment with a carrying amount of €309 million (January 2, 2022: €352 million) has been pledged as security for liabilities, mainly for loans. Included in this amount as of January 1, 2023, is FreshDirect's building with a carrying value of €247 million (January 2, 2022: building and machinery and equipment of €276 million) pledged as security for loans.

Accounting estimates and judgments

Judgments are required, to determine not only 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 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**
Year ended January 1, 2023			
Additions	**476**	**83**	**559**
Reassessments and modifications to leases	**1,030**	**5**	**1,035**
Acquisitions through business combinations	**(1)**	**1**	**—**
Depreciation	**(1,216)**	**(57)**	**(1,274)**
Termination of leases	**(13)**	**(1)**	**(14)**
Impairment losses	**(2)**	**—**	**(2)**
Transfer (to) from right-of-use assets – investment property	**(7)**	**—**	**(7)**
Reclassifications (to) from net investment in leases	**(82)**	**—**	**(82)**
Exchange rate differences	**379**	**4**	**383**
Carrying amount as of January 1, 2023	**9,423**	**184**	**9,607**

Buildings and land includes stores, DCs 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 January 3, 2021			
At cost	689	866	1,554
Accumulated depreciation and impairment losses	(430)	(386)	(816)
Carrying amount	**259**	**480**	**739**
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**

13 INVESTMENT PROPERTY CONTINUED

€ million	Right-of-use asset investment property	Company-owned investment property	Total Investment property
Year ended January 1, 2023			
Additions	2	9	11
Reassessments and modifications to leases	(5)	—	(5)
Depreciation	(26)	(21)	(47)
Impairment losses	(1)	(2)	(3)
Termination of leases	(1)	—	(1)
Assets classified (to) from held for sale or sold	—	(49)	(49)
Reclassifications (to) from net investment in leases	(1)	—	(1)
Transfers (to) from right-of-use assets, property, plant and equipment and intangible assets	7	4	12
Exchange rate differences	14	22	37
Closing carrying amount	231	430	661
As of January 1, 2023			
At cost	710	880	1,590
Accumulated depreciation and impairment losses	(479)	(449)	(928)
Carrying amount	231	430	661

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 (2022: €2 million, 2021: €20 million).

The company-owned investment property includes an amount related to assets held under financings of €17 million (January 2, 2022: €17 million). Ahold Delhaize does not have legal title to these assets. Company-owned investment property with a carrying amount of €29 million (January 2, 2022: €72 million) has been pledged as security for liabilities, mainly for loans.

The fair value of investment property as of January 1, 2023, amounted to approximately €855 million (January 2, 2022: €948 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 80% 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 2022 amounted to €78 million (2021: €75 million). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from rental-income-generating and non-rent-generating investment property in 2022 amounted to €16 million (2021: €23 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 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]	—	—	—	—	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**
Year ended January 1, 2023							
Additions	**—**	**—**	**147**	**—**	**18**	**370**	**535**
Transfers from under development	**—**	**—**	**408**	**—**	**9**	**(417)**	**—**
Acquisitions through business combinations	**38**	**6**	**2**	**5**	**—**	**—**	**51**
Amortization	**—**	**(3)**	**(371)**	**(14)**	**(35)**	**—**	**(423)**
Impairments	**(66)**	**(93)**	**(10)**	**(11)**	**—**	**(11)**	**(191)**
Assets classified to held for sale or sold	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other movements[1]	**—**	**—**	**(2)**	**—**	**(1)**	**(47)**	**(50)**
Exchange rate differences	**307**	**138**	**20**	**3**	**5**	**8**	**482**
Closing carrying amount	**7,920**	**3,328**	**900**	**66**	**709**	**251**	**13,174**
As of January 1, 2023							
At cost	**7,990**	**3,431**	**2,591**	**228**	**998**	**258**	**15,495**
Accumulated amortization and impairment losses	**(69)**	**(103)**	**(1,692)**	**(161)**	**(289)**	**(7)**	**(2,321)**
Carrying amount	**7,920**	**3,328**	**900**	**66**	**709**	**251**	**13,174**

1 Other movements mainly includes transfers between asset classes and transfers between intangible assets and property, plant and equipment.

14 INTANGIBLE ASSETS CONTINUED

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, 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 brand names recognized from business acquisitions are as follows:

€ million		**Goodwill January 1, 2023**	Goodwill January 2, 2022	**Brand names January 1, 2023[1]**	Brand names January 2, 2022[1]
	Cash-generating unit				
The United States	Stop & Shop[2]	**1,046**	985	**—**	—
	Food Lion	**1,118**	1,053	**1,351**	1,273
	The GIANT Company	**600**	565	**—**	—
	Hannaford	**1,893**	1,783	**803**	757
	Giant Food	**353**	332	**—**	—
	FreshDirect[2,3]	**—**	58	**—**	82
Europe	Albert Heijn (including the Netherlands and Belgium)	**1,751**	1,746	**—**	—
	Delhaize (including Belgium and Luxembourg)	**439**	439	**786**	786
	bol.com (including the Netherlands and Belgium)[4]	**235**	201	**92**	86
	Albert (Czech Republic)	**191**	186	**—**	—
	Alfa Beta (Greece)	**142**	142	**136**	137
	Mega Image (Romania)	**131**	131	**83**	83
	Delhaize Serbia (Republic of Serbia)	**12**	12	**76**	76
	Etos	**8**	8	**—**	—
	Gall & Gall	**1**	1	**—**	—
Ahold Delhaize Group		**7,920**	7,641	**3,328**	3,280

1 Included own brands at Food Lion (€5 million; January 2, 2022: €6 million), Hannaford (€5 million; January 2, 2022: €6 million), FreshDirect (nil; January 2, 2022: €9 million), Greece (€2 million; January 2, 2022: €2 million) and Romania (€2 million; January 2, 2022: €2 million).
2 Of the goodwill arising from the acquisition of FreshDirect in 2021, €60 million was allocated to Stop & Shop.
3 FreshDirect's goodwill and brand names of €66 million and €93 million were fully impaired in 2022.
4 The goodwill and brand names arising from the acquisition of Cycloon by bol.com amounted to €33 million and €6 million, respectively.

14 INTANGIBLE ASSETS CONTINUED

Goodwill impairment testing

In the 2022 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 DCs, 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 bol.com over a 10-year period to better reflect the growth expectations in sales, profitability and cash generation as the business has not yet reached a steady state. The terminal value is based on the simplified value driver formula (Net operating profit less adjusted taxes (NOPLAT) / WACC). NOPLAT in perpetuity is determined by extrapolating the amount at the end of an explicit forecast period by a long-term growth rate. The long-term growth rates are determined using the long-term inflation expectations based on external market data.

An impairment trigger assessment is performed on a quarterly basis to determine whether there is an indication, based on either internal or external sources of information, that an asset or a cash generating unit may be impaired. The Q3 2022 assessment triggered a detailed impairment analysis for FreshDirect, largely related to the broad-based re-rating of sector valuations and reduced scope of that business, which is now focused on the New York Tri-State area. 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. Impairment losses of €66 million and €122 million were recognized for goodwill and other intangible assets (including brand names), respectively. The impairment charges reduced the carrying amount of FreshDirect's goodwill and other intangibles to nil.

The key assumptions for the goodwill impairment test 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 are determined based on external market data and reflect specific risks relating to relevant CGUs, 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)	5.7%
The brands in the Netherlands (excluding bol.com)	5.6%
Delhaize	6.7%
bol.com	10.8%
Albert (Czech Republic)	7.1%
Alfa Beta (Greece)	7.4%
Mega Image (Romania)	10.2%
Delhaize Serbia (Republic of Serbia)	8.9%

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 sales compound annual growth rates applied in the projected periods ranged between 0.8% and 10.1% for the CGUs. The average operating margins applied in the projected periods ranged between 1.4% and 6.8% for the CGUs. 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 2.2% and 3.5% for the CGUs; no additional growth was assumed thereafter.

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	5.7%	2.6%
Food Lion	5.7%	2.6%
Hannaford	5.7%	2.6%
Albert Heijn	5.6%	2.6%
Delhaize	6.7%	2.7%

Cash flow projections for these CGUs reflect current macro-economic circumstances, including increases in energy costs and inflation as well as certain cost-saving initiatives to reduce negative impacts. The post-tax discount rates applied increased compared to prior year as a result of these macro-economic developments. For more information, see *Note 2*.

Additional capital investments to mitigate climate-related risks can be phased out over a reasonably long period as part of investments in the normal course of business. Transitioning to a lower-carbon economy is not expected to trigger significant adverse effects on future cash flows.

Given the macro-economic circumstances, further reasonable negative changes in sales growth, margins and post-tax discount rates would not result in impairment of these CGUs, except for Delhaize.

14 INTANGIBLE ASSETS CONTINUED

For the CGU Delhaize, the Company used discounted cash flow (DCF) projections based on the assets' highest and best use from a market participant's perspective (Level 3 valuation). The key assumptions used in the DCF projections are revenue growth and improved margin.

Challenging market conditions at Delhaize resulted in the analysis of a plan to change the strategic direction with an increased focus on the affiliated business. Delhaize has realized a higher operating margin from the affiliated stores versus owned operated stores in recent years.

As a result, cash flow projections in the projected period include plans to increase productivity and European sourcing initiatives; to optimize working hours to the declining volumes in the market and implement further efficiencies through investments in automation and process optimization; and to expand our affiliated business, which will require significant costs.

The sales growth is based on actual experience, an analysis of market growth and the development of market share. The margin development is based on actual experience, management's long-term projections and the leverage of higher operating margins from the affiliated business.

The recoverable amount for Delhaize exceeds the carrying amount by more than 10%. A sensitivity analysis indicates that the valuation is sensitive to changes in sales compound annual growth rate, operating margins and post-tax discount rate. Under the assumption that a change in one of those does not impact the others, the recoverable amount of Delhaize would be equal to its carrying amount if the sales compound annual growth rate would be reduced by 1.5% in the projection period, if Delhaize's operating margins in the projection period were reduced by 0.4%, or if the post-tax discount rate was higher by 0.5%.

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, cash flow projections (such as sales growth rates, operating margins and growth rates to determine terminal value) as well as those related to market multiples.

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 2022	Super Indo 2022	Other 2022	Total 2022
Beginning of the year	**165**	**62**	**18**	**244**
Investments in associates	**—**	**—**	**12**	**12**
Share in income (loss) of joint ventures	**19**	**8**	**17**	**44**
Dividend	**(17)**	**(3)**	**(18)**	**(38)**
Exchange rate differences	**—**	**(2)**	**1**	**(1)**
End of the year	**167**	**64**	**30**	**262**

€ 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

Share in income (loss) from continuing operations for Ahold Delhaize's interests in all individually immaterial joint ventures was a gain of €17 million (2021: a gain of €1 million) and nil for individually immaterial associates (2021: nil).

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

€ million	JMR 2022	JMR 2021	Super Indo 2022	Super Indo 2021
Summarized statement of comprehensive income				
Net sales	**5,038**	4,462	**628**	556
Depreciation and amortization	**(158)**	(150)	**(20)**	(16)
Interest income	**—**	—	**1**	2
Interest expense	**(1)**	(2)	**—**	—
Interest accretion to lease liability	**(22)**	(22)	**(3)**	(3)
Income tax expense	**(33)**	(12)	**(5)**	(3)
Income from continuing operations	**39**	49	**15**	15
Net income	**39**	49	**15**	15
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**39**	49	**15**	15

€ million	JMR January 1, 2023	JMR January 2, 2022	Super Indo January 1, 2023	Super Indo January 2, 2022
Summarized balance sheet				
Non-current assets	**1,710**	1,600	**118**	110
Current assets				
Cash and cash equivalents	**130**	43	**91**	88
Other current assets	**463**	416	**75**	70
Total current assets	**593**	459	**165**	158
Non-current liabilities				
Financial liabilities	**382**	364	**43**	42
Other liabilities	**52**	42	**5**	7
Total non-current liabilities	**434**	406	**49**	48
Current liabilities				
Financial liabilities (excluding trade payables)	**63**	81	**7**	6
Other current liabilities	**1,465**	1,235	**120**	112
Total current liabilities	**1,529**	1,316	**126**	118
Net assets	**340**	336	**108**	102

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 2022	JMR 2021	Super Indo 2022	Super Indo 2021
Opening net assets	**336**	322	**102**	98
Net income	**39**	49	**15**	15
Dividend	**(35)**	(35)	**(6)**	(17)
Exchange rate differences	**—**	—	**(3)**	6
Closing net assets	**340**	336	**108**	102
Interest in joint venture	**49%**	49%	**51%**	51%
Closing net assets included in the carrying value	**167**	165	**55**	52
Goodwill	**—**	—	**9**	10
Carrying value	**167**	165	**64**	62

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 ten 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 2022, Pingo Doce was notified of decisions issued by the AdC regarding nine of the above-mentioned proceedings, imposing fines on several retailers and their suppliers, including Pingo Doce. In the case of Pingo Doce, these decisions resulted in the imposition of fines in the amount of around €187 million.

Pingo Doce disagrees with these decisions, which it considers to be completely ungrounded. As such, Pingo Doce filed the respective appeals before the 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 one proceeding, Pingo Doce has already filed the respective statement of defense, as it considers the statement of objections to be ungrounded – and will wait for the respective decision 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 €186 million. Ahold Delhaize's indirect share of these JMR-issued guarantees is €91 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 1, 2023	January 2, 2022
Net investment in leases	**524**	475
Reinsurance assets	**188**	209
Loans receivable	**23**	41
Defined benefit asset	**54**	71
Derivative financial instruments	**—**	—
Non-current income tax receivable	**382**	382
Other	**22**	15
Total other non-current financial assets	**1,193**	1,193

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 2022 or 2021.

Of the non-current loans receivable, €18 million matures between one and five years and €5 million after five years (January 2, 2022: €36 million between one and five years and €6 million after five years). The current portion of loans receivable of €13 million (January 2, 2022: €43 million) is included in Other current financial assets (see *Note 19*).

The defined benefit asset at January 1, 2023, 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 1, 2023	January 2, 2022
Finished products and merchandise inventories	**4,505**	3,644
Raw materials, packaging materials, technical supplies and other	**107**	83
Total inventories	**4,611**	3,728

In 2022, €1,970 million has been recognized as a write-off of inventories in the income statement (2021: €1,608 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 1, 2023	January 2, 2022
Trade receivables	**1,346**	1,151
Vendor allowance receivables	**686**	625
Other receivables	**464**	378
	2,495	2,153
Provision for impairment	**(104)**	(96)
Total receivables	**2,391**	2,058

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 1, 2023, is €173 million (January 2, 2022: €260 million).

At January 1, 2023, 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	**1,346**	**869**	**354**	**21**	**32**	**69**
Vendor allowance receivables	**686**	**516**	**97**	**30**	**27**	**16**
Other receivables	**464**	**222**	**131**	**41**	**9**	**62**
	2,495	**1,607**	**581**	**92**	**68**	**147**
Provision for impairment	**(104)**	**(10)**	**(9)**	**(7)**	**(9)**	**(68)**
Total receivables	**2,391**	**1,597**	**572**	**85**	**58**	**78**
Expected credit loss	**4.2%**	**0.6%**	**1.6%**	**7.6%**	**13.7%**	**46.7%**

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[1]	625	529	69	9	8	9
Other receivables	378	191	98	30	11	48
	2,153	1,498	454	49	36	117
Provision for impairment	(96)	(8)	(10)	(4)	(10)	(64)
Total receivables	2,058	1,490	444	45	26	53
Expected credit loss	4.5%	0.6%	2.2%	8.0%	26.5%	55.0%

1 The comparative amounts for the aging of the vendor allowance receivables have been restated to align the presentation with Ahold Delhaize's accounting policies. Not past due increased by €84 million, 0-30 days decreased by €55 million, 3-6 months decreased by €13 million, 6-12 months decreased by €15 million and >12 months decreased by €1 million.

The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. The Company does not hold any significant collateral on its receivables. Management believes there is no further credit risk provision required in excess of the normal individual and collective impairment assessment, based on the aging analysis performed as of January 1, 2023. For more information about credit risk, see Note 30.

The changes in the provision for impairment were as follows:

€ million	2022	2021
Beginning of the year	**(96)**	(97)
Charged to income	**(39)**	(38)
Used	**32**	40
Exchange rate differences	**(1)**	(1)
End of the year	**(104)**	(96)

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 1, 2023	January 2, 2022
Derivative financial instruments – current portion	**2**	—
Net investment in leases – current portion	**96**	91
Investments in debt instruments (FVPL[1]) – current portion	**125**	135
Short-term deposits and similar instruments	**16**	15
Reinsurance assets – current portion (see *Note 16*)	**94**	71
Short-term loans receivable	**13**	43
Other	**27**	1
Total other current financial assets	**373**	356

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 1, 2023, 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 1, 2023, €16 million was restricted (January 2, 2022: €15 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 2022, the Company recognized net impairment charges for these financial assets of €1 million (2021: €2 million). The net impairments were included in Other gains (losses); see *Note 9*.

Accounting policies

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

20 CASH AND CASH EQUIVALENTS

€ million	January 1, 2023	January 2, 2022
Cash in banks and cash equivalents	**2,772**	2,752
Cash on hand	**310**	241
Total cash and cash equivalents	**3,082**	2,993

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 1, 2023, €28 million was restricted (January 2, 2022: €25 million).

Cash and cash equivalents include €712 million (January 2, 2022: €807 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 €414 million (January 2, 2022: €397 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 1, 2023	January 2, 2022
Common shares (2022 and 2021: 1,923,515,827 of €0.01 par value each)	**19**	19
Cumulative preferred shares (2022 and 2021: 2,250,000,000 of €0.01 par value each)	**23**	23
Cumulative preferred financing shares (2022 and 2021: 326,484,173 of €0.01 par value each)	**3**	3
Total authorized share capital	**45**	45

Issued share capital

As of January 1, 2023 and January 2, 2022, 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 1, 2023 and January 2, 2022.

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 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**
Share buyback	—	36,596	(36,596)
Cancellation of treasury shares	(52,000)	(52,000)	—
Share-based payments[1]	—	(2,611)	2,611
Balance as of January 1, 2023	**993,725**	**16,372**	**977,353**

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 13, 2022, the General Meeting of Shareholders approved the dividend over 2021 of €0.95 per common share. The final dividend for 2021 of €0.52 per common share was paid on April 28, 2022, while the interim dividend for 2021 of €0.43 per common share was paid on September 2, 2021.

On August 10, 2022, the Company announced the interim dividend for 2022 of €0.46 per common share, which was paid on September 1, 2022. In the aggregate, in 2022, the Company paid dividends on common shares in the amount of €979 million.

