Second-Party Opinion

Ahold Delhaize Sustainability-Linked Bond Framework

Evaluation Summary

Evaluation Date	March 3, 2021
Issuer Location	Zaandam, Netherlands

Sustainalytics is of the opinion that the Ahold Delhaize Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- **Selection of Key Performance Indicators (KPIs)** Ahold Delhaize Sustainability-Linked Bond Framework includes two KPIs: Scope 1 and 2 GHG Emissions, and Food Waste per Food Sales (see Table 1). Based on the consideration for the materiality of the KPIs, their relevance to Ahold Delhaize's business, the scope of their applicability, and ability to be benchmarked, Sustainalytics considers both KPIs to be adequate.
- **Calibration of Sustainability Performance Targets (SPTs)** Sustainalytics considers the SPTs to be aligned with the issuer's sustainability strategy. Sustainalytics further considers the SPT 1 to be ambitious based on its trajectory alignment with a 1.5-degree scenario, and alignment with best practice among its peers. SPT 2 is also considered to be ambitious, indicating performance that is above Ahold Delhaize's historical performance, and the Company's leading efforts with respect to food waste reduction.
- **Bond Characteristics** Ahold Delhaize will link the bond's financial characteristics to the achievement of the SPTs, namely an increase in coupon rate. The incremental change in coupon is triggered if either of the SPTs are not met.
- **Reporting** Ahold Delhaize commits to report on an annual basis on its performance on the KPIs in its Sustainability Annual Report, which will be available on its website. Ahold Delhaize commits to disclose relevant information that affect the KPI performance, such as any reassessments of KPIs and/or adjustments of baselines or scope of the KPIs where relevant. The reporting commitments are aligned with the SLBP.
- **Verification** Ahold Delhaize commits to have an external limited assurance conducted on its KPI performance at the communicated SPT deadline, which is aligned with market expectations.

The SPTs contribute to the following SDGs:

Overview of KPIs and SPTs

KPI 1	Baseline 2018	SPT 1	Strength of the KPI	Ambitiousness of SPT
Scope 1 and 2 GHG Emissions	3,658 ktCO_2e	Reduce Scope 1 and 2 emissions by 29% (to 2,597 ktCO_2e) in 2025	Adequate	Ambitious
KPI 2	**Baseline 2016**	**SPT 2**	**Strength of the KPI**	**Ambitiousness of SPT**
Food Waste per Food Sales	5.48 tonnes/million EUR	Reduce food waste per food sales by 32% (to 3.73 tonnes per million EUR) in 2025	Adequate	Ambitious

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Scope of Work and Limitations

Ahold Delhaize has engaged Sustainalytics to review the SLB Framework and provide an opinion on the alignment of the bonds with the Sustainability-Linked Bond Principles (SLBP).[1]

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[2] opinion on the alignment of the reviewed SLB Framework with the Sustainability-Linked Bond Principles 2020, as administered by ICMA.

As part of this engagement, Sustainalytics exchanges information with various members of Ahold Delhaize's management team to understand the sustainability impact of their business processes and SPTs, as well as reporting and verification processes of aspects of the SLB Framework. Ahold Delhaize's representatives have confirmed that:

(1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;

(2) They have provided Sustainalytics with all relevant information; and

(3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Bond Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Ahold Delhaize. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure the KPIs' performance. The measurement and reporting of the KPIs is the responsibility of the Bond issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Ahold Delhaize has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

(1) A material change to the external benchmarks[3] against which targets were set;

(2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs or the materiality of the KPI.

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[1] The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf

[2] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

[3] Benchmarks refers to science based benchmarks

Introduction

Koninklijke Ahold Delhaize N.V ("Ahold Delhaize" or "the Company") is a food retail company operating supermarket and e-commerce businesses. Ahold Delhaize's 19 brands serve more than 54 million shoppers each week in the United States, Belgium, the Czech Republic, Greece, Luxembourg, the Netherlands, Romania, Serbia, Portugal, and Indonesia. The Company is headquartered in Zaandam, the Netherlands, and its brands employ around 414,000 associates in more than 7,100 stores.

Ahold Delhaize intends to issue Sustainability-Linked Bonds (SLB) where the coupon rate of the bond is tied to the achievement of the Sustainability Performance Targets for 2 KPIs s related to decreasing its Scope 1 and 2 GHG emissions and reducing food waste in the Company's own operations.