The Management Board, with the approval of the Supervisory Board, proposes that a dividend of €1.05 per common share be paid with respect to 2022. This dividend is subject to approval by the General Meeting of Shareholders. If approved, a final dividend of €0.59 per common share will be paid on April 27, 2023. This is in addition to the interim dividend of €0.46 per common share, which was paid on September 1, 2022. The total dividend payment for the full year 2022 would, therefore, total €1.05 per common share (2021: €0.95).

The final dividend of €0.59 per common share has not been included as a liability on the consolidated balance sheet as of January 1, 2023. The payment of this dividend will not have income tax consequences for the Company.

Share buyback

On January 3, 2022, the Company commenced the €1 billion share buyback program that was announced on November 15, 2021. The program was successfully completed on December 15, 2022.

In total, 36,596,304 of the Company's own shares were repurchased at an average price of €27.33 per share. The share buyback execution resulted in a net transactional discount from the dealers of €3 million.

On January 2, 2023, the Company commenced the €1 billion share buyback program that was announced on November 9, 2022. The program is expected to be completed before the end of 2023.

Share-based payments

Share-based payments recognized in equity in the amount of €66 million (2021: €51 million) relate to the 2022 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, strategy or identity. No cumulative preferred shares were outstanding as of January 1, 2023, or during 2022 and 2021.

21 EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS CONTINUED

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

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

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

SCAD is a foundation organized under the laws of the Netherlands. Its purpose under its articles is to safeguard the interests of the Company and its stakeholders and to resist, to the best of its ability, influences that might conflict with those interests by affecting the Company's continuity, strategy 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 1, 2023, of €15,405 million, an amount of €1,061 million is non-distributable (January 2, 2022: €460 million out of total equity of €13,721 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 1, 2023 Current portion	Non-current portion	Total	January 2, 2022 Current portion	Non-current portion	Total
USD 55 notes 5.6%[1]	USD	55	—	**51**	**51**	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 32 indebtedness 8.62%, due 2025[2]	USD	32	**13**	**16**	**29**	17	38	56
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**	**75**	**77**	2	73	75
USD 500 notes 6.875%, due 2029	USD	500	—	**441**	**441**	—	439	439
EUR 600 notes 0.375%, due 2030	EUR	600	—	**600**	**600**	—	600	600
USD 271 notes 9.00%, due 2031	USD	271	**7**	**314**	**321**	6	302	308
USD 470 notes 5.70%, due 2040[3]	USD	470	**3**	**516**	**519**	3	496	499
Deferred financing costs			**(5)**	**(12)**	**(17)**	(5)	(18)	(23)
Total notes			**21**	**4,352**	**4,373**	74	4,280	4,354
Financing obligations[4]			**22**	**172**	**194**	22	183	205
Mortgages payable[5]			—	—	—	41	—	41
Other loans[6]			**190**	**3**	**193**	60	214	274
Total loans			**233**	**4,527**	**4,760**	197	4,678	4,874

1 The $55 million notes were part of the loans acquired with the FreshDirect acquisition in 2021; These notes are not guaranteed by Ahold Delhaize and were reclassified to non-current in 2022 to align with Ahold Delhaize's accounting policies.
2 The notional amount of these lease notes at the end of 2021 amounted to $63 million and was reduced in 2022 to $32 million as a result of regular bond repayments of $19 million as well as additional repayments due to sold locations of $12 million.
3 In December 2018, Ahold Delhaize repurchased and cancelled $350 million of its outstanding $827 million notes. In November 2022, Ahold Delhaize repurchased and cancelled an additional $7 million of its outstanding notes.
4 The weighted average interest rate for the financing obligations amounted to 6.4% at the end of 2022 (2021: 6.8%).
5 Mortgages payable are collateralized by buildings and land. The weighted average interest rate for these mortgages payable amounted to 8.9% at the end of 2022 (2021: 8.4%).
6 Other loans mainly include a €190 million drawing under a committed credit facility, which matures in 2023 (2021: €250 million, of which €60 million matures in 2022 and €190 million matures in 2023).

22 LOANS AND CREDIT FACILITIES CONTINUED

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 €1.5 billion committed, unsecured, multi-currency and syndicated credit facility. In December 2022, Ahold Delhaize closed a five-year €1.5 billion Sustainability-Linked Revolving Credit Facility, with two one-year extension options. This facility refinanced the 2020-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. Specifically, the facility includes three sustainability KPIs: to reduce Ahold Delhaize's carbon emissions within its own operations (scope 1 and 2), to reduce food waste and to help customers make healthier choices. The facility also includes the opportunity to add scope 3 carbon emissions reduction performance targets by 2025. The facility 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 2022 and 2021, 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 1, 2023, there were no outstanding borrowings under the facility (January 2, 2022: no outstanding borrowings under the facility).

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 1, 2023, €448 million was utilized (January 2, 2022: €468 million).

23 OTHER NON-CURRENT FINANCIAL LIABILITIES

€ million	January 1, 2023	January 2, 2022
Lease liabilities	**10,637**	10,061
Reinsurance liabilities	**179**	205
Other long-term financial liabilities	**203**	196
Derivative financial instruments	**26**	1
Financial guarantees	**9**	10
Total other non-current financial liabilities	**11,055**	10,473

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 1, 2023, Other long-term financial liabilities mainly consists of:

- $129 million (€121 million) financial liability for the call-and-put options embedded in the non-controlling interest 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 (January 2, 2022: $103 million (€91 million)).
- €26 million deferred consideration for the remaining shares in Cycloon. On April 30, 2022, Ahold Delhaize acquired a majority stake of 50% plus one share in Cycloon and has the right and obligation to acquire the remaining shares and become full owner in 2026.
- $46 million (€43 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 2, 2022: $44 million (€39 million)).
- The non-current portion of the liability for the withdrawal from the 1500 Plan is nil (January 2, 2022: $53 million (€47 million)). The current portion of the liability amounts to $57 million (€54 million) and is included in other current financial liabilities (January 2, 2022: $57 million (€50 million)). See *Note 24* and *Note 26*.

Accounting estimates and judgments

For more information on the accounting estimates for other long-term financial liabilities, see *Note 4*.

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 1, 2023	January 2, 2022
Defined benefit liabilities	**338**	613
Other long-term pension plan obligations	**358**	493
Total pension and other post-employment benefits	**696**	1,107

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 €40 million is included in *Note 27* (January 3, 2021: €28 million). The decrease in the pension and other post-employment benefits is mainly caused by increased discount rates.

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

€ million	2022	2021
Defined benefit costs	**293**	266
Defined benefit costs – FELRA and MAP settlement agreement	**(26)**	(136)
Total defined benefit costs (see section *Defined benefit plans)*	**267**	130
Defined contribution plans (see section *Defined contribution plans)*	**152**	128
Multi-employer plans (see section *Multi-employer plans (MEPs)*):		
Defined benefit plans	**21**	20
Defined contribution plans	**295**	283
Withdrawal and settlement:		
National Plan withdrawal	**—**	7
Total pension and other post-employment benefit expenses[1]	**735**	568

1 In 2022, total pension and other post-employment benefit expenses included a net one-off gain in the amount of €26 million, mainly related to an additional 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 (2021: 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 ARPA).

The following table provides an overview of the remeasurements of the defined benefit pension plans and other long-term pension plan obligations as recorded in other comprehensive income:

€ million	2022	2021
Remeasurements defined benefit pension plans[1]	**(367)**	(103)
Remeasurements other long-term pension plan obligations[2]	**(148)**	—
Total remeasurements pension plans in other comprehensive income	**(516)**	(103)

1 For a breakdown of the remeasurements of the defined benefit pension plans, see *Defined benefit plans.*
2 The long-term pension plan obligations were remeasured at a discount rate of 5.8% (2021: 2.7%).

More information on the defined benefit plans, defined contribution plans and multi-employer 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 1, 2023	January 2, 2022
Defined benefit liabilities	**338**	613
Defined benefit assets	**(54)**	(71)
Total net defined benefit plan funded status	**283**	540

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

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

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

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

24 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONTINUED

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 to 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 asset-liability matching strategy the Company employed to manage its investment risk.

The net defined benefit cost in 2022 and 2021 were as follows:

€ million	2022	2021
Service cost:		
Current service cost	**257**	242
Past service cost	**(29)**	(143)
Net interest expense	**17**	17
Administrative cost	**16**	13
Termination benefits	**7**	2
Components of defined benefit cost recorded in the income statement	**267**	130
Remeasurements recognized:		
Return on plan assets, excluding amounts included in net interest (income) expense	**2,059**	(177)
(Gain) loss from changes in demographic assumptions	**64**	(9)
(Gain) loss from changes in financial assumptions	**(2,555)**	117
Experience (gains) losses	**65**	(34)
Components of defined benefit cost recognized in other comprehensive income	**(367)**	(103)
Total net defined benefit cost	**(99)**	28

24 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONTINUED

The changes in the defined benefit obligations and plan assets in 2022 and 2021 were as follows:

	The Netherlands		The United States		Rest of world		Total	
€ million	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Defined benefit obligations								
Beginning of the year	**6,799**	6,492	**1,696**	1,721	**339**	387	**8,835**	8,600
Current service cost	**189**	177	**50**	45	**18**	20	**257**	242
Past service cost	**—**	—	**(29)**	(143)	**—**	—	**(29)**	(143)
Interest expense	**76**	55	**57**	50	**4**	3	**137**	108
Termination benefits	**—**	—	**—**	—	**7**	2	**7**	2
Contributions by plan participants	**33**	30	**—**	—	**1**	1	**34**	31
Benefits paid	**(110)**	(125)	**(90)**	(75)	**(20)**	(15)	**(220)**	(214)
(Gain) loss from changes in demographic assumptions	**61**	(9)	**5**	—	**(2)**	—	**64**	(9)
(Gain) loss from changes in financial assumptions	**(2,020)**	185	**(431)**	(50)	**(104)**	(18)	**(2,555)**	117
Experience (gains) losses	**75**	(5)	**(13)**	11	**3**	(40)	**65**	(34)
Exchange rate differences	**—**	—	**112**	137	**—**	—	**112**	137
End of the year	**5,104**	6,799	**1,357**	1,696	**246**	339	**6,706**	8,835
Plan assets								
Fair value of assets, beginning of the year	**6,587**	6,339	**1,429**	1,298	**279**	278	**8,295**	7,915
Interest income	**71**	52	**46**	36	**3**	2	**120**	90
Company contribution	**91**	152	**66**	39	**28**	21	**184**	212
Contributions by plan participants	**33**	30	**—**	—	**1**	1	**34**	31
Benefits paid	**(110)**	(125)	**(90)**	(75)	**(20)**	(15)	**(220)**	(214)
Administrative cost	**(10)**	(10)	**(5)**	(3)	**—**	—	**(16)**	(13)
Return on plan assets, excluding amounts included in net interest (income) expense	**(1,689)**	148	**(283)**	35	**(88)**	(7)	**(2,059)**	177
Exchange rate differences	**—**	—	**85**	97	**—**	—	**85**	97
Fair value of assets, end of the year	**4,973**	6,587	**1,247**	1,429	**203**	279	**6,423**	8,295
Funded status	**(130)**	(212)	**(110)**	(268)	**(43)**	(60)	**(283)**	(540)

The total defined benefit obligation of €6,706 million as of January 1, 2023, includes €153 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.

Following the 2020 Dutch pension plan amendment, which included a decrease in the accrual rate, an increase in the maximum salary cap to the legal maximum and an increase in the level of employer and employee contributions, the accrual rate is assessed annually. In 2021, it was agreed to increase the accrual rate from 1.75% to 1.825%. In 2022, the accrual rate remained at 1.825%.

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. In 2022, the issuance of the final rule by the PBGC resulted in an additional release of the FELRA and MAP excess benefit obligation in the amount of $27 million (€26 million), also presented as past service cost (see *Multi-employer defined benefit plans – FELRA and MAP settlement agreement and ARPA).*

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 in 2021, which is presented as Experience (gains) losses in Rest of world in the table above.

24 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONTINUED

Cash contributions

From 2022 to 2023, Company contributions are expected to increase from €91 million to €152 million in the Netherlands (impacted by a prepayment of the 2022 contributions in the amount of €55 million in 2021), decrease from $69 million (€66 million) to $66 million (€61 million) for all defined benefit plans in the United States, and decrease from €28 million to €19 million for all plans in the rest of the world.

As of year-end 2022, the funding ratio of the Dutch plan, calculated in accordance with regulatory requirements, was 126%. 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%.

The Ahold Delhaize USA pension plan's funding ratio at year-end 2022 was 104%, 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 2023.

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	
%	**2022**	2021	**2022**	2021	**2022**	2021
Discount rate	**3.6**	1.3	**5.7**	3.1	**3.8**	1.1
Future salary increases	**2.5**	2.5	**4.3**	4.3	**3.6**	4.0
Future pension increases	**2.3**	1.4	**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	**2022**	2021	**2022**	2021	**2022**	2021
Longevity at age 65 for current pensioners						
Male	**21.2**	21.1	**20.3**	20.1	**N/A**	N/A
Female	**23.6**	23.4	**22.2**	22.1	**N/A**	N/A
Longevity at age 65 for current members aged 50						
Male	**22.8**	22.6	**21.4**	21.2	**N/A**	N/A
Female	**25.2**	24.8	**23.3**	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	**(538)**	**(58)**	**(12)**	**(607)**
0.5% decrease	**634**	**64**	**13**	**710**
Future salary increases				
0.5% increase	**53**	**—**	**4**	**57**
0.5% decrease	**(51)**	**—**	**(4)**	**(55)**
Future pension increases				
0.5% increase	**602**	**—**	**N/A**	**602**
0.5% decrease	**(519)**	**—**	**N/A**	**(519)**
Life expectancy				
One-year increase at age 65	**204**	**40**	**—**	**245**

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	**2022**	2021	**2022**	2021	**2022**	2021
Equity instruments:						
Consumer goods	**265**	412	**49**	21	**—**	—
Financial services	**156**	212	**16**	17	**—**	—
Telecommunications and information	**220**	261	**9**	11	**—**	—
Energy and utilities	**94**	105	**23**	27	**—**	—
Industry	**319**	470	**5**	9	**—**	—
Other	**303**	445	**99**	148	**20**	9
Debt instruments:						
Government bonds	**1,612**	2,035	**95**	119	**—**	—
Corporate bonds (investment grade)	**431**	488	**419**	641	**—**	—
Corporate bonds (non-investment grade)	**6**	7	**23**	13	**—**	—
Other	**—**	—	**78**	100	**30**	40
Real estate:						
Retail	**—**	1	**7**	—	**—**	—
Offices	**—**	—	**—**	—	**—**	—
Residential	**—**	2	**—**	—	**—**	—
Other	**—**	—	**59**	57	**—**	—
Investment funds	**1,621**	1,956	**176**	107	**—**	—
Insurance contracts	**—**	—	**—**	—	**152**	230
Derivatives:						
Interest rate swaps	**(519)**	(52)	**—**	—	**—**	—
Forward foreign exchange contracts	**30**	(16)	**—**	—	**—**	—
Cash and cash equivalents	**440**	260	**86**	70	**—**	—
Other	**(4)**	1	**103**	89	**—**	—
Total	**4,973**	6,587	**1,247**	1,429	**203**	279

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 2022, 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 2022, the strategic targets were: 8.4% equity securities, 3.6% high yield and 88% liability hedging debt securities.

In 2022, the Dutch plan had nil plan assets invested in Ahold Delhaize’s financial instruments (2021: €2 million). In 2022 or 2021, the U.S. plans did not have any plan assets invested in Ahold Delhaize financial instruments.

The actual return on plan assets in 2022 was (24.5)% for the Dutch plan (2021: 3.3%) and (18.7)% for the Ahold Delhaize USA pension plan (2021: 0.6%).

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 24.2, 10.7 and 10.7 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	**108**	**90**	**11**	**209**
Amount due between two and five years	**449**	**382**	**63**	**894**
Amount due between six and ten years	**763**	**520**	**92**	**1,375**

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 the 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 2022 and 2021, the Company contributed €152 million and €128 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 2022 and 2021.

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 2021 and 2022, 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 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 based primarily 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 its 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 1, 2023 Annual contributions	Plan deficit / (surplus)[2]	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus)[3]
New England Teamsters & Trucking Industry Pension	04-6372430/001	Red (Critical and declining)	Implemented	2021	March 29, 2025	5	—	2.0%	—
UFCW Local 1262 & Employers Pension Fund	22-6074414/001	Red	Implemented	2021	October 23, 2027-February 12, 2028	6	260	33.7%	88
Warehouse Employees' Union Local 730 Pension Trust Fund	52-6124754/001	Red (Critical and declining)	Implemented	2021	June 20, 2026-May 15, 2027	4	146	87.3%	128
Other plans[4]						6	9,527	0.0%	3
Total						21	9,933		219

€ 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	Plan deficit / (surplus)[2]	Ahold Delhaize's participation	Ahold Delhaize's proportionate share of deficit (surplus)[3]
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[4]						6	4,461	1.5%	(67)
Total						20	4,543		16

1 Form 5500 is part of ERISA's overall reporting and disclosure framework and includes the financial statements of a MEP.
2 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%, consistent with the prior year, and by the projected assets for the funds, which decreased by between 18% and 27%. 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. The steady liabilities, combined with a significant change in assets, has resulted in erosion of the funded status of these funds.
3 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.
4 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 1, 2023, equal to 3.9%, 24.0%, 0.5% and 0.0%, respectively (January 2, 2022: 4.4%, 23.9%, 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, 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. In 2022, Ahold Delhaize paid $57 million on the withdrawal liability for the 1500 Plan. The outstanding withdrawal liability for the 1500 Plan, as of January 1, 2023, amounts to $57 million (€54 million) (January 2, 2022: $110 million (€97 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 2023, the Company expects its total contributions to multi-employer defined benefit plans to be €22 million, which includes RP contribution increases where applicable. Ahold Delhaize has a risk of increased contributions and withdrawal liability (upon a withdrawal) if any of the participating employers in an underfunded MEP withdraw from the plan or become insolvent and are no longer able to meet their contribution requirements or if the MEP itself no longer has sufficient assets available to fund its short-term obligations to the participants in the plan. 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.

In 2020, Giant Food recorded a $609 million pension-related liability and a $211 million defined benefit obligation related to the new variable annuity single-employer plan, with a corresponding reduction in the Ahold Delhaize FELRA and MAP MEP off-balance sheet liabilities.

Beginning January 1, 2021, Giant associates who are represented by UFCW Locals 27 and 400 began to accrue benefits under a single-employer variable annuity plan. In 2021 and 2022, the best estimate of the defined benefit obligation was revised following the American Rescue Plan Act of 2021; see section 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 2020. On January 2, 2022, the best estimate was revised and the defined benefit obligation was reduced to $54 million.

The PBGC announced on April 29, 2022, that it has approved the application submitted to the Special Financial Assistance Program by the FELRA Pension Plan. The assistance that the Combined FELRA and MAP plan will receive is in line with the application submitted to the PBGC on December 30, 2021.

On July 6, 2022, the PBGC issued a final rule implementing changes to the Special Financial Assistance Program. The changes are responsive to public comments received on the PBGC's interim final rule and will better protect the pensions earned by workers and retirees covered by multi-employer plans eligible for assistance. The final rule became effective on August 8, 2022, and it provides an option for filers under the interim rule to supplement the application for special financial assistance.

On August 8, 2022, the Combined FELRA and MAP plan supplemented its application to the PBGC. The amount of the liability for the excess benefits payable under Giant Food's single-employer plan was reassessed as part of the supplemental application process, and the liability was reduced to $6 million during 2022, which represents the best estimate based on information available at the year end and includes judgment to determine the projected insolvency based on an assumed investment return.

ARPA has no impact on the FELRA and MAP withdrawal liability presented as Other long-term pension plan obligations. It also has no impact on the 2020 withdrawals from the National Plan and the 1500 Plan.

24 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONTINUED

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

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 Confectionery 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 40 MEPs (2021: 39 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 €295 million and €283 million to multi-employer defined contribution plans during 2022 and 2021, respectively. These contributions are recognized as an expense in the consolidated income statement and related entirely to continuing operations in 2022 and 2021. These plans vary significantly in size, with contributions to the three largest plans representing 63% of total contributions (2021: 62%).

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.

The enactment of the ARPA resulted in a partial release of the FELRA and MAP excess benefit obligation in 2021 and 2022. 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. The effect of ARPA is accounted for as we would account for an amendment of the plan, with the change recorded as a negative past service cost.

Management applied judgment in the determination to record discount rate-related remeasurements on the Other long-term pension plan obligations through other comprehensive income.

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), which are denominated in the currency in which the benefits will be paid and 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 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**
Year ended January 1, 2023						
Additions charged to income	**279**	**17**	**20**	**2**	**23**	**341**
Used during the year	**(228)**	**(7)**	**(38)**	**(7)**	**(25)**	**(306)**
Released to income	**(52)**	**(70)**	**(2)**	**(3)**	**(6)**	**(132)**
Interest accretion	**39**	**—**	**—**	**1**	**1**	**40**
Effect of changes in discount rates	**(119)**	**—**	**—**	**—**	**3**	**(116)**
Other movements	**—**	**1**	**(3)**	**—**	**(2)**	**(4)**
Exchange rate differences	**62**	**1**	**—**	**2**	**1**	**67**
Closing carrying amount	**961**	**54**	**14**	**23**	**68**	**1,120**
As of January 1, 2023						
Current portion	**306**	**33**	**13**	**5**	**20**	**377**
Non-current portion	**655**	**21**	**1**	**17**	**48**	**742**
Carrying amount	**961**	**54**	**14**	**23**	**68**	**1,120**

Maturities of total provisions as of January 1, 2023, are as follows:

€ million	Self-insurance program	Claims and legal disputes	Severance and termination benefits	Onerous contracts	Other	Total
Amount due within one year	306	33	13	5	20	377
Amount due between one and five years	403	20	1	13	18	455
Amount due after five years	252	1	—	4	30	287
Total	**961**	**54**	**14**	**23**	**68**	**1,120**

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 (€14 million) for commercial vehicle liability, $5 million (€5 million) for workers' compensation in the United States and an amount equivalent to the capped continued payment of wages in the Netherlands, and $25 million (€23 million) for property losses in the United States and Europe, subject to an annual aggregate of $35 million (€33 million). 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 €16 million as of January 1, 2023 (January 2, 2022: €21 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 1, 2023	January 2, 2022
Lease liabilities – current portion	**1,327**	1,201
Interest payable	**37**	36
Short-term borrowings	**204**	145
Bank overdrafts	**712**	807
Reinsurance liabilities – current portion (see Note 16 and Note 23)	**93**	67
Loans – current portion (see Note 22)	**233**	197
Deposit liabilities	**15**	17
Derivative financial instruments	**—**	1
Other	**68**	82
Total other current financial liabilities	**2,689**	2,552

For more information on lease liabilities, see Note 33.

Bank overdrafts includes an amount of €712 million (January 2, 2022: €807 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 includes mainly the current portion of the Local 1500 withdrawal liability; see Note 23 and 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 1, 2023	January 2, 2022
Accrued expenses	**1,960**	1,819
Compensated absences	**585**	565
Payroll taxes, social security and VAT	**617**	576
Deferred income	**109**	237
Gift card liabilities[1]	**274**	249
Other[2]	**50**	37
Total other current liabilities	**3,595**	3,483

1 Gift card sales for the year in the amount of €667 million and exchange rate differences of €6 million, offset by redemptions in the amount of €633 million and breakage in the amount of €15 million resulted in an ending balance of gift card liabilities of €274 million.
2 Includes the current portion of the pension-related liability for FELRA and MAP of €40 million (January 2, 2022: €28 million). See Note 24.

The non-current portion of the Deferred income amounts to €33 million (January 2, 2022: €51 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 1, 2023	January 2, 2022
Cash and cash equivalents as presented in the statement of cash flows	**3,054**	2,968
Restricted cash	**28**	25
Cash and cash equivalents as presented on the balance sheet	**3,082**	2,993

The following tables present additional cash flow information:

€ million	2022	2021
Non-cash investing activities		
Accounts payable at year-end related to purchased non-current assets	**390**	414
Assets acquired under leases[1]	**544**	651
Reassessments and modifications to leases[2]	**1,089**	1,071
Acquisition of businesses (see Note 4)		
Total purchase consideration	**(44)**	(881)
Deferred consideration payable – non-current	**27**	—
Purchase consideration in kind	**—**	173
Settlement of deferred consideration payable	**(1)**	—
Purchase consideration settled with / paid by other parties	**(1)**	166
Deferred consideration payable	**—**	2
Cash acquired (excluding restricted cash)	**—**	11
Acquisition of businesses, net of cash acquired	**(20)**	(529)
Divestments of businesses		
Net cash flows from divestment of subsidiaries and businesses[3]	**13**	45
Other net cash flows related to past divestments	**—**	(2)
Divestment of businesses	**12**	44
Cash divested	**—**	(49)
Divestment of businesses, net of cash divested	**12**	(5)
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]	**11**	6
Net assets (liabilities) divested	**2**	39
Changes in provisions and other financial liabilities – net	**—**	(2)
Divestment of businesses	**12**	44
Cash divested	**—**	(49)
Divestment of businesses, net of cash divested	**12**	(5)

1 The additions to right-of-use assets (see Note 12 and Note 13) include €10 million of additions through sale and leaseback transactions and €7 million of initial direct costs net of lease incentives received (2021: €79 million of additions through sale and leaseback transactions and €2 million of lease incentives received net of initial direct costs), 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 €4 million of lease incentives received net of initial direct costs (2021: €5 million of lease incentives received net of initial direct costs), which are excluded from the amount of non-cash investing activities.
3 The amount reported for 2022 included divestment of stores. The amount reported for 2021 predominantly included 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 1, 2023, and January 2, 2022:

€ million	Loans	Lease liabilities	Short-term borrowings and bank overdrafts	Derivative assets	Derivative liabilities	Total
As of January 2, 2022	**4,874**	**11,262**	**952**	**—**	**2**	**17,090**
Proceeds from long-term debt	**—**	**—**	**—**	**—**	**—**	**—**
Acquisitions through business combinations	**—**	**1**	**—**	**—**	**—**	**1**
Repayments of loans and lease liabilities[1]	**(162)**	**(1,751)**	**—**	**—**	**—**	**(1,913)**
Classified (to) held for sale or sold	**(1)**	**—**	**—**	**—**	**—**	**(1)**
Changes in short-term borrowings and overdrafts	**—**	**—**	**(93)**	**—**	**—**	**(93)**
Other cash flows from derivatives	**—**	**—**	**—**	**—**	**—**	**—**
Fair value changes	**(25)**	**—**	**—**	**(2)**	**24**	**(3)**
Additions to lease liabilities	**—**	**557**	**—**	**—**	**—**	**557**
Reassessments and modifications to leases	**—**	**1,090**	**—**	**—**	**—**	**1,090**
Termination of leases	**—**	**(26)**	**—**	**—**	**—**	**(26)**
Amortization of fair value adjustments and interest accretion to lease liability	**(9)**	**356**	**—**	**—**	**—**	**347**
Other non-cash movements	**(22)**	**—**	**—**	**—**	**—**	**(22)**
Exchange rate differences	**105**	**476**	**56**	**—**	**—**	**637**
As of January 1, 2023	**4,760**	**11,965**	**915**	**(2)**	**26**	**17,664**

1 Repayment of lease liabilities as presented in the statement of cash flows includes €4 million of initial direct costs net of lease incentives received.

€ 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.

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:

	2022	2021
Earnings (€ million)		
Net income attributable to common shareholders for the purposes of basic and diluted earnings per share	**2,546**	2,246
Number of shares (in millions)		
Weighted average number of common shares for the purposes of basic earnings per share	**995**	1,028
Effect of dilutive potential common shares:		
Conditional shares from share-based compensation programs	**6**	6
Weighted average number of common shares for the purposes of diluted earnings per share	**1,001**	1,034

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	2022	2021
Income from continuing operations, attributable to common shareholders for the purposes of basic and diluted earnings per share	**2,546**	2,246

Both basic and diluted income per share from discontinued operations attributable to common shareholders amounted to €0.00 (2021: €0.00), based on the income (loss) from discontinued operations attributable to common shareholders of nil (2021: 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.

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

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 purchase and sell primarily 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 1, 2023, 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 20% against the U.S. dollar compared to the actual 2022 rate, with all other variables held constant, the hypothetical result on income before income taxes would have been an increase (decrease) of €4 million (2021: an increase (decrease) of €8 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 2022 income statement related to the revaluation of unhedged leases reported in the balance sheet amounted to €7 million (2021: gain of €1 million). The strengthening (weakening) of the euro by 20% against the other currencies, with all other variables held constant, would result in a loss (gain) of €168 million (2021: €159 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 1, 2023, 96% of Ahold Delhaize's long-term bonds was at fixed rates of interest (January 2, 2022: 96%). In 2021, the Company entered into a fixed to floating interest rate swap, which is taken into account in the percentage as of January 1, 2023, and January 2, 2022, respectively (see *Derivatives*).

Interest rate sensitivity analysis

The total interest expense recognized in the 2022 income statement related to the variable rates of short- and long-term debt amounted to €4 million (2021: nil). An increase (decrease) in market interest rates by 100 basis points, with all other variables (including foreign exchange rates) held constant, would have resulted in a loss (gain) of €11 million (2021: €4 million).

The total interest income recognized in the 2022 income statement amounted to €69 million (2021: €29 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 100 basis points, with all other variables (including foreign exchange rates) held constant, this would have resulted in a gain of €23 million or a loss of €23 million, respectively (2021: gain of €22 million or a loss of €22 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 1, 2023, the amounts due under the supply chain finance arrangements classified as trade payables were €1,132 million (January 2, 2022: €989 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 1, 2023. For further discussion on Ahold Delhaize's receivables, see Note 16 and Note 18.

Financial transactions are entered into predominantly 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 1, 2023, amounted to €254 million (January 2, 2022: €175 million).

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

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 1, 2023.

€ million	Gross amounts in the balance sheet	Cash collateral received/ pledged[1]	Net exposure
Assets			
Cash and cash equivalents	785	712	73
Total	785	712	73
Liabilities			
Bank overdrafts	712	712	—
Total	712	712	—

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 1, 2023, the Company's liquidity position primarily comprised €2,511 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 €1.5 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 1, 2023, and January 2, 2022, 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 1, 2023, and January 2, 2022, respectively. See Note 34 for the liquidity risk related to guarantees.

Year ended January 1, 2023

		Contractual cash flows			
€ million	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities[1]					
Notes	(4,373)	(129)	(2,854)	(2,289)	(5,273)
Other loans	(193)	(193)	—	(3)	(196)
Financing obligations	(194)	(33)	(93)	(9)	(135)
Accounts payable	(8,191)	(8,191)	—	—	(8,191)
Short-term borrowings	(915)	(915)	—	—	(915)
Reinsurance liabilities	(273)	(103)	(147)	(59)	(308)
Other long-term financial liabilities	(269)	(64)	(205)	(1)	(270)
Other	(26)	(15)	—	—	(15)
Derivative financial liabilities					
Derivatives	(26)	—	—	(26)	(26)

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

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*.

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 positive outlook as of September 2022 (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 1, 2023 Carrying amount	January 1, 2023 Fair value	January 2, 2022 Carrying amount	January 2, 2022 Fair value
Financial assets at amortized cost				
Loans receivable	**36**	**34**	85	85
Trade and other (non-)current receivables	**2,429**	**2,429**	2,445	2,445
Lease receivable	**518**	**498**	492	516
Cash and cash equivalents	**3,082**	**3,082**	2,993	2,993
Short-term deposits and similar investments	**16**	**16**	15	15
	6,081	**6,060**	6,029	6,053
Financial assets at fair value through profit or loss (FVPL)				
Reinsurance assets	**283**	**283**	281	281
Investments in debt instruments	**136**	**136**	145	145
	418	**418**	426	426
Derivative financial instruments				
Derivatives	**2**	**2**	—	—
Total financial assets	**6,501**	**6,479**	6,455	6,479

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS
CONTINUED

€ million	January 1, 2023 Carrying amount	January 1, 2023 Fair value	January 2, 2022 Carrying amount	January 2, 2022 Fair value
Financial liabilities at amortized cost				
Notes	**(4,373)**	**(4,075)**	(4,354)	(4,721)
Other loans	**(193)**	**(193)**	(274)	(274)
Financing obligations	**(194)**	**(109)**	(205)	(149)
Mortgages payable	**—**	**—**	(41)	(42)
Accounts payable	**(8,191)**	**(8,191)**	(7,563)	(7,563)
Short-term borrowings	**(915)**	**(915)**	(952)	(952)
Interest payable	**(37)**	**(37)**	(36)	(36)
Other long-term financial liabilities[1]	**(269)**	**(268)**	(276)	(278)
Other	**(26)**	**(26)**	(29)	(29)
	(14,198)	**(13,814)**	(13,731)	(14,044)
Financial liabilities at fair value through profit or loss (FVPL)				
Reinsurance liabilities	**(273)**	**(273)**	(272)	(272)
Derivative financial instruments				
Derivatives	**(26)**	**(26)**	(2)	(2)
Total financial liabilities excluding lease liabilities	**(14,496)**	**(14,113)**	(14,004)	(14,317)
Lease liabilities	**(11,965)**	N/A	(11,262)	N/A
Total financial liabilities	**(26,461)**	N/A	(25,266)	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 $129 million (€121 million) and a deferred consideration for the remaining shares in Cycloon of €26 million (see *Note 23*).

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 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. Ahold Delhaize posted deposits as collateral in the net amount of €26 million as of January 1, 2023 (January 2, 2022: nil). The counterparties have an obligation to repay the deposits to Ahold Delhaize upon settlement of the contracts.

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 1, 2023, short-term deposits and similar instruments (€16 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 1, 2023 Fair value Assets	January 1, 2023 Fair value Liabilities	January 1, 2023 Notional amount
Forward commodity contracts[1]	Within 1 year	**2**	**—**	**21**
Interest rate swaps[2]	After 5 years	**—**	**(26)**	**187**
Total fair value hedges		**2**	**(26)**	**207**
Forward foreign currency contracts	Within 1 year	**—**	**—**	**42**
Total derivatives – no hedge accounting treatment		**—**	**—**	**42**
Total derivative financial instruments		**2**	**(26)**	**249**

1 Hedge ineffectiveness in relation to the forward commodity contracts was negligible for 2022.
2 Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2022.

€ million	Maturity	January 2, 2022 Fair value Assets	January 2, 2022 Fair value Liabilities	January 2, 2022 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

1 Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2021.

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 income statement 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.

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.

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

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 the Company's accounting policy, trade payables are presented as operating activities in the cash flow statement. 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 2022, the ExCo consisted of the Management Board (MB) and three other members.

The total compensation of key management personnel in 2022 amounted to €27,311 thousand (2021: €24,571 thousand). This includes a true-up for the estimated additional wage tax relating to key management personnel leaving the Company due in accordance with Dutch tax laws of €(555) thousand (2021: €952 thousand).

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.

	2022				2021			
€ thousand	**MB members[1]**	**Former MB members[2]**	**Other ExCo**	**Total ExCo**	MB members[1]	Former MB members[2]	Other ExCo	Total ExCo
Base salary	**3,686**	**—**	**1,402**	**5,088**	3,518	—	1,354	4,872
EIP[3]	**4,601**	**—**	**1,772**	**6,373**	4,398	—	1,406	5,804
Other[4]	**1,168**	**6**	**807**	**1,981**	968	—	1,202	2,170
Share-based compensation[5]	**10,036**	**—**	**2,157**	**12,193**	7,329	—	1,489	8,818
Pensions[6]	**554**	**—**	**80**	**634**	466	—	213	679
Remuneration of the members of the ExCo	**20,045**	**6**	**6,218**	**26,269**	16,679	—	5,664	22,343

1 The MB members include Frans Muller, Natalie Knight, Kevin Holt and Wouter Kolk. On January 10, 2023, it was announced that Natalie Knight will leave Ahold Delhaize and that a six-month notice period applies; see the *Remuneration report*.
2 Former MB members includes members that resigned during the respective year.
3 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 2022 performance multiplier was 125% for MB and other ExCo (2021: 125% for MB and 150% for other ExCo).
4 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.
5 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 2022 reflects this year's portion of the share grants over the previous four years (plans 2019 to 2022). For more information on the share-based compensation expenses, see *Note 32*.
6 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*.

31 RELATED PARTY TRANSACTIONS CONTINUED

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 13, 2022, and became effective retroactively as of January 1, 2022. The table below specifies the total remuneration of the members of the Supervisory Board.

	2022			2021		
€ thousand	SB members	Former SB members	Total SB	SB members	Former SB members	Total SB
Remuneration of the members of the Supervisory Board	**1,556**	**41**	**1,597**	1,211	65	1,276

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.