Ahold Delhaize has engaged Sustainalytics to review the SLB Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles (SLBP).[4]

The KPIs and SPTs used by Ahold Delhaize are defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPI	Definition
Scope 1 and 2 GHG Emissions	Scope 1 and Scope 2 GHG emissions are measured in kilotonnes of carbon dioxide equivalent (ktCO2e). Ahold Delhaize follows GHG Protocol in calculating the Company's Scope 1 and 2 emissions.[5]
Food Waste per Food Sales	Food waste per food sales is measured in tons of food waste per million Euro food sales. Food waste is defined as; any food that is not sold, donated to hunger relief charities, or otherwise stays within a system to feed people, including unsold food sent to animal feed, composting, anaerobic digestion, and bio-material processing. Ahold Delhaize follows the Food Loss and Waste Protocol in calculating the food waste. [6] The KPI includes the food waste from all of Ahold Delhaize's operations, including all owned stores, franchise stores, warehouses, distribution centers, and offices where Ahold Delhaize manages the waste stream.

Table 2: SPTs and Past Performance

KPI 1			2018 (Baseline)	2019	2020	SPT 2025
Scope 1 and 2 GHG Emissions (ktCO2e)			3,658	3,593	3,028	Reduce Scope 1 and 2 emissions by 29%, to 2,597 ktCO2e by 2025 from the 2018 baseline
KPI 2	**2016 (Baseline)**	**2017**	**2018**	**2019**	**2020**	**SPT 2025**
Food waste per food sales (tonnes/million EUR)	5.48	5.32	5.21	4.96	4.53	Reduce food waste per food sales by 32% (to 3.73 tonnes per million EUR) in 2025 from the 2016 baseline

[4] The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/

[5] The GHG Protocol Corporate Standard defines Scope 1 and Scope 2 emissions as follows: "Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy" at: https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf.

[6] The Food Loss and Waste Accounting and Reporting Standard enables companies, countries, cities, and others to quantify and report on food loss and waste.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of Ahold Delhaize Sustainability-Linked Bond Framework with the Sustainability-Linked Bond Principles.

Sustainalytics is of the opinion that the Sustainability-Linked Bond Framework align with the five core components of the Sustainability-Linked Bond Principles 2020 (SLBP).

Selection of Key Performance Indicators (KPIs)

Relevance and Materiality of KPIs

Sustainalytics, in its assessment of materiality and relevance, considers i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers KPI 1, Scope 1 and 2 GHG Emissions, to be material and relevant given:

- Sustainalytics' ESG Risk Rating assessment identifies "Carbon-Own Operations" as a material ESG issue and an area of medium exposure for the Food Retail subindustry. Additionally, the Sustainability Accounting Standard Board (SASB) identifies air emissions and energy management as material topics to track and disclose by food retailers and distributers.[7]
- In 2019, Ahold Delhaize conducted its materiality assessment under which Climate Impact/Carbon Emissions was identified as one of the key material topics based on the impact of the Company's own operations and its supply chain.
- Ahold Delhaize's Scope 1 and 2 emissions account for approximately two-thirds of total emissions from the Company's own operations, which, in addition to Scope 1 and 2, include Scope 3 emissions associated with the production of fuels, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, franchises and investments.
- Sustainalytics notes that, while KPI 1 covers a meaningful portion of the Company's carbon footprint, it does not include its Scope 3 emissions. Sustainalytics recognizes the importance of reducing Scope 3 emissions, which represent a large majority of the Company's total emissions, and notes that Ahold Delhaize has adopted a SBTi-validated target to reduce its Scope 3 emissions, from its own operations and its value chain, by 15% between 2018 and 2030. Additionally, Ahold Delhaize has started an engagement process with suppliers to report Scope 3 emissions related to the production of purchased products.

Sustainalytics considers KPI 2, Food Waste Reduction, to be material and relevant given:

- Sustainalytics' ESG Risk Rating assessment identifies "Emissions, Effluents and Waste" as a material issue for companies that operate in the Food Retail subindustry. SASB also identifies food waste as a material topic to track and disclose by food retailers and distributers. Sustainalytics notes that food retailers dispose of significant quantities of food waste which represent a loss of resources such as land, water, labor, energy and agricultural chemicals. Additionally, food waste creates significant GHG emissions, and represents a missed opportunity to alleviate hunger.