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 2022 and 2021, the Company entered into the following transactions with unconsolidated related parties:

For the year ended January 1, 2023

€ million	Sales to related parties	Purchases from related parties	Amounts receivable from related parties	Amounts payable to related parties	Commitments to related parties
Cathedral Commons	**—**	**2**	**1**	**—**	**18**
Adhese	**—**	**—**	**4**	**—**	**8**
Other	**—**	**3**	**4**	**—**	**4**
Total	**—**	**5**	**9**	**—**	**30**

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

These unconsolidated related parties consist of:

- Allston Yards Parcel B Developer, LLC , a real estate joint venture of which Ahold Delhaize is a member.
- Cathedral Commons Partners, LLC, a real estate joint venture of Ahold Delhaize.
- JMR, a joint venture of Ahold Delhaize in the retail business (see *Note 15*). There were no significant transactions with JMR in 2022 and 2021.
- Super Indo, a joint venture of Ahold Delhaize in the retail business (see *Note 15*). There were no significant transactions with Super Indo in 2022 and 2021.
- Adhese, an advertising technology company in which Ahold Delhaize acquired a minority stake during 2022.
- 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 2022, Ahold Delhaize's share-based compensation program consisted of a share grant program called Global Reward Opportunity (GRO). Total 2022 GRO share-based compensation expenses were €65 million (2021: €48 million). Ahold Delhaize's share-based compensation programs are equity-settled.

The fair value of the performance shares granted under the GRO program in 2022 at grant date was €50 million, of which €7 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 4% (2021: 5%) excluding Management Board members. In 2022, the expected annual forfeitures were updated to 4% based on the historical actual forfeitures. 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 2022

The performance shares granted under this program vest on the day after the annual General Meeting of Shareholders in the third year of the grant, subject to certain performance conditions being met. The 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.

32 SHARE-BASED COMPENSATION CONTINUED

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.

For the performance shares granted in 2019 through 2021, another 35% is linked to a three-year EPS growth target. For the performance shares granted in 2022, this number is 25%. 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 the peer group disclosed below. 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 GRO share award, the performance at vesting is measured using sustainability targets related to the Company's Healthy and Sustainable ambitions. This applies to 15% of the performance shares granted in 2019 through 2021, and 25% of the performance shares granted in 2022. 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 2022:

2019–2022 GRO program rank	All participants
1	150%
2	125%
3	110%
4	100%
5	75%
6	50%
7–12	0%

TSR performance peer group for performance shares granted in 2019 through 2022	
Tesco	Kroger
Carrefour	Costco
Metro Cash & Carry	Target
Casino Guichard-Perrachon	Walgreens Boots Alliance
J Sainsbury	Walmart
Wm Morrison[1]	

1 Wm Morrison was replaced with Albertsons in the 2022 GRO award.

Performance shares vesting in 2023

In 2023, the performance shares granted in 2020 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 2022, Ahold Delhaize ranked 5th in the TSR peer group with respect to the 2020 grant. Based on this TSR ranking, the vesting percentage for the portion of the 2020 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 2020 performance shares dependent on Ahold Delhaize's RoC, EPS and sustainability performance is 136%, 150% and 140% respectively.

On April 15, 2023, a maximum of 0.4 million performance shares granted in 2020 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. Any sale of shares is subject to insider trading restrictions as applicable from time to time.

On April 15, 2023, a maximum of 2.4 million performance shares granted in 2020 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 2022 for the Management Board members and for all other employees in the aggregate.

	Outstanding at the beginning of 2022	Granted	Performance adjustment[1]	Vested[2]	Forfeited	**Outstanding at the end of 2022**
Management Board members						
Shares MB members[3]	889,800	297,390	70,226	341,394	—	**916,022**
Other employees						
2019 grant	1,825,960	99	465,750	2,269,514	22,295	**—**
2020 grant	1,917,522	28,452	—	—	132,516	**1,813,458**
2021 grant	1,872,946	39,392	—	—	168,292	**1,744,046**
2022 grant	—	1,803,468	—	—	96,808	**1,706,660**
Total number of shares	6,506,228	2,168,801	535,976	2,610,908	419,911	**6,180,186**

1 Represents the adjustment to the number of performance shares granted resulting from the TSR, RoC, EPS and sustainability performance.
2 The vesting date of the 2019 grant was April 14, 2022. The share price was €28.35 on April 14, 2022.
3 For an overview of the shares outstanding for the Management Board members, see the *Remuneration report*.

32 SHARE-BASED COMPENSATION CONTINUED

Valuation model and input variables

The weighted average fair value of the performance shares granted in 2022, for all eligible participants including Management Board members, amounted to €13.79 per share for TSR performance shares and €25.45 per share for RoC performance shares, EPS performance shares and sustainability performance shares (2021: €7.44 per share for TSR performance shares and €20.34 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:

	2022	2021
Closing share price at grant date (€)	**28.42**	22.88
Risk-free interest rate	**0.4%**	(0.7)%
Volatility	**22.0%**	21.4%
Assumed dividend yield	**3.6%**	4.1%

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

Accounting policies

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

33 LEASES

Ahold Delhaize as lessee

Ahold Delhaize leases a significant number of its stores, as well as DCs, warehouses, offices and other assets, under lease arrangements. Leases of retail stores typically run for periods of 10 to 20 years, and warehouses and DCs 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 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 1, 2023, and January 2, 2022, respectively, based on the undiscounted payments.

€ million	January 1, 2023	January 2, 2022
Less than one year	**1,673**	1,545
One to five years	**5,822**	5,409
Five to 10 years	**4,085**	3,787
10 to 15 years	**1,774**	1,752
More than 15 years	**1,162**	1,223
Total undiscounted lease payments	**14,515**	13,717
Lease liabilities included in the balance sheet	**11,965**	11,262
Current portion (Note 26)	**1,327**	1,201
Non-current portion (Note 23)	**10,637**	10,061

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 proportion 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 of January 1, 2023, potential uncommitted future cash outflows of an estimated €39 billion (undiscounted) (2021: €36 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 €1,030 million (2021: €1,020 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.

33 LEASES CONTINUED

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

	Number of contracts with termination options exercisable as of January 1, 2023	Number of contracts with termination options not exercised or not considered reasonably certain to be exercised as of January 1, 2023	Number of contracts with termination options exercised or considered reasonably certain to be exercised as of January 1, 2023
	Number of leases	Number of leases	Number of leases
Total Ahold Delhaize	**2,566**	**2,272**	**294**

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

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

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

Variable payments

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

- The majority of variable payment terms are based on a range of percentages of store sales. Percentages vary per contract and generally 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 €1,334 million (2021: €1,311 million). The 2022 and 2021 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 2022 and 2021. In 2022, the gain on sale and leaseback transactions of €1 million was mainly the result of transactions in the Czech Republic. In 2021, the gain on sale and leaseback transactions of €7 million was the result of transactions in Belgium, the Czech Republic and the Netherlands.

Amounts recognized in the income statement

€ million	2022	2021
Variable lease payments not included in the measurement of lease liabilities	**(19)**	(18)
Expenses related to short-term leases	**(36)**	(22)
Expenses relating to leases of low-value assets that are not shown above as short-term leases	**(15)**	(18)
Total rent expense	**(70)**	(58)
Depreciation charge for right-of-use assets	**(1,300)**	(1,134)
Interest accretion to lease liability	**(356)**	(337)
Gains (losses) on sale and leaseback transactions	**1**	7
Income from subleasing right-of-use assets	**57**	58

During 2022, net impairments of €2 million (2021: €3 million) on right-of-use assets (excluding investment properties) and €(1) million (2021: nil) 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	2022	2021
Total cash outflow for leases	**(1,824)**	(1,630)

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.

33 LEASES CONTINUED

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 1, 2023	January 2, 2022
Less than one year	**92**	94
One to two years	**71**	82
Two to three years	**54**	64
Three to four years	**38**	50
Four to five years	**25**	32
More than five years	**64**	77
Total undiscounted lease payments	**344**	400

Finance leases

Net investment in leases

€ million	2022	2021
As of the beginning of the year		
Current portion	**91**	88
Non-current portion	**475**	397
Carrying amount at the beginning of the year	**566**	485
Interest accretion	**12**	13
Acquisitions through business combinations	**—**	21
Repayments	**(115)**	(103)
Impairment losses and reversals – net	**1**	—
Terminations	**(4)**	(1)
Reassessments and modifications	**55**	46
Reclassifications (to) from right-of-use assets	**92**	91
Exchange rate differences	**12**	14
Closing carrying amount	**620**	566
As of the end of the year		
Current portion	**96**	91
Non-current portion	**524**	475
Carrying amount at the end of the year	**620**	566

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 1, 2023	January 2, 2022
Less than one year	**105**	101
One to two years	**98**	94
Two to three years	**87**	82
Three to four years	**71**	71
Four to five years	**57**	56
More than five years	**147**	134
Total undiscounted lease payments receivable	**565**	539
Unearned finance income	**(44)**	(43)
Total discounted lease payments receivable	**521**	496
Cumulative impairment losses	**(3)**	(4)
Lease receivable	**518**	492
Unguaranteed residual value	**101**	74
Net investment in leases	**620**	566

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 creditworthiness 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	2022	2021
Operating leases		
Rent income relating to fixed payments on operating leases	**151**	140
Rent income relating to variable payments on operating leases	**4**	6
Total rent income	**155**	146
Interest income on net investment in leases	**12**	13

No significant rent concessions were provided by Ahold Delhaize and no rent concessions were recognized as a result of COVID-19.

33 LEASES CONTINUED

Accounting estimates and judgments

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

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

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

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

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

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

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

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

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

Accounting policies

Definition of a lease

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

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

As a lessee

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

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

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

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

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

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

33 LEASES CONTINUED

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 value of lease liabilities and right-of-use assets recognized. See accounting estimates and judgments for more information.

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 whether the transaction qualifies as a sale for which revenue is recognized (i.e., the transaction is a genuine sale, where all performance obligations are satisfied and control has transferred to the buyer-lessor), or 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 1, 2023, Ahold Delhaize had outstanding investment commitments for property, plant and equipment and investment property, and for intangible assets of approximately €579 million and €17 million, respectively (January 2, 2022: €369 million and €17 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 was nil as of January 1, 2023 (January 2, 2022: €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 2023, 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 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 1, 2023, the Company's purchase commitments were approximately €2.8 billion (January 2, 2022: €2.4 billion). In 2021, Food Lion entered into a long-term supply agreement with Maryland-Virginia Milk Producers Cooperative for milk and milk related products, with an initial term of 10 years. The related purchase commitment increased in 2022 to $0.8 billion (€0.7 billion) and is included in the €2.8 billion purchase commitments. In 2021, the purchase commitment amounted to $0.6 billion (€0.5 billion).

34 COMMITMENTS AND CONTINGENCIES CONTINUED

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.

Other commitments

Cooperating agreements

On December 14, 2022, the Company announced that Jan Linders Supermarkets and Albert Heijn have decided to partner, with family business Jan Linders continuing its operations as an Albert Heijn franchisee. The vast majority of current stores (63) will remain part of Jan Linders' new franchise organization and be converted into Albert Heijn franchise supermarkets. Employees working at these stores will continue to work there. Some Jan Linders supermarkets will not join the new franchise organization. In addition, Jan Linders will acquire ten supermarkets from Albert Heijn in the south of the Netherlands. Employees working at these stores will also continue to work there, with Jan Linders becoming their employer.

The Jan Linders DC in Nieuw Bergen, the Netherlands, will be acquired by Albert Heijn, while preserving the function of the DC. All DC employees will keep their jobs, thus ensuring employment in this region. Jan Linders' headquarters will continue to exist in a new and compact setup as the Service Office of the franchise organization. The cooperation agreements are subject to the advice of both companies' works councils and approval of the Authority for Consumers and Markets (ACM) for those supermarkets that will be transferred from Albert Heijn to Jan Linders. The aim is to have converted all stores involved by the end of 2023. The investment commitments as disclosed above do not incorporate amounts relating to these cooperation agreements, as these are subject to closing conditions.

Commitments related to business acquisitions

As of January 1, 2023, the Company has no significant outstanding commitments related to business acquisitions.

Contingent liabilities

Guarantees

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

€ million	January 1, 2023	January 2, 2022
Lease guarantees	**718**	689
Lease guarantees backed by letters of credit	**—**	15
Buyback guarantees	**13**	14
Total	**731**	718

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 1, 2023, the €718 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 1, 2023	January 2, 2022
Tops divestments	**274**	285
BI-LO/Bruno's divestment	**159**	115
Sweetbay, Harveys and Reid's divestment	**73**	76
Bottom Dollar Food divestment	**84**	87
Other[1]	**128**	126
Total lease guarantees	**718**	689

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 €620 million and €584 million as of January 1, 2023, and January 2, 2022, 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, and which was released and terminated in 2022.

Buyback guarantees

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. From the outstanding buyback guarantees of €13 million, an amount of €10 million expires in 2023 and €2 million expires in 2048.

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.

34 COMMITMENTS AND CONTINGENCIES CONTINUED

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

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

Taxes

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

In December 2020, Ahold Delhaize's subsidiary, Delhaize Le Lion/De Leeuw SCA ("DLL"), received an adjustment notice from the Belgian tax authorities relating to its tax return over 2018. In 2018, DLL 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 to 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 Belgian 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 e.g. the compensation with all possible tax receivables. In the meanwhile, DLL engaged another independent third-party valuator as well as 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, assisted by the external law firm and the independent third-party valuator, filed a Tax protest claim against the additional assessment in 2022. 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 B.V. (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

34 COMMITMENTS AND CONTINGENCIES CONTINUED

(€58 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. Although 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, the court has recently requested status reports in many stayed cases (including those in which Ahold Delhaize and its subsidiaries have been named). Ahold Delhaize and its subsidiaries continue to believe the plaintiffs' claims against Ahold Delhaize entities are without merit. 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 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 1, 2023. 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 NV	Asse		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%

35 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES CONTINUED

Significant subsidiaries (consolidated)			Ownership %
Ahold Delhaize Nederland B.V.*	Zaandam		100%
bol.com holding N.V.*	Utrecht		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%
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%

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

On January 10, 2023, Ahold Delhaize announced that Natalie Knight, Chief Financial Officer since 2020, has informed the company that she will pursue another career opportunity in the United States, and will leave Ahold Delhaize. A six-month notice period applies. The search for a successor has started.

PARENT COMPANY FINANCIALS

LOCAL MATTERS

Hannaford United States

PARENT COMPANY FINANCIAL STATEMENTS
INCOME STATEMENT

€ million	Note	52 weeks ended January 1, 2023	52 weeks ended January 2, 2022
Intercompany head office and other recharges		**67**	72
General and administrative expenses		**(63)**	(64)
Total operating expenses	2	**(63)**	(64)
Operating income		**4**	8
Interest expense		**(60)**	(52)
Other financial income (expense)		**(50)**	(60)
Net financial expenses		**(110)**	(112)
Loss before income taxes		**(106)**	(103)
Income taxes	5	**39**	36
Income from subsidiaries and investments in joint ventures after income taxes	7	**2,614**	2,313
Net income		**2,546**	2,246

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 1, 2023	January 2, 2022
Assets			
Property, plant and equipment		—	—
Intangible assets	6	78	71
Deferred tax assets	5	11	10
Financial assets	7	23,119	21,475
Total non-current assets		23,208	21,557
Receivables	8	23	19
Prepaid expenses		35	24
Cash and cash equivalents		179	113
Total current assets		238	156
Total assets		23,446	21,712
Liabilities and shareholders' equity			
Issued and paid-in share capital		10	10
Additional paid-in capital		9,603	10,988
Currency translation reserve		595	(75)
Cash flow hedging reserve		(1)	(2)
Reserve participations		454	449
Accumulated deficit		2,198	104
Net income		2,546	2,246
Shareholders' equity	9	15,405	13,721
Provisions	10	1	1
Loans	11	6,758	5,369
Total non-current liabilities		6,758	5,369
Current liabilities	12	1,281	2,622
Total liabilities and shareholders' equity		23,446	21,712

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Investments in subsidiaries, joint ventures and associates

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

2 EXPENSES BY NATURE

The operating expenses are specified by nature as follows:

€ million	2022	2021
Labor costs	**(39)**	(23)
Other operational expenses	**(11)**	(30)
Depreciation and amortization	**(13)**	(11)
Total expenses by nature	**(63)**	(64)

Labor costs consists of employee expenses of €19 million (2021: €17 million), other related employee costs of €1 million (2021: €3 million) and other contracted personnel expenses of €18 million (2021: €3 million).

3 EMPLOYEES

The average number of employees of Koninklijke Ahold Delhaize N.V. in full-time equivalents during 2022 was six (2021: six), 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 €19 million, €0.1 million and €0.2 million, respectively, for 2022 (2021: expenses of €17 million, €1.3 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 2022 and in 2021, are specified as follows:

2022

€ thousand	PwC	Member firms/ affiliates	Total 2022
Audit fees	**3,190**	**4,887**	**8,077**
Audit-related fees	**495**	**93**	**588**
Tax advisory fees	**—**	**53**	**53**
Total	**3,685**	**5,033**	**8,718**

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

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 relate primarily 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 relate mainly 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	2022	2021
Current income taxes – the Netherlands	**38**	34
Deferred income taxes – the Netherlands	**—**	2
Total income taxes	**39**	36

Effective income tax rate

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

	2022	
	€ million	**Tax rate**
Loss before income taxes	**(106)**	
Income tax benefit at statutory tax rate	**27**	**25.8%**
Adjustments to arrive at effective income tax rate:		
Reserves, (non-)deductibles and discrete items	**11**	**10.7%**
Total income taxes (expense) benefit	**39**	**36.5%**

	2021	
	€ million	Tax rate
Loss before income taxes	(103)	
Income tax 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%

Deferred income tax

The significant components and annual movements of deferred income tax assets and liabilities as of January 1, 2023, and January 2, 2022, are as follows:

€ million	January 3, 2021	Recognized in income statement	Other	January 2, 2022	**Recognized in income statement**	**Other**	**January 1, 2023**
Derivatives and loans	8	2	—	10	**—**	**—**	**11**
Blended rate deferred tax fiscal unity	1	—	(1)	—	**—**	**—**	**—**
Total gross deductible temporary differences	9	2	(1)	10	**—**	**—**	**11**
Tax losses and tax credits	—	—	—	—	**—**	**—**	**—**
Total net deferred tax asset position	9	2	(1)	10	**—**	**—**	**11**
Total deferred tax liabilities	—	—	—	—	**—**	**—**	**—**
Net deferred tax assets	9	2	(1)	10	**—**	**—**	**11**

5 INCOME TAXES (CONTINUED)

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	2022	2021
Share buyback	(1)	(2)
Total	**(1)**	**(2)**

6 INTANGIBLE ASSETS

€ million	Software
As of January 2, 2022	
At cost	110
Accumulated amortization and impairment losses	(39)
Carrying amount	**71**
Year ended January 1, 2023	
Additions	26
Intercompany transfers	(7)
Amortization	(13)
Closing carrying amount	**78**
As of January 1, 2023	
At cost	129
Accumulated amortization and impairment losses	(51)
Carrying amount	**78**

7 FINANCIAL ASSETS

€ million	January 1, 2023	January 2, 2022
Investments in subsidiaries, joint ventures and associates	22,399	20,667
Loans receivable from subsidiaries	682	798
Other derivatives (see *Note 13*)	38	10
Total financial assets	**23,119**	**21,475**

The changes in the Investments in subsidiaries, joint ventures and associates were as follows:

€ million	2022	2021
Beginning of year	20,667	18,933
Share in income	2,614	2,313
Dividends	(2,383)	(1,360)
Intercompany transfers	456	(1)
Share of other comprehensive income (loss) and other changes in equity	375	16
Exchange rate differences	670	766
End of year	**22,399**	**20,667**

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

Loans receivable

€ million	2022	2021
Beginning of year	798	1,006
Intercompany transfers	(116)	(208)
End of year	**682**	**798**
Current portion	—	—
Non-current portion of loans	**682**	**798**

The loans receivable are related to loans with subsidiaries.

8 RECEIVABLES

€ million	January 1, 2023	January 2, 2022
Receivables from subsidiaries	20	18
Other receivables	3	1
Total receivables	**23**	**19**

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 1, 2023, €15,405 million, an amount of €1,061 million is non-distributable (January 2, 2022: €460 million out of a total equity of €13,721 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 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 attributable to common shareholders	—	—	764	1	—	79	843
Total comprehensive income 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**
Net income attributable to common shareholders	**—**	**—**	**—**	**—**	**—**	**2,546**	**2,546**
Other comprehensive income attributable to common shareholders	**—**	**—**	**670**	**1**	**—**	**378**	**1,049**
Total comprehensive income attributable to common shareholders	**—**	**—**	**670**	**1**	**—**	**2,925**	**3,595**
Dividends	**—**	**—**	**—**	**—**	**—**	**(979)**	**(979)**
Share buyback	**—**	**—**	**—**	**—**	**—**	**(998)**	**(998)**
Cancellation of treasury shares	**(1)**	**(1,385)**	**—**	**—**	**—**	**1,386**	**—**
Share-based payments	**—**	**—**	**—**	**—**	**—**	**66**	**66**
Other changes in reserves	**—**	**—**	**—**	**—**	**6**	**(6)**	**—**
Balance as of January 1, 2023	**10**	**9,603**	**595**	**(1)**	**454**	**4,744**	**15,405**

1 Other reserves include, among others, the remeasurements of defined benefit plans. Costs for internally developed software are also included in other reserves (€2 million as of January 1, 2023, and €1 million as of January 2, 2022).

10 PROVISIONS

€ million	January 1, 2023	January 2, 2022
Provision for negative equity subsidiaries	—	—
Other provisions	1	1
Total provisions	1	1

As of January 1, 2023, nil is expected to be utilized within one year (January 2, 2022: nil).

11 LOANS

	January 1, 2023	
€ 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	516	3
Long-term loans from subsidiaries	3,302	—
Other loans	—	190
Deferred financing costs	(11)	(5)
Total loans	6,758	189

The long-term loans from subsidiaries mature in 2024 (€438 million), 2026 (€391 million), 2027 (€296 million), 2028 (€900 million), 2029 (€758 million) and 2031 (€520 million). For more information on the external loans, see *Note 22* to the consolidated financial statements.

Other loans include a €190 million drawing under a committed credit facility (matures in 2023).

	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

12 CURRENT LIABILITIES

€ million	January 1, 2023	January 2, 2022
Short-term borrowings from subsidiaries	919	1,819
Loans – current portion	189	654
Bank debt and lines of credit	—	41
Income tax payable	40	2
Payables to subsidiaries	30	27
Interest payable	23	22
Other current liabilities	80	57
Total current liabilities	1,281	2,622

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.

13 DERIVATIVES CONTINUED

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	2022	2021
Beginning of year	**10**	—
Fair value changes	**28**	10
End of year	**38**	10

Current derivatives – assets

There were no current derivative assets in 2022 and 2021.

Non-current derivatives – liabilities

€ million	2022	2021
Beginning of year	**—**	16
Fair value changes	**—**	(16)
End of year	**—**	—

Current derivatives – liabilities

There were no current derivative liabilities in 2022 and 2021.

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 €502 million as of January 1, 2023, (January 2, 2022: €485 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, and which was released and terminated in 2022.

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 €0.59 per common share will be paid on April 28, 2023. This is in addition to the interim dividend of €0.46 per share, which was paid on September 1, 2022. The total dividend payment for the full year 2022 would, therefore, total €1.05 per share (2021: €0.95).

17 SUBSEQUENT EVENTS

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

Zaandam, the Netherlands

February 28, 2023

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

Frank van Zanten

Bala Subramanian

Jan Zijderveld

Pauline van der Meer Mohr

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STATEMENTS

LOCAL MATTERS

Delhaize Belgium

INTRODUCTION

In this section, we provide an overview of the reporting framework we apply to ESG performance 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*.

We have selected and tailored our ESG indicators to meet stakeholders' expectations and provide the information necessary to understand the development, performance, position and impact of our activities relating to our ESG topics. For more information about our materiality assessment, see *ESG materiality assessment* and *Performance review – Group Performance*.

BASIS OF PREPARATION

We report on our progress in accordance with the Global Reporting Initiative (GRI) Standards. In the previous year, the Core option was applied, but this option no longer exists in the updated GRI Standards. For 2022, therefore, we report in accordance with the 2021 GRI Standards.

GRI maintains comprehensive sustainability reporting standards, developed through an independent multi-stakeholder process. The GRI requirements are more detailed and extensive than reporting obligations under the current applicable legal framework.

The ESG statements include information for the financial year 2022, with comparative figures from 2021. Ahold Delhaize's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. The financial year 2022 consisted of 52 weeks and ended on January 1, 2023. See also *Note 2*. From a practical perspective, certain indicators are based upon a calendar year rather than the 52-week financial year. Due to rounding, numbers presented may not add up precisely to the totals provided.

An overview of how we comply with the GRI standards can be found on the Ahold Delhaize website at *www.aholddelhaize.com*. For details on the definitions used, see *Definitions and abbreviations*.

Setting and adjusting baselines and correction of errors

In order to provide meaningful and consistent comparison of ESG indicators over time, we set a performance date to compare progress of our current performance against a set baseline, for example, for comparison of carbon emission reduction. This performance date is referred to as the baseline year. We use the following baseline years:

Carbon emissions scope 1 and 2:	2018 (2018 was used, as target was set in early 2020)
Carbon emissions scope 3:	2020 (updated from 2018 in 2022 as part of our updated scope 3 targets)
Plastic packaging:	2021 (2021 was most recent year, as target was set in 2022)
Food waste:	2016 (aligned with SDG target 12.3)

For consistent tracking of performance over time, the baseline may need to be recalculated due to changed circumstances for example divestments and acquisitions and other changes such as changes in the calculation methodology or the correction of errors. The purpose of the recalculation is to make the comparison between the actual performance data against baseline like for like. The discovery of significant errors are also corrected in the comparative figures, where possible. If this is not possible, it is indicated. Impacts are considered significant (or material) if omitting, misstating or obscuring them could reasonably be expected to influence decisions that the primary users of ESG data make on the basis of that data.

SCOPE / BOUNDARIES: CHANGE IN ESG REPORTING SCOPE

In 2022, Ahold Delhaize changed its ESG reporting structure and organizational boundaries from an operational approach to a financial control approach to fully align with our ESG reporting scope, as used in the consolidated financial statements, unless certain ESG information is not available. In those cases, we clearly state scope limitations and why there is a constraint on ESG reporting information. See *Note 3* of the consolidated financial statements for more information about the general accounting principles followed for consolidation, *Note 1* for more information on the company and its operations, and *Note 35* for a list of subsidiaries, joint ventures and associates.

From an ESG reporting perspective, the data includes company-owned stores, transactions with franchise and affiliate stores, offices and company-owned and leased DCs, including all transportation from DCs to stores, unless specifically noted otherwise.

All Ahold Delhaize brands consolidated in the financial statements are included in the ESG figures, unless otherwise noted. When we did not achieve full alignment in reporting on an indicator for 2022, we explain it in footnotes.

Where possible, the 2021 comparative figures have been restated in line with the updated ESG reporting perspective and the impact of this change is disclosed per indicator below. However, due to a lack of information available, it is not always possible to restate comparative figures. Where comparative figures are not comparable due to data constraints, it is stated in the footnotes.

For scope 3 carbon emissions, the reporting covers the financial year 2021. This one-year delay results from the fact that information to calculate the data is, in some cases, received from third parties and, therefore, not yet available at year end. For more information on how we report on scope 3, see the methodology used and data collection and considerations in *Environmental ESG statements*.

NON-FINANCIAL ALTERNATIVE PERFORMANCE MEASURES

In presenting and discussing Ahold Delhaize's ESG performance, management also uses Ahold Delhaize's own metrics where it allows for a better understanding of Ahold Delhaize's ESG performance or where there are not always clear reporting requirements yet. These metrics should not be viewed in isolation and should be read in conjunction with the definitions included in the *Definitions and abbreviations*, as other companies might define these measures differently than Ahold Delhaize.

Wherever possible, indicators are based on elements of a total group, for example, own-brand products, food sales, associates, stock-keeping units and sales areas. Definitions of these topics are included in the *Definitions and abbreviations* 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. For example, for "available and affordable products," we report on our Save for Our Customers program, but we do not have an indicator that specifically measures the affordability or availability of products in our stores.

1. SCOPE 1 and 2 CARBON EMISSIONS

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[1]	2022	2021 restated	2030 target
% reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2) – market-based approach – against 2018 baseline[2,3]	**32%**	31%	50%
Total CO_2-equivalent emissions (thousand tonnes) – market-based approach[2]	**2,837**	2,892	
Change in total CO_2-equivalent emissions (thousand tonnes) – market-based approach[2] (against the prior year)	**(56)**	(422)	
Total CO_2-equivalent emissions (thousand tonnes) – location-based approach[2]	**3,491**	3,564	
Scope 1 location based (thousand tonnes)[2]	**1,823**	1,794	
Scope 2 market based (thousand tonnes)	**1,014**	1,099	
Scope 2 location based (thousand tonnes)[2]	**1,668**	1,770	

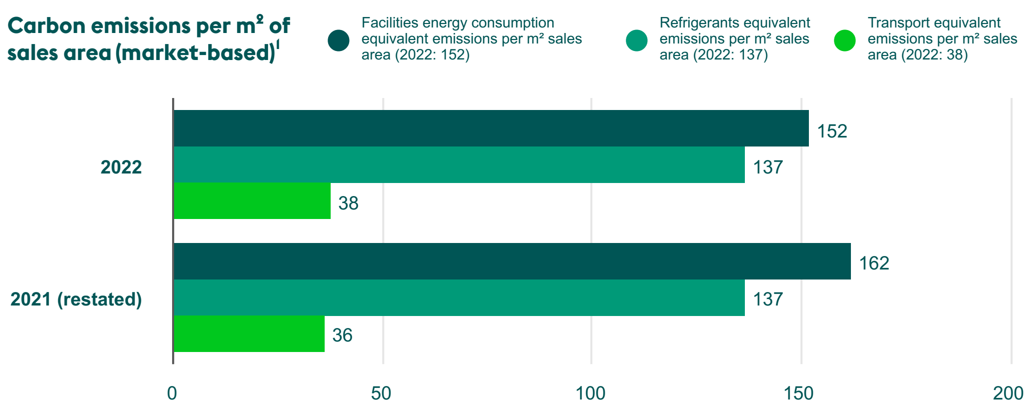
1 The 2021 figures exclude FreshDirect.
2 The 2021 figures and the 2018 baseline have been restated; see the paragraph "Restatement of prior year figures and adjustments to baseline" below for more information.
3 Reduction is from a 2018 baseline of 4,164 thousand tonnes CO_2-equivalent emissions; see reconciliation below. (In 2021, the baseline was 4,073 thousand tonnes)

Energy consumption

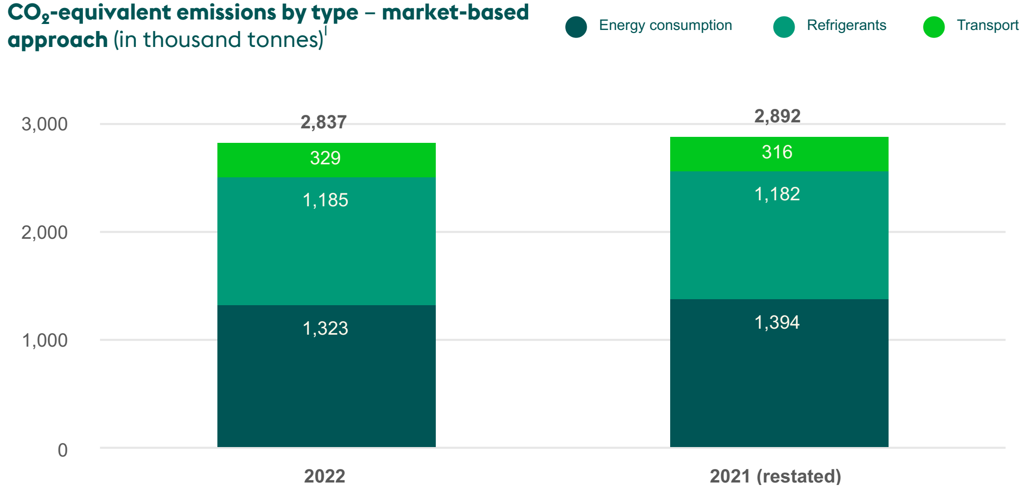
Performance indicator description[1]	2022	2021 restated
Facilities energy consumption (million kWh)[2]	**6,973**	6,835
Total renewable electricity produced on site (million kWh)	**30**	23
% renewable electricity on total electricity consumed[2]	**24%**	22%

1 The 2021 figures exclude FreshDirect.
2 The 2021 figures have been restated; see *Restatement of prior year figures and adjustments to baseline* below for more information.

Carbon emissions per m² of sales area (market-based)[1]



CO_2-equivalent emissions by type – market-based approach (in thousand tonnes)[1]



1 The 2021 figures exclude FreshDirect.

ENVIRONMENTAL

Methodology

For our approach and progress on carbon emissions (and climate change), see *ESG – Environmental*.

We report our scope 1 and 2 carbon emissions data based on the Greenhouse Gas (GHG) Protocol Corporate Standard.

Our main sources of GHG emissions are from fuel combustion and refrigerant leakages. To calculate carbon emission equivalents based on these sources, we use emissions factors. CO_2 emission data consists of a calculated CO_2 equivalent, defined as actual CO_2 emitted plus equivalent emission from other GHGs such as methane (CH_4), nitrous oxide (N_2O) and various refrigeration blends, including hydrofluorocarbons (HFCs).

Ahold Delhaize has defined its organizational boundaries by applying the financial control approach.

The carbon footprint methodology follows the guidelines of the World Business Council for Sustainable Development (WBCSD)/World Resources Institute (WRI) GHG Protocol on corporate GHG 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, 2022 edition; 2020 data) for European countries and from the Environmental Protection Agency (EPA) (based on eGrid 2020 values, issued in March 2022) for the United States. The source we use for the market-based (residual mix) emission factors for our U.S. brands is *Green-e* edition 2022, 2020 data, and for our European brands is the *European residual mix*, edition 2022, 2020 data.

We source fuel emission factors according to 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 fuel used for owned transport has been 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 conversion factors to calculate the carbon emissions. Absolute carbon emissions are calculated by multiplying source data by relevant conversion factors.

Data is not always available in real time or immediately after quarter close. In these limited cases, we use data extrapolated from previously known consumption.

If data is not available at all, e.g., for a portion of stores, we use estimates calculated using locations that are comparable in size and format.

As part of our data improvement project, we reevaluated operational boundaries and noted that jet fuel from company-owned jets and leased vehicles for associates had been excluded in the past from the reporting scope. As it was possible to collect the data on jet fuel during 2022, we extended the scope to include it retrospectively, including adjusting the baseline – see below. However, it was not possible to collect data for the associate leased vehicles in time for the Annual Report 2022. As a result, this remains excluded from the scope 1 reporting and will be included in our reporting scope in the future.

For more information, see *Performance review – Group performance: Carbon emissions.*

Restatement of prior year figures and adjustments to baseline

Only the items disclosed in the Annual Report 2021 and that were restated in 2022 are shown in the tables below.

Note 1: As part of the data improvement project, the following omissions of data were noted. These errors were corrected in 2022 with retrospective effect, thus also correcting the 2018 baseline as indicated above:

- One of the brands only reported the energy consumption and refrigerants for retail stores and omitted that of DCs.
- Two other brands failed to collect and report the energy consumption of vehicles used within DCs.
- One brand omitted fuel consumption of its online delivery business.

Performance indicator description	2021 per Annual Report 2021	Note 1: Correction of omitted data	Other	2021 restated
Total CO_2-equivalent emissions (thousand tonnes) – market-based approach	2,827	62	3	2,892
Total CO_2-equivalent emissions (thousand tonnes) – location-based approach	3,476	81	6	3,564
Scope 1 location based (thousand tonnes)	1,728	63	3	1,794
Scope 2 location based (thousand tonnes)	1,748	19	3	1,770

Despite the restatements above, the percentage reduction in absolute CO_2-equivalent emissions from own operations (scope 1 and 2) (market-based approach) in 2021 versus the 2018 baseline remained at 31%.

Performance indicator description	2021 per Annual Report 2021	Note 1: Correction of omitted data	Other	2021 restated
Facilities energy consumption (million kWh)	6,714	106	16	6,835
% renewable electricity of total electricity consumed	21%		1%	22%

Performance indicator description	As reported in Annual Report 2021	Note 1: Correction of omitted data	Other	2021 restated
Carbon emissions per m^2 of sales area – facilities	161	2	–	162
Carbon emissions per m^2 of sales area – transport	30	–	6	36

Performance indicator description	2021 per Annual Report 2021	Note 1: Correction of omitted data	Other	2021 restated
CO_2-equivalent emissions per type (in thousand tonnes)				
Energy consumption	1,383	10	2	1,394
Transport	262	52	1	316

	2018 baseline restatement
Reported in Annual Report 2021	4,073
Note 1: Correction for omitted data	83
Other	8
Restated 2018 baseline	4,164

GRI indicators

305-1 Direct (scope 1) GHG emissions

305-2 Energy indirect (scope 2) GHG emissions

305-4 GHG emissions intensity

305-5 Reduction of GHG emissions

ESG topic

CO_2 emissions and climate change

2. SCOPE 3 CARBON EMISSIONS

To reduce carbon emissions along our value chain, our brands partner with suppliers in 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. See also *In focus: Carbon emissions in our value chain* for more information.