[7] SASB, "Food Retailers & Distributors. Sustainability Accounting Standard", (2018), at: https://www.sasb.org/wp-content/uploads/2018/11/Food_Retailers_Distributors_Standard_2018.pdf

- Ahold Delhaize's materiality assessment identified food waste as a material topic which needs to be addressed. Thus, the Company is aiming to eliminate food waste across its supply chain, together with customers and suppliers.
- KPI 2 targets food waste in Ahold Delhaize's operations which include all owned stores, franchise stores, warehouses, distribution centers, and offices where the Company manages the waste stream.

KPI Characteristics

In its assessment of the KPI characteristics Sustainalytics considers i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the issuer on a material environmental or social issue, and, if applicable, iv) whether the methodology can be benchmarked to an external contextual benchmark.[8]

Sustainalytics considers Ahold Delhaize's definition and methodology to calculate KPI 1 to be clear and consistent based on guidelines from the Greenhouse Gas (GHG) Protocol Corporate Standard. This approach is considered to be industry standard and supports benchmarking against external emission reduction trajectories. Sustainalytics considers KPI 1 to be directly linked to a meaningful portion of the Issuer's climate impact.

Ahold Delhaize's KPI 2 incorporates the calculation methodology for food waste set by the Food Loss & Waste Standard (FLW Standard). Sustainalytics notes that the FLW Standard is a global accounting and reporting standard established by the Food Loss & Waste Protocol, a multi-stakeholder partnership convened by World Resources Institute.[9] The Company's definition of food waste includes any food that is not sold in the Company's operations, donated to hunger relief charities, or otherwise stays within a system to feed people, including unsold food sent to animal feed, composting, anaerobic digestion, and bio-material processing. Sustainalytics views the indicator as a whole, which is a measurement of economic intensity, as an indirect KPI and notes that it does not lend itself well to being benchmarked. Nonetheless, Sustainalytics views positively that the calculation and definition of food waste follows a clear and consistent methodology and recognizes that food waste is directly related to the climate impact of the Company.

Overall Assessment

Sustainalytics considers both KPI definitions to be clear and following consistent methodology which is externally verifiable.

Sustainalytics considers KPI 1, Scope 1 and 2 GHG Emissions, to be adequate given that (i) while Scope 3 emissions are not covered, the KPI nonetheless directly measures the majority of the carbon footprint from the Company's own operations, and that (ii) it can be benchmarked.

Sustainalytics considers Food Waste per Food Sales to be adequate given its role in reducing the Company's climate impact in its all operations. Sustainalytics notes that KPI includes clear and consistent definition and incorporates an externally recognized calculation methodology for food waste, while noting that the KPI as a whole does not lend itself well to benchmarking as it is an economic intensity indicator.

Scope 1 and 2 GHG Emissions	Not Aligned	Adequate	Strong	Very strong
Food Waste per Food Sales	Not Aligned	Adequate	Strong	Very strong

Calibration of Sustainability Performance Targets (SPTs)

Alignment with Issuer's Sustainability Strategy

Ahold Delhaize has set the following SPTs for its KPIs:

- SPT 1: Reduce emissions by 29% to 2,597 ktCO2e by 2025 from the 2018 baseline.

[8] External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.
[9] WRI, "Food Loss & Waste Protocol", at: https://www.flwprotocol.org/

- SPT 2: Reduce food waste per food sales by 32% (to 3.73 tonnes per million EUR) by 2025 from the 2016 baseline.

Sustainalytics considers the SPTs to be aligned with Ahold Delhaize's sustainability strategy (please refer to Section 2 for analysis of the credibility of Ahold Delhaize's sustainability strategy).

- Regarding SPT 1, as part of Ahold Delhaize' sustainability strategy, the Company is committed to reduce its absolute Scopes 1 and 2 emissions by 50% by 2030 compared to the 2018 baseline. As of 2020, the Company has reduced its Scope 1 and 2 emissions by 17% from 2018. The Company demonstrates commitment and progress to emissions reduction based on actions starting in 2008, to reduce its emissions from stores (including remodelling of stores to maximize energy efficiency, eliminate natural gas and only use natural refrigerants), warehouses, and offices. As of 2020, the Company had achieved a 36% emissions (per sales area) reduction, compared to 2008.

- Regarding SPT 2, as part of its waste reduction strategy, Ahold Delhaize became a founding partner of the World Resources Institute's "10x20x30 Food Loss and Waste Initiative" which aims to halve rates of food loss and waste by 2030.[10] To achieve its food waste objectives, the Company has identified three priority areas including (i) reducing food waste across all brands' operations, including stores, distribution centers and divert surplus food to food banks and charities; (ii) projects to include restaurants that cook with unsold food; and (iii) divert food no longer suitable