Performance indicator description	2021	2020	2030 target
Absolute CO_2-equivalent emissions from the value chain (scope 3) (thousand tonnes)	**62,974**	65,930	
% change in absolute CO_2-equivalent emissions from the value chain (scope 3) – against the 2020 baseline	**(4%)**	N/A	(37)%
% change in absolute CO_2-equivalent emissions from the value chain (scope 3) – against the original 2018 baseline	**9%**	14%	(15)%

In 2022, we updated our scope 3 targets as explained in *In focus: Carbon emissions in our value chain*, which led to the determination of a new baseline, based on 2020, of 65,930 thousand tonnes. In the Annual Report 2021, the reduction was still calculated against the original 2018 baseline of 57,605 thousand tonnes of CO_2-equivalent emissions; the reduction in 2021 is included in this report for illustrative purposes and will not be reported going forward.

	2021 share (%)	2020 share (%)
Scope 3 – Purchased goods and services	**88%**	88%
Scope 3 – Use of sold products	**5%**	5%
Scope 3 – Other categories	**7%**	7%
Total scope 3 footprint	**100%**	100%

During 2020, higher sales were realized in non-food categories in Europe. In 2021, this returned to normal mix percentages. Non-food products have relatively high emissions.

We made an optimization step in the U.S. by going from sales data to purchasing data for calculation of emissions. We also did a deep dive on the Not For Resale categories, increasing accuracy and disaggregation of emission factors, which resulted in a lower footprint.

Methodology

For our approach and progress on carbon emissions (and climate change), see *ESG – Environmental*.

Our carbon footprint methodology follows the guidelines of the WBCSD/WRI and GHG Protocol on corporate GHG accounting and reporting.

To calculate carbon emission equivalents, we use emissions factors. CO_2-emissions data consists of a calculated CO_2 equivalent, defined as actual CO_2 emitted plus equivalent emission from other GHGs such as methane (CH_4), nitrous oxide (N_2O) and various refrigeration blends, including HFCs.

Calculating scope 3 emissions is complex. Our grocery retail 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 geographies 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 expand data exchange with their suppliers, our numbers are becoming increasingly more accurate. Nevertheless, we currently rely fully 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[1]). We have used two main calculation methods as defined by the GHG Protocol: the average data and spend-based methods[2]. We applied the method that was most suitable, based on the category.

1 The following categories are considered not material and thus not reported: capital goods, upstream leased assets, downstream leased assets, processing of sold products and use of sold products.

2 Calculation of scope 3 emissions requires us to make certain estimates and assumptions then apply our judgment, all within the bounds of the applicable GHG Protocol. As a result, the way we calculate our scope 3 emissions may vary from the way other businesses calculate their scope 3 emissions.

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. Several assumptions and estimates are used in our calculation of the category. We use different input data sets to calculate the emissions from products and services, depending on the information available in our brands' data systems. The following information sources were used:

- Weight of products purchased (5.8%) (2021: 6%)
- Value of products purchased (60.8%) (2021: 2%)
- Weight from products sold corrected for waste (21.3%) (2021: 26%)
- Value from products sold is corrected for margin and waste to come to the value of products purchased (12.1%) (2021: 66%). The correction for margin and waste is done at brand level but assumed to be the same for all product categories, 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 (27.1%), 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 (72.9%), 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 corrected for inflation) and Base Carbone for different non-food categories) and multiplied this by products sold (corrected for margin and waste if needed).

As a consequence, due to our ongoing efforts to implement further due diligence procedures in connection with scope 3 carbon emissions, reducing the use of assumptions and estimates, our numbers may materially change over time.

For services, the footprint is calculated using the spend-based method. Activity data is the annual brand-level purchased value of products and services multiplied by the emission intensity for relevant services (source: Defra (emission factor 0.2275)).

For determining the 2021 scope 3 figures, our U.S. brands followed the 2020 calculation methodology, however, for 2021, they used product purchasing data, which made it possible to eliminate the margin calculation step.

Calculating category 11: Use of sold products

The second biggest emission category is category 11: Use of sold products, which accounts for 5.3% 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 the EPA.

Calculating other scope 3 categories:

We have combined several smaller emission categories together as "other categories" that account for 6.6% 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 (/affiliates)
- 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.

3. FOOD WASTE

Food loss and waste negatively impacts food security worldwide and negatively impacts climate change. We take a three-pronged approach to driving down food waste. Firstly, we reduce food waste, where possible, 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.

For our approach and progress on carbon emissions (and climate change), see *ESG – Environmental*.

Performance indicator description[1]	2022	2021 restated	2030 target
Total tonnes of food waste	**237,581**	243,628	
Tonnes of food waste per food sales (t/€ million)	**3.38**	4.07	
% reduction in food waste per food sales (t/€ million)[2]	**33%**	20%	50%
Tonnes of food waste sent to disposal per food sales (t/€ million)	**0.82**	1.10	
% of total food waste recycled	**76%**	73%	
Tonnes of food donated	**66,403**	61,276	
% of unsold food donated to feed people	**21%**	19%	

1 The 2021 figures exclude FreshDirect and Etos, while the 2022 figures exclude Etos.
2 Reduction is shown against the restated 2016 baseline of 5.09 t/€ million.
3 See *Restatement of prior year figures and adjustments to baseline* below for more information.

Methodology

We calculate food waste according to the Food Loss and Waste Protocol (FLW 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. We follow the strictest definition. 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. This is because Target 12.3 comes under SDG 12 ("sustainable consumption and production") and not SDG 2 ("ending hunger"), so it covers both food security and resource-use efficiency, not just food security alone. As a result, inedible parts, such as orange peels left over from making freshly squeezed orange juice sold in our Albert Heijn stores, count as food waste in our figures.

Data collection and considerations

We report food waste figures on a quarterly basis through a combination of internal measurements and reports from external partners. Waste in stores and DCs 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 contain 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 euros and are impacted by exchange rates. The food waste figure used in this metric is converted to euros on the basis of the accounting policies used for the consolidated financial statements. See *Note 2* and *Note 3* for more information.

According to the FLW protocol, the definition of food loss and waste (FLW) does not include packaging such as boxes, wrapping or plastic containers. Depending on the data collection method, some amount of food waste also includes the weight of the packaging. Estimates are made to effectively remove the weight of the packaging from the amount of food waste but this is not yet done consistently across all of our brands. In brands where the packaging weight is still reported in the total amount of food waste, this is also reported in our 2016 baseline. As our data collection processes mature over time, we will remove the weight of the packaging from our food waste figures for all of our brands and also adjust our baseline by using the guidance of the FLW Protocol for Excluding the Weight of Packaging from the Weight of FLW.

In 2022, we changed our ESG reporting scope to align better with our financial scope. This meant that we changed our definition to no longer include the food waste of franchisee / affiliate stores in our food waste (and food sales) figures. Under the new ESG reporting scope, we only include food waste in our integrated stores and in the food sales to franchisees / affiliates (not the sales of franchisees / affiliates to customers). In certain situations, estimates are still used for the reporting under the new scope.

For some brands, we use estimates when calculating the total tonnes of unsold food donated to people as actual weight data is not available.

In addition to a real reduction in tonnes of food wasted, the food waste reduction indicator was significantly impacted by exchange rate movements and inflation in 2022. For more information, see *Performance review – Group performance: Food waste*.

Restatement of prior year figures and adjustments to baseline

Note 1: Through our data improvement project, the guidance of the FLW Protocol was again brought to the brands' attention and it was noted that, in one specific case, the inedible parts were not appropriately included in the baseline of 2016 but reported correctly in subsequent years, thus no correction was needed for the 2021 figure.

Note 2: The most significant correction was due to the alignment of the treatment of franchise / affiliate store sales and their food waste in the calculations. This represents a change in scope compared to 2021. In 2022, the scope was changed to align the ESG reporting scope with the consolidated financial statements, which resulted in only reporting sales of integrated stores as food waste and food sales where adjusted to include sales to franchise/affiliate stores. Together with this change, an error in the previously calculated food sales figure was also identified and corrected.

Note 3: As mentioned in the *Introduction*, the ESG reporting scope has been expanded to include all entities in the financial statement scope and the results for 2021 (and baseline) were updated.

Performance indicator description	As reported in Annual Report 2021	Note 1: Inclusion of inedible parts	Note 2: Impact of ESG reporting scope – franchise / affiliate	Note 3: Change in ESG reporting scope	Restated
Baseline 2016: Tonnes of food waste per food sales (t/€ million)	5.48				5.09
2016: Total tonnes of food waste (as per 2016 baseline reported in 2021)	269,966	5,600	(13,301)		262,265
2016: Food sales (as per 2016 baseline reported in 2021) (€ million)	49,240		1,933	381	51,554
2021: Tonnes of food waste per food sales (t/€ million)	4.48				4.07
2021: Total tonnes of food waste	258,528		(14,900)		243,628
2021: Food sales (€ million)	57,659		1,718	499	59,876

Due to the restatement of food sales above, the 2021 percentage reduction in food waste per food sales (t/€ million) against the 2016 baseline changed from 18% to 20% and the tonnes of food waste per food sales decreased from 5.48 to 5.09. The restatement of food sales above also impacted the 2021 tonnes of food waste sent to disposal per food sales (t/€ million), changing it from 1.14 to 1.10.

GRI indicator

306-1 Waste generation and significant waste-related impacts

306-2 Management of significant waste-related impacts

306-3 Waste generated

306-4 Waste diverted from disposal

306-5 Waste directed to disposal

ESG topic

Food waste, CO_2 emissions and climate change

4. TOTAL WASTE

Our total waste stream includes all cardboard/paper, plastic, food, glass, metal and other material waste produced in our DCs, stores and offices. Measuring and managing this waste is also important to our Healthy and Sustainable strategy as it contributes to eliminating waste and reducing our carbon emissions.

Performance indicator description	2022	2021
Total waste generated (thousand tonnes)	**1,090**	1,129
Total waste recycled (thousand tonnes)	**878**	891
% of waste recycled	**81%**	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 integrated stores, DCs, 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. The majority of waste is disposed of offsite.

GRI indicator

306-1 Waste generation and significant waste-related impacts

306-2 Management of significant waste-related impacts

306-3 Waste generated

306-4 Waste diverted from disposal

306-5 Waste directed to disposal

ESG topic

Food waste, CO_2 emissions and climate change

5. 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[1]	2022	2021 restated	2025 target
Own-brand primary plastic product packaging (thousand tonnes)[2]	**185**	181	
Own-brand primary virgin plastic product packaging (thousand tonnes)	**169**	167	
Own-brand plastic product packaging that is made from post-consumer recycled content (thousand tonnes)	**15**	14	
% change in own-brand primary virgin plastic product packaging against the 2021 baseline[3]	**1.3%**		(5)%
% primary plastic own-brand product packaging that is reusable, recyclable or compostable[2]	**27%**	27%	100%

1 The 2021 figures exclude FreshDirect, Etos and Gall & Gall. 2022 figures exclude Gall & Gall.
2 See *Restatement of prior year figures* below for more information.
3 The change is shown against the 2021 baseline of 167 thousand tonnes. In the 2021 Annual Report, the own-brand primary virgin plastic product packaging was not disclosed.

Methodology

Almost all of our brands report plastics on a component level, while a few 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 reporting on plastic packaging is only looking at own-brand plastic packaging and thus does not include national brands. For national brand products, we do not control the plastic consumption or usage within the value chain and we do not currently receive detailed data on the type of plastics used within these products, and thus do not report on it.

The assessment methodology for recyclability follows the guidelines of the Ellen MacArthur Foundation New Plastics Economy Global Commitment regarding recyclability of plastic packaging, which means that actual, not technical, recycling is used for reporting.

A packaging or packaging component is only reported as 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.

That means that for point (a) above, 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) above, we verify if the color of plastic packaging fits the system for recycling or hinders its ability to be recycled.

In several of our brands' markets, and for several plastic packaging types, this is not yet the case and as such, the plastics are not reported as recyclable, even though they may technically be recyclable.

ENVIRONMENTAL

Data collection and considerations

Data collection for plastic packaging data is a complex task, because of the large number of products our brands have in their assortments but also due to several additional circumstances. Firstly, in most cases, plastic packaging is not produced by product suppliers themselves but sourced through third parties. For some of our own-brand products, we are responsible for sourcing plastic packaging, but for branded products, suppliers are responsible for sourcing packaging materials. Therefore, for branded products, our brands depend solely on the information they receive from their suppliers. Secondly, the assortment at our brands is continuously changing, and product design is renewed during the year, meaning that frequent changes to the packaging materials need to be captured in our systems. And thirdly, the complexity of the packaging itself has an impact. Many products, including branded products, use different packaging components (e.g., type, color, weight) that are frequently changed, and each component can impact the recyclability of the plastic packaging.

The European brands collected and reported on plastic packaging data on a quarterly basis, and the U.S. brands did so on an annual basis, reporting from the beginning of Q4 of the previous financial year through the end of Q3 of the current financial year, with historical periods following the same pattern.

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.

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 2022, our brands were able to collect information for over 98% (2021: 97%) of all own-brand products. Of this data, 91% (2021: 89%) was information directly received from suppliers. For the remaining 9% (2021: 11%), our brands estimated the weight of the plastic packaging using the average weights of similar products. Estimated plastic packaging weight is 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.

Restatement of prior year figures

Note 1: During 2022, we noted some errors and omissions, for example, plastic carrier bags were not included in the 2021 numbers for a number of brands and incorrect units of measurements were used in calculating the plastic content for a number of products in one of our brands. In addition, some errors were noted in the calculation of recyclability of certain packaging.

Performance indicator description	As reported in Annual Report 2021	Note 1: Correction of errors	Restated
Own-brand primary plastic product packaging (thousand tonnes)	158	22	181
% own-brand primary plastic product packaging that is reusable, recyclable or compostable	36%	(9)%	27%

GRI indicator

301-1 Materials used by weight or volume

301-2 Recycled input materials used

301-3 Reclaimed products and their packaging materials

ESG topic

Sustainable packaging

6. WATER CONSUMPTION

Performance indicator description	2022	2021 restated
Total water consumption (thousand m^3)[1]	**8,307**	7,888

1 The 2021 figures exclude FreshDirect.

Methodology

Total water consumed by our brands' company-operated stores and DCs during the reporting period, is included.

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 and 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 was not open in the prior year, making an estimation based on the previous month, or (3) if the store or DC was not open in prior months, using an average – excluding extreme results – of water used by the same store format or DC during that year.

Restatement of prior year figure

Performance indicator description	As reported in Annual Report 2021	Note 1: Correction of errors	Restated
Water consumption	7,936	(48)	7,888

As part of our data improvement project as explained in the *Introduction to ESG* and the change in the ESG reporting perspective (as explained in *Introduction* to the ESG statements), we noted that one of our brands included water consumption of franchisees in its reporting in 2021, while our ESG reporting scope requires us to exclude water consumed by franchisees. The 2021 figure was, therefore, restated to apply the methodology consistently across the company.

GRI indicator

N/A – Water is not considered to be a material topic for Ahold Delhaize; it is reported voluntarily, but not required by GRI reporting requirements. See *Materiality assessment* for more information.

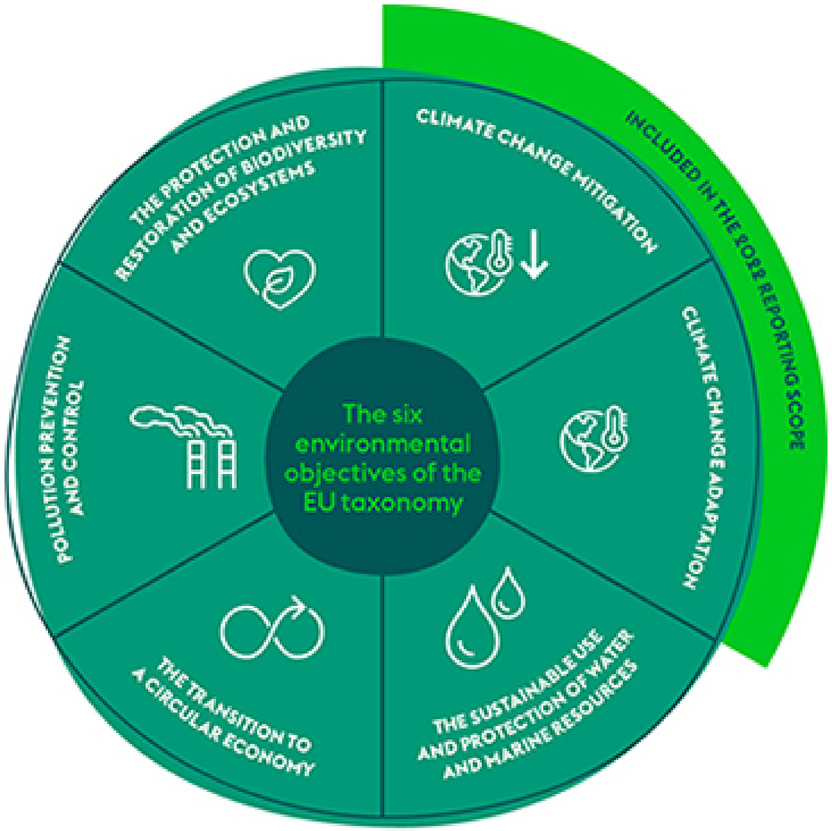
ESG topic

N/A.

7. EU TAXONOMY FOR SUSTAINABLE ACTIVITIES (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. It defines six environmental objectives.



For 2022, only the Technical Screening Criteria (TSC) for the classification of the first two objectives, climate change mitigation and climate change adaptation, are available and applicable. The European Commission has not yet adopted a delegated regulation establishing the TSC for economic activities related to the other four environmental objectives. Therefore, reporting eligibility and alignment for the remaining four environmental objectives is not expected for reporting in 2023 over 2022.

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 continue to evolve in the coming years. The company will, therefore, from time to time, review its methodology and our figures based on the evolution of the regulations and guidance from, among others, the European Commission and the European Securities and Markets Authority (ESMA).

Application of the EU Taxonomy

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 prioritized economic sectors with the highest contribution to CO_2 emissions (energy, manufacturing, transport and buildings), as well as activities enabling their transformation.

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 the TSC laid out in the Climate Delegated Act that classifies economic activities as sustainable; therefore, the main activities of the company are out of scope.

Ahold Delhaize also engages in other, secondary economic activities that primarily support its retail activities, such as the transportation of goods from DCs to stores, and owning and leasing real estate, including retail space, office buildings and DCs. A number of these supporting economic activities 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.

As our business becomes more data driven, and large quantities of data are produced, processed and analyzed on a daily basis, Ahold Delhaize and its brands are increasingly using data processing and storage. 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.

The manufacturing of the own-brand products sold by Ahold Delhaize brands is outsourced to third parties, with the exception of some coffee roasting and packaging activities. Manufacturing of these food products is not included as an economic activity listed in the EU Taxonomy.

ENVIRONMENTAL

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 as being 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, although, in 2022, Ahold Delhaize contributed mostly to climate change mitigation:

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 store remodeling activities that lead to energy-efficiency improvements.
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.
6.4	Transportation: Operation of personal mobility devices, cycle logistics	Selling, purchasing, financing, leasing, renting and operation of personal mobility or transport devices where the propulsion comes from the physical activity of the user, from a zero emissions motor, or a mix of zero-emissions motor and physical activity. This includes the provision of freight transport services by (cargo) bicycles.
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 does not include 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 renovate existing buildings, these construction activities are always outsourced to a professional developer or 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 DCs; 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 DC. 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 2022 CapEx, it was concluded that the total aggregated CapEx spent during 2022 on the activities listed below were clearly insignificant compared to the overall CapEx, as defined by the EU Taxonomy, of €3,039 million. As a result, they are considered to be small or insignificant activities for 2022 and, therefore, will not be reported on as eligible, but classified as non-eligible (and not aligned).

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
8.1	Information and communication: Data processing, hosting and related activities

ENVIRONMENTAL

Activity number[1]	Activity name
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.

Substantial contribution technical screening criteria (TSC)

In order to determine if an undertaking substantially contributes to one of the environmental objectives, it is required to meet the specific technical screening criteria set out in the Climate Delegated Act.

Estimates and judgments

We applied estimates and judgments in evaluating compliance with the detailed TSC due to the level of complexity of the currently available legislation and the lack of clarity around how to interpret and apply it.

In certain circumstances, the criteria are not straightforward, as they refer to multiple regulations and directives, both on an EU and local level, and the existence of applicable evidence or certifications are difficult to establish, especially in non-EU countries where the transposition of an EU directive into local law is not applicable or where the transposition to local law in an EU country is not yet fully done. Examples include situations where energy performance certificates for building or equipment are not yet available in a country, or where refrigerator installations are custom-built according to best standards but the certification does not exist. In all these cases, Ahold Delhaize reported the CapEx as not aligned.

Does not significantly harm (DNSH) criteria

The TSC for DNSH were evaluated on an economic activity level and, where applicable, further considered on an asset level. The most significant DNSH criterion is that of climate change adaptation. The criterion requires a climate risk and vulnerability assessment to be done, which, to some extent, overlaps with the physical risk assessments done under the TCFD; see *Task Force on Climate-related Financial Disclosures (TCFD)*.

For 2022, our DNSH climate risk assessments focused on CapEx spent where potential climate risks identified can result in material financial loss. Where material, we have prepared climate change adaptation plans to mitigate the identified climate risks, although not all of these plans have been implemented to date.

Estimates and judgments

Estimates and judgments were applied in evaluating compliance with the DNSH TSC, 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.

Minimum social safeguards

The minimum safeguards are procedures implemented by a company that is carrying out an economic activity to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The minimum social safeguards criteria were partly assessed on a consolidated level and partly on an economic activity level. We leveraged the work done to date on Human Rights, including the latest version of our *Position on Human Rights* published in 2022. We also considered the Platform on Sustainable Finance's report that gives advice on the application of minimum safeguards.

For more information, see also *Ethics and human rights* elsewhere in this report.

Estimates and judgments

Judgments were made to evaluate whether Ahold Delhaize has sufficient social safeguards on the economic activity level in place to claim compliance, as alignment with the guidelines covers a wide range of criteria, the application of which is open to interpretation.

Key performance indicators under the EU Taxonomy

TURNOVER

As food retail is not considered a high-emitting sector by EU Taxonomy legislation, it currently does not match the description of economic activities and the TSC laid out in the Climate Delegated Act, which 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 0% eligibility and alignment.

Total turnover (or net sales, per our consolidated financial statements) is €87.0 billion, of which zero percent is eligible and aligned under the EU Taxonomy. See also the *disclosure template* for Turnover.

Accounting policies

Turnover eligibility is calculated in accordance with the definition in Article 8 of the EU Taxonomy. The net sales line, as included in the consolidated income statement, is the equivalent to turnover 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, rental income from real estate.

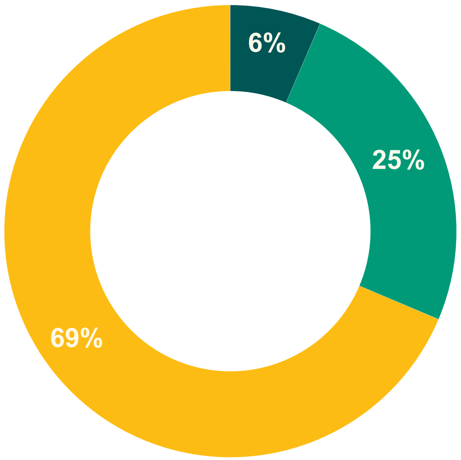
CAPITAL EXPENDITURE (CapEx)

We have allocated our CapEx to eligible activities in accordance with the EU Taxonomy. Where insignificant amounts of CapEx was spent on economic activities in 2022, these activities were considered to be small or insignificant (see above), and, as such, reported as non-eligible and not aligned, even though some might qualify under the EU Taxonomy.

Our analysis of CapEx spent in 2022 indicated that no CapEx, or very limited amounts, was spent on climate change adaptation. Where CapEx spent was potentially both for climate change mitigation and climate change adaptation, the full amount of 2022 CapEx was allocated to climate change mitigation.

See also the *disclosure template* for CapEx.

Eligibility and alignment of CapEx under the EU Taxonomy



Eligible and aligned CapEx	6%
Eligible but not aligned CapEx	25%
Non-eligible CapEx	69%

Ahold Delhaize's eligibility and alignment figures are impacted by the following company specific circumstances:

- Eligibility and alignment are to be assessed against local legislation, which does not always align with EU Taxonomy. This makes it more difficult to prove alignment against local available legislation (if any). This significantly impacts our business in the United States, where we spend approximately 56% of the total regular capital expenditures (see *Capital investments and property overview* for more information).
- Countries are on different levels of maturity in terms of certification of energy performance. For example, in Romania, local legislation to facilitate energy performance certificates was not yet in place, resulting in no alignment of newly acquired or leased real estate in that country. In addition, obtaining certification is not mandatory in certain countries and can be expensive.
- Energy efficiency labeling for specially built or business-to-business equipment is not available. For example, Ahold Delhaize's brands often install custom-built refrigeration systems in stores that combine different components. Since there is no labeling in place for these types of systems, there is no alignment of these assets, even though our brands are convinced of their quality and energy efficiency.
- Prices for equipment requiring specialized or longer installation or a more granular breakdown of costs are not always available in the level of detail needed to consider both eligibility and alignment. For example, labor costs are capitalized on a project basis and not allocated to individual equipment, making it impossible to determine the full cost price of a specific asset to consider its eligibility or alignment. As a result, all capitalized labor costs have to be considered not eligible and not aligned.
- Our experience has shown that, in many cases, the DNSH criteria are stricter than the technical screening criteria and require stricter rules for compliance than the assets currently available on the market. For example, the noise pollution requirement for transport is of such high standards that the average electric small delivery vehicle cannot be classified as aligned.

In 2021, Ahold Delhaize reported an eligibility percentage of 51%, which is higher than the 31% reported in 2022. This decrease is partly explained by a large portion of 2021 acquisition CapEx, which also qualified as eligible, to a greater extent.

Accounting policies

We have determined the CapEx eligibility and alignment in accordance with the definition as per Article 8 of the EU Taxonomy. CapEx includes additions to tangible[1] and intangible assets during the financial year considered before depreciation, amortization and any remeasurements, 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 in the *Reconciliation of the alternative performance measure: CapEx* table.

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)	2022	2021
Additions to property, plant and equipment (PPE) (*Note 11*)	1,918	1,942
Acquisition of PPE through business acquisitions (*Note 11*)	3	364
Additions to investment property – owned (*Note 13*)	9	29
Additions of right-of-use assets – PPE (*Note 12*)	559	726
Acquisition of right-of-use assets – PPE through business acquisitions (*Note 12*)	0	644
Additions of right-of-use assets – investment property (*Note 13*)	2	2
Additions to intangible assets (*Note 14*)	535	468
Acquisition of intangible assets through business acquisitions (*Note 14*)	51	580
Subtotal	**3,077**	**4,756**
Adjustments: Excluding additions to goodwill (*Note 14*)	(38)	(476)
CapEx used for EU Taxonomy purposes	**3,039**	**4,280**

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, so we have allocated CapEx to the identified activities based upon a review of readily available information, such as investment proposals, cost centers and asset registers, which may 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 EXPENDITURE (OpEx)

The legislation also considers the spend on operational expenditure (OpEx) directly attributed to CapEx 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. Consistent with 2021, as the operational expenditure, in accordance with the EU Taxonomy definition, is not significant enough to meet Ahold Delhaize's long-term goals to transition to more sustainable operations. This is supported by the review we have conducted to calculate the additional operating expenses needed to meet our net-zero ambition in 2021 and whether these operating expenses are eligible under the EU Taxonomy.

The Ahold Delhaize-eligible operating expenses (as defined by the EU Taxonomy regulation) represents an insignificant portion of the Group's total operating expenditure. As this indicator is irrelevant to the Group's activities, it is not presented and thus, we make use of the exemption for the calculation of OpEx, in accordance with the legislation.

We, therefore, report zero percentage eligibility and alignment based on our materiality assessment.

For 2022, the OpEx denominator is € 563 million. See also the *disclosure template* for OpEx.

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 makes use of this exemption as explained above.

Estimates and judgments

As we are of the opinion that OpEx, in accordance with the 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.

The OpEx denominator was determined using estimates to decide if the amounts meet the definition of OpEx, as our current IT systems do not capture the necessary information to determine the underlying economic activities and nature of expenses as defined by the EU Taxonomy.

ENVIRONMENTAL

Turnover (Amounts in € million)

Economic activities (1)	Code(s) (2)	Allocate turnover (3)	Proportion of turnover (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N (18)	Taxonomy-aligned proportion of turnover, year N-1 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		Currency	%	%	%	%	%	%	%	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Transportation: Operation of personal mobility devices, cycle logistics	6.4	0	—%	— %	— %						Yes		Yes			Yes	— %			T
Transportation: Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0	—%	— %	— %						Yes		Yes	Yes		Yes	— %			T
Transportation: Freight transport services by road	6.6	0	—%	— %	— %						Yes		Yes	Yes		Yes	— %			T
Construction and real estate activities: Installation, maintenance and repair of energy-efficiency equipment	7.3	0	—%	— %	— %						Yes			Yes		Yes	— %		E	
Construction and real estate activities: Acquisition and ownership of buildings	7.7	0	—%	— %	— %						Yes					Yes	— %			T
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	—%	— %	— %												— %			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Transportation: Operation of personal mobility devices, cycle logistics	6.4	0	—%																	
Transportation: Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0	—%																	
Transportation: Freight transport services by road	6.6	0	—%																	
Construction and real estate activities: Installation, maintenance and repair of energy-efficiency equipment	7.3	0	—%																	
Construction and real estate activities: Acquisition and ownership of buildings	7.7	0	—%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	—%														— %			
Total (A.1 + A.2)		0	—%														— %			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		86,984	100%																	
Total (A + B)		86,984	100%																	

ENVIRONMENTAL

CapEx (Amounts in € million)

Economic activities (1)	Code (s) (2)	Allocate CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Substantial contribution criteria: Climate change adaptation (6)	Substantial contribution criteria: Water and marine resources (7)	Substantial contribution criteria: Circular economy (8)	Substantial contribution criteria: Pollution (9)	Substantial contribution criteria: Biodiversity and ecosystems (10)	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation (11)	DNSH criteria ("Does Not Significantly Harm"): Climate change adaptation (12)	DNSH criteria ("Does Not Significantly Harm"): Water and marine resources (13)	DNSH criteria ("Does Not Significantly Harm"): Circular economy (14)	DNSH criteria ("Does Not Significantly Harm"): Pollution (15)	DNSH criteria ("Does Not Significantly Harm"): Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year N (18)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		Currency	%	%	%	%	%	%	%	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Transportation: Operation of personal mobility devices, cycle logistics	6.4	—	—%	—%	—%						Yes		Yes			Yes	—%			T
Transportation: Transport by motorbikes, passenger cars and light commercial vehicles	6.5	1	—%	—%	—%						Yes		Yes	Yes		Yes	—%			T
Transportation: Freight transport services by road	6.6	—	—%	—%	—%						Yes		Yes	Yes		Yes	—%			T
Construction and real estate activities: Installation, maintenance and repair of energy-efficiency equipment	7.3	16	1%	1%	—%						Yes			Yes		Yes	1%		E	
Construction and real estate activities: Acquisition and ownership of buildings	7.7	180	6%	6%	—%						Yes					Yes	6%			T
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		198	6%	6%	—%												6%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Transportation: Operation of personal mobility devices, cycle logistics	6.4	3	—%																	
Transportation: Transport by motorbikes, passenger cars and light commercial vehicles	6.5	24	1%																	
Transportation: Freight transport services by road	6.6	25	1%																	
Construction and real estate activities: Installation, maintenance and repair of energy-efficiency equipment	7.3	211	7%																	
Construction and real estate activities: Acquisition and ownership of buildings	7.7	493	16%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		756	25%														25%			
Total (A.1 + A.2)		954	31%														31%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		2,086	69%																	
Total (A + B)		3,039	100%																	

ENVIRONMENTAL

OpEx (Amounts in € million)

Economic activities (1)	Code (s) (2)	Allocate OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, year N (18)	Taxonomy-aligned proportion of OpEx, year N-1 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
				Substantial contribution criteria						DNSH Criteria ("Does Not Significantly Harm")										
		Currency	%	%	%	%	%	%	%	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Transportation: Operation of personal mobility devices, cycle logistics	6.4	0	—%	—%	—%						Yes		Yes			Yes	—%			T
Transportation: Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0	—%	—%	—%						Yes		Yes	Yes		Yes	—%			T
Transportation: Freight transport services by road	6.6	0	—%	—%	—%						Yes		Yes	Yes		Yes	—%			T
Construction and real estate activities: Installation, maintenance and repair of energy-efficiency equipment	7.3	0	—%	—%	—%						Yes			Yes		Yes	—%		E	
Construction and real estate activities: Acquisition and ownership of buildings	7.7	0	—%	—%	—%						Yes					Yes	—%			T
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	—%	—%	—%												—%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Transportation: Operation of personal mobility devices, cycle logistics	6.4	0	—%																	
Transportation: Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0	—%																	
Transportation: Freight transport services by road	6.6	0	—%																	
Construction and real estate activities: Installation, maintenance and repair of energy-efficiency equipment	7.3	0	—%																	
Construction and real estate activities: Acquisition and ownership of buildings	7.7	0	—%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	—%														—%			
Total (A.1 + A.2)		0	—%														—%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		563	100%																	
Total (A + B)		563	100%																	

8. 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	2022	2021 restated	2025 target[2]
% of healthy own-brand food sales as a proportion of total own-brand food sales[1]	**54.4%**	53.4%	55.6%
Number of brands with customer-facing nutritional guidance systems in place	**8**	8	

1 2021 figure exclude FreshDirect and Etos, and the 2022 figure exclude Etos.
2 2025 target changed to 55.6% from >55% in 2021.

Methodology

The healthy sales standards we used in 2016-2020 follow *Guiding Stars* ratings for U.S. brands and the Nutri-Score and *Choices* criteria for European 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 stars 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 replaced the Choices criteria with the Nutri-Score methodology, developed in France. 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.

During 2022, Delhaize Serbia stopped adding more products with Nutri-Score labeling, as it awaits governmental guidance on a nationwide system to be introduced in Serbia.

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.

For more information on the performance, see *Performance review – Group performance: Healthy sales*.

Restatement of prior year figure

Performance indicator description	As reported in Annual Report 2021	Note 1: Impact of reporting scope change	2021 restated
% of healthy own-brand food sales as a proportion of total own-brand food sales	53.6%	(0.2)%	53.4%

Note 1: Similar to the changes to food sales and food waste, as described under *3. Food waste under Environmental*, the subcategory of (healthy) own-brand food sales was also impacted by the alignment of the treatment of franchise / affiliate store sales in the calculations. This represents a change in scope compared to 2021. In 2022, the scope was changed to align the ESG reporting scope with the consolidated financial statements, which resulted in only reporting sales of integrated stores and sales to franchise / affiliate stores as own-brand food sales (and food sales). Together with this change, an error in the previously calculated food sales figure was also identified and corrected.

GRI indicator

Own indicator: % of healthy own-brand food sales as a proportion of total own-brand food sales

ESG topic

Healthy products

9. SOCIAL COMPLIANCE

We actively work to minimize 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 provide Ahold Delhaize with visibility into all aspects of its supply chain and meets these objectives.

Performance indicator description	2022	2021
% 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]	**75%**	73%

1 2022 and 2021 information excludes Gall & Gall and FreshDirect.

Methodology

Production sites in high-risk countries (as defined based on the amfori BSCI Country 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 minimum social compliance 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

10. 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. See *Cultivate best talent* for more information.

Performance indicator description	2022	2021
Associate engagement score (%)[1]	**79%**	79%
Inclusive workplace score[1]	**80%**	79%

1 This excludes bol.com and FreshDirect.

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.

For information on definitions used and questions asked, see *Definitions and abbreviations: Non-financial performance measures*.

Data collection and considerations

We offer our associate engagement survey online and do our best to reach all associates and encourage them to complete the survey. In 2022, we had a participation rate of 75% (2021: 76%) of our total headcount.

GRI indicator

N/A

ESG topic

Associate safety, health and well-being and Diversity and inclusion

11. 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 DCs, our brands integrate safe working practices right into the designs, equipment purchases and operational practices.

Performance indicator description[1]	2022	2021 restated
Number of injuries that result in lost days per 100 full-time equivalents[2,3]	**2.00**	2.11
Occupational illness frequency rate[4]	**0.09**	0.11

1 Safety at work data excludes offices.
2 2021 figure excludes Ahold Delhaize Coffee Company, bol.com and FreshDirect, while the 2022 figure excludes only Ahold Delhaize Coffee Company.
3 2021 has been restated, see *Restatement of prior year figure* below for more information.
4 2021 figure excludes bol.com, Ahold Delhaize Coffee Company, Alfa Beta, Delhaize Belgium, Delhaize Serbia, Etos, Mega Image and FreshDirect. 2022 figure excludes Gall & Gall, Ahold Delhaize Coffee Company, Delhaize Belgium, Alfa Beta and Mega Image.

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 employment that require care by medical professional. The 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.

Our workplace absenteeism rate declined in 2022, due to improved consistency of return-to-work programs and initiatives focused on reducing serious injury exposures in most of the U.S. brands, while the 2021 figure also reflected two serious injuries. All the brands had comprehensive prevention plans in 2022 that were more fully executed, as many focused more on injury prevention in 2022, after having to focus on COVID-19-related initiatives in 2021.

Our occupational illness rate represents a very small number of incidents annually. The 2021 figure was higher than usual due to a significant exposure of carbon monoxide at a warehouse that required many associates to receive medical treatment, including overnight hospitalization. The incident resulted from maintenance work at the site.

Restatement of prior year figure

	2021 restatement
Number of injuries that resulted in lost days per 100 full-time equivalents reported in Annual Report 2021	2.10
Correction of worked hours at one brand	0.01
Restated 2021 figure	**2.11**

We made a correction to the total number of hours worked as well as the number of injuries that resulted in lost days, since the 2021 figure included hours worked by people who do not meet the definition of an associate.

GRI indicator

403-9 Work-related injuries

403-10 Work-related ill health

ESG topic

Associate safety, health and well-being.

12. 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 that the products are produced in clean, efficient facilities with good working conditions. To drive global product safety, we utilize various standards committees and working groups.

Performance indicator description	2022	2021
% 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%**	98%
% 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	**78%**	78%

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 is maintained by our Compliance & Ethics 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 Compliance & Ethics team.

For non-food safety we report on products rather than production units. We also report 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 conducted at a product level, we report on products instead of production locations. This enables us to more accurately track 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 continuously invest to improve data systems and accuracy of reporting.

During 2022, while pandemic-related restrictions were still in place at some production locations, store inspections and audits resumed to the intensity planned. In locations where restrictions still applied, we continued to rely on remote audits, making use of visualization equipment.

GRI indicator

Own indicators:

- % 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.
- % 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.

ESG topic

Product safety and quality.

13. DIVERSITY AND OTHER ASSOCIATE-RELATED MATTERS

At Ahold Delhaize and our great local brands, we believe that, as retailers playing a significant role in society. We are working hard on our 100/100/100 aspiration to truly engage with associates and represent the brands and businesses in local communities. See also the *Cultivate best talent* growth driver for more information.

Associates by gender (head count)

Performance indicator description[1]	2022	2021
Number of associates (thousands) – Total Ahold Delhaize	**414**	413
Number of associates (thousands) – Male	**194**	193
Number of associates (thousands) – Female	**219**	220
Number of associates (thousands) – Other / Unknown	**1**	0
Number of full-time associates (thousands) – Total Ahold Delhaize	**146**	143
% of full-time associates – Total Ahold Delhaize	**35%**	35%
- of which % is male	**53%**	53%
- of which % is female	**47%**	47%
- of which % is other / unknown	**0.2%**	0.1%
Number of part-time associates (thousands) – Total Ahold Delhaize	**268**	271
% of part-time associates – Total Ahold Delhaize	**65%**	65%
- of which % is male	**44%**	43%
- of which % is female	**56%**	57%
- of which % is other / unknown	**0.3%**	0.1%

ESG STATEMENTS
GOVERNANCE

Associates by region (head count)

Performance indicator description	2022	2021
Number of associates (thousands) – Total Ahold Delhaize	**414**	413
Number of associates – United States	**239**	238
Number of associates – Europe	**175**	176
% of full-time associates – Total Ahold Delhaize	**35%**	35%
- of which % is from the United States	**61%**	60%
- of which % is from Europe	**39%**	40%
% of part-time associates – Total Ahold Delhaize	**65%**	65%
- of which % is from the United States	**56%**	56%
- of which % is from Europe	**44%**	44%

Other associate-related indicators

Performance indicator description	2022	2021
% Greatest Generation (1900-1945) (77 to 122 years of age)	**—%**	—%
% Baby Boomers (1946-1964) (58 to 76 years of age)	**13%**	13%
% Generation X (1965-1979) (43 to 57 years of age)	**21%**	21%
% Generation Y (millennials) (1980-1995) (27 to 42 years of age)	**24%**	24%
% Generation Z (1996-2010) (12 to 27 years of age)	**41%**	41%
% associates covered by collective bargaining	**54%**	55%
Associate turnover 30+ contract hours	**30%**	Not available
Associate turnover	**63%**	62%
100% Reflective of markets (U.S. only)		
Racially/ethnically underrepresented at VP+ level (U.S.)[1]	**18%**	17%
Racially/ethnically underrepresented at director level (U.S.)[1]	**18%**	19%
Racially/ethnically underrepresented at manager level (U.S.)[1]	**22%**	22%
Racially/ethnically underrepresented below manager level (U.S.)1	**38%**	37%

1 Figures are for associates in the U.S. only and exclude associates in Europe due to legal restrictions in Europe.

Performance indicator description	2022	2021
100% Gender balanced		
% of female associates: Total Ahold Delhaize	**53%**	53%
% of female Supervisory Board members	**33%**	33%
% of female Management Board members	**25%**	25%
% of female Executive Committee members	**29%**	17%
% of females at VP+ level	**33%**	27%
% of females at director level	**35%**	34%
% of females at manager level	**40%**	40%
% of females below manager level	**54%**	54%
% of male associates: Total Ahold Delhaize	**47%**	47%

Also see *Our Management Board and Executive Committee* and *Our Supervisory Board*.

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. The entire process is secured and the outcomes are provided at an aggregate level.

Associate data is collected using calendar years; the data presented here are as at December 31.

Associate turnover is defined as the number of people who left the company compared to the total number of associates. It includes all turnover regardless of reason.

Diversity

Gender diversity is reported based upon voluntary disclosure by associates. When associates have not indicated a gender in the source systems or do not associate with either the male or female gender, the associates are reported under the category Other / Unknown.

The allocation between part time and full time is based on contract hours / standard weekly working hours, which can differ by brand. Associates who work less than full time (< one full-time equivalent (FTE)) are considered part time. An associate works part time if the associate works less than what is considered as the standard (full-time) hours in a brand.

The reporting per region is based upon where the contract of the associate is and, therefore, does not correspond identically to the segments as reported in the consolidated financial statements. Global Support Office associates are split between the regions based upon the location of their contract.

Collective bargaining

For those associates not covered by collective bargaining agreements, our local brands determine their own agreements.

Associate turnover

Turnover is calculated based on averages over the year; the data is based on actual data. 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 students, who organize their work around their school schedules.

In 2022, we added an additional metric: associate turnover with more than 30 contract hours. For Ahold Delhaize reporting purposes, the definition from the U.S. government of a full-time associate is used for this metric and thus only includes associates that have a contract with a minimum of 30 working hours per week. This metric is considered to give a better view of turnover, as it excludes associates who work at our brands as a side job, such as students.

Reflective of markets

For the purposes of Ahold Delhaize's reporting, the following racially/ethnically underrepresented groups are used and reported in the following categories: underrepresented groups, white and unknown.

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 in general, for example 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 DE&I strategy to reflect our DE&I ambitions, and these figures represent an aggregation of the data of each brand. See also *In focus: Diversity, equity and inclusion*.

Data collection and considerations

Diversity and reflective of markets information is based upon voluntary self-identification; associates also have the option to change their self-identification at any time. For this reason, changes might not always be the result of changes in the workforce.

For the newly added metric of Associate turnover 30+ contract hours, it is currently not possible to compare it to the prior year due to the lack of a comparative figure.

Associate turnover

High turnover is common in the retail industry compared to other industries. In 2022, our brands and Global Support Office had an average turnover of 63% (2021: 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, which led to a minor increase in our 2022 turnover rate.

GRI indicator

GRI 2: General disclosures: Disclosure 2-7 Employees

ESG topic

Diversity and inclusion.

14. ESG RATINGS

	2022	2021
DJSI score[1]	**76**	83
MSCI ESG rating[2]	**AA**	AA
Sustainalytics score[3]	**26.0**	20.8

1 DJSI scores companies from 0 to100, where 100 is the best score.
2 MSCI scores companies from C to AAA, where AAA is the best score.
3 Sustainalytics scores companies from 100 to 0, where 0 is the best score. The score reported for 2022 was published in January 2023.

OTHER INFORMATION

LOCAL MATTERS

Albert Heijn The Netherlands

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 3, 2022 to January 1, 2023

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 1, 2023 and of its result and cash flows for the period from January 3, 2022 to January 1, 2023 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 1, 2023 and of its result for the period from January 3, 2022 to January 1, 2023 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 3, 2022 to January 1, 2023 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 1, 2023;
- the following statements for the period from January 3, 2022 to January 1, 2023: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The parent company financial statements comprise:

- the parent company balance sheet as at January 1, 2023;
- the parent company income statement for the period from January 3, 2022 to January 1, 2023; and
- the notes, comprising the significant 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

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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, the Republic of 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 management 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 to the consolidated 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.

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

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 'Principal Risks and Uncertainties', 'Elevate Healthy and Sustainable' and 'Environmental, Social and Governance' sections of the management report. As part of the Group's strategy to build a healthier planet, the Group committed to measure and manage their environmental impacts from carbon emissions. We discussed the 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 Group's commitments to reach their targets are of significant importance for the Group and its stakeholders, the expected effects of climate change are not considered a key audit matter.

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 financial instruments and taxes, and experts in the areas of valuations, share-based compensation and actuarial calculations (including pension accounting) in our team.

The outline of our audit approach was as follows:

Materiality
- Overall materiality: €160 million.

Audit scope
- We conducted audit work at seven components. In 2022, our components subject to a full scope audit remained consistent with 2021.
- Site visits were conducted to all our components and included visits to the United States, the Netherlands, Belgium and Czech Republic.
- Audit coverage: 89% of consolidated net sales, 84% of consolidated total assets and 83% 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	€160 million (2021: €140 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 €140 million.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them any misstatement identified during our audit above €8 million (2021: €7 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 €50 million (2021: €25 million).

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

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, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

We subjected five components to audits of their complete financial information, of which three components are individually financially significant to the Group. This involves the retail operations in the United States and the Netherlands as well as the Global Support Office activities in the Netherlands. 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	89%
Consolidated total assets	84%
Consolidated income before income taxes	83%

None of the remaining components represented more than 3% of consolidated net sales, consolidated total assets or consolidated income before income taxes. For the 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, and compliance of accounting positions taken by the Group in accordance with EU-IFRS.

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 both 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.

The group audit team visited all in scope components in the United States, the Netherlands, Belgium and Czech Republic, and met with local management. For each of these components we reviewed selected working papers of the respective component auditors.

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.

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.

There have been no changes in our key audit matter topics in comparison to prior year, however in the current year as part of our impairment testing on goodwill and brand names, we additionally focussed on the impairment recognized for the FreshDirect CGU and the procedures underpinning the Delhaize CGU.

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 1, 2023, the Group's goodwill and brand names are valued at €11.2 billion. Management 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. As part of the management Q3 2022 assessment, an impairment trigger was noted which resulted in a full impairment of the goodwill and brand names of the FreshDirect CGU. As part of the annual goodwill and brand names impairment test, management concluded that no additional impairments should be recognized. However, in addition to our normal procedures, we particularly focused on the Delhaize CGU based on the sensitivity on the impairment test as disclosed in Note 14. We considered this to be a key audit matter, due to the magnitude of the goodwill and brand names balance, the impact of the key assumptions on the valuations through the complex assessment process, involving significant management judgments and, lastly, the sensitivity on impairment tests.	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 and the discount rates applied. In particular, for the Delhaize CGU, we engaged our valuation experts to perform a full impairment test review, including a detailed analysis of the business plan forecast and the terminal value assumptions. 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. We compared the sum of the future cash flow forecasts of all CGUs to the market capitalization. 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 and other income 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 1, 2023, amounts to €686 million (Note 18 Receivables). The vendor allowance agreements with suppliers contain volume allowances and promotional allowances 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 fulfillment 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 fulfillment 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 fulfillment 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

Audit approach fraud risks

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 internal control system, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the internal control system and how the Supervisory Board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the internal control system 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 asked members of the Management Board, as well as the other relevant executives (including Internal Audit, Risk & Controls, Legal, Healthy and Sustainable and Regional Management) and the Supervisory Board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

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 to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

Identified fraud risks	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 also paid 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. 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. This includes accessing access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. In testing journal entries, we have made a selection of journal entries on the basis of risk criteria at each in scope component and performed audit procedures on them, including inspection of the source documentation to assess the validity of the business rationale and substantiation of corroborating evidence. In this context we also tested the consolidation and elimination entries. We performed audit procedures related to significant estimates and judgments of management as listed in Note 2 to the financial statements. These include the judgments and estimations as part of the goodwill and brand names impairment testing as well as vendor allowances, where the procedures we performed are noted in the section 'key audit matters' of this report. We performed similar procedures for the impairment considerations as part of other fixed assets. Where in scope of our audit, we tested the judgments made and outcome of the estimates relating to the business combinations and related financial liabilities. For the judgments and estimations of the current and deferred tax positions, we challenged management's interpretations of the relevant tax laws and the related outcomes and their assessment of liabilities and recoverability. For the initial recognition of the right of use assets and correlating lease liabilities, we developed independent point estimates of the incremental borrowing rates and tested the lease terms applied. We understood and challenged management's positions on claims and legal disputes through engaging with their internal and external legal counsels and assessing the supporting evidence. Lastly, we engaged our actuarial experts to assess the judgments and estimates for the relevant insurance and pension related positions. For each estimate, we paid attention to the inherent risk of bias of management in estimates. 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 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 Group'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 relevant IT systems and 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. Through data analysis, we tested both expected and unexpected journal entries, including manual transactions, and performed relevant testing on revenue transactions throughout the year and the receivable balances at year end. Our audit procedures included inspection of the source documentation to assess the validity of the business rationale and substantiation of corroborating evidence testing the occurrence of the related revenue. 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 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.

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

We incorporated an element of unpredictability in our audit. During the audit we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Based on our risk assessment and audit procedures performed, we did not identify any indications for fraud that resulted in material misstatements in the financial statements.

AUDIT APPROACH GOING CONCERN

Management prepared the financial statements on the assumption that the entity is a going concern and that it will continue all its operations for at least twelve months from the date of preparation of the financial statements. Our procedures to evaluate management's going concern assessment included, amongst others:

- considering whether management identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks);
- considering whether management's going concern assessment includes all relevant information of which we are aware as a result of our audit and inquired with management regarding management's most important assumptions underlying their going concern assessment;
- evaluating management's current budget including cash flows for at least twelve months from the date of preparation of the financial statements, current developments in the industry and all relevant information of which we are aware as a result of our audit;
- 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, including compliance with relevant covenants; and
- performing inquiries with management as to their knowledge of going concern risks beyond the period of the 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 ten years.

European Single Electronic Format (ESEF)

Koninklijke Ahold Delhaize N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: 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 whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

- 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, have been prepared, 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 mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

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, February 28, 2023
PricewaterhouseCoopers Accountants N.V.

S. Laurie de Hernandez RA

ASSURANCE REPORT ON THE FINANCIAL STATEMENTS

Appendix to our auditor's report on the financial statements for the period January 3, 2022 to January 1, 2023 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.

ASSURANCE REPORT ON THE ESG INFORMATION 2022

LIMITED 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 2022

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 2022 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 January 3, 2022 to January 1, 2023,

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' of our report.

What we have reviewed

We have reviewed the environmental, social and governance information included in the following sections of the Annual Report for the period January 3, 2022 until January 1, 2023 (hereafter: the ESG information):

- 'Strategic report', limited to the following sections:
  - 'Our business';
  - 'Our leading together strategy';
  - 'Performance review' limited to the sections 'Healthy sales', 'Food waste' and 'Carbon emissions';
  - 'Environmental, social and governance', excluding sections 'Task Force on Climate-related Financial Disclosures (TCFD)' and 'Tax transparency and responsibility'.
- 'Environmental, Social and Governance (ESG) statements', excluding section 'EU Taxonomy'.

This review is aimed at obtaining a limited level of assurance.

The basis for our conclusion

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('assurance engagements relating to sustainability 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). Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

PwC applies the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintains 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 reporting criteria used for the preparation of the ESG information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria, as disclosed in sections 'Introduction', 'Methodology', 'Data collection and considerations', 'GRI indicators' and 'GRI indicator' of the 'ESG statements' and section 'Definitions and abbreviations' of the Annual Report.

The absence of an established practice on which to draw, to evaluate and measure ESG information allows for different, but acceptable, measurement techniques and can affect comparability between entities, and over time.

Consequently, the ESG information needs to be read and understood together with the reporting criteria used.

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 this 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.

ASSURANCE REPORT ON THE ESG INFORMATION 2022

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 the section 'Reporting criteria', including selecting the reporting criteria, the identification of stakeholders, and determining the material matters. The Management Board is also responsible for selecting and applying the reporting criteria and for determining that these reporting criteria are suitable for the legitimate information needs of stakeholders, 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 sections 'Introduction', 'Methodology', 'Data collection and considerations', 'GRI indicators' and 'GRI indicator' of the 'ESG statements' and section 'Definitions and abbreviations' of the Annual Report.

Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the ESG information that is free from material misstatement, whether due to fraud or 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 the 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 performed in a limited assurance engagement vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 3810N, ethical requirements and independence requirements. Our procedures included, amongst other things, the following:

- Performing an analysis of the external environment and obtaining an understanding of relevant sustainability 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.
- Through inquiries, obtaining a general understanding of the control environment, processes and information relevant to the preparation of the ESG information, but not for the purpose of obtaining assurance evidence about their implementation or testing their operating effectiveness.
- 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.
- Those other 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. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components to visit. The visits to Albert Heijn Netherlands, Delhaize Belgium, Ahold Delhaize United States of America and Delhaize Serbia are aimed at, on a local level, validating source data and obtaining through inquiries a general understanding of the control environment, processes and information relevant to the preparation of the ESG information;
  - Obtaining assurance evidence that the ESG information reconciles to 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 at a component level where relevant as well as on a consolidated level.
- Reconciling the relevant financial information to 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 overall 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, February 28, 2023
PricewaterhouseCoopers Accountants N.V.

S. Laurie de Hernandez RA

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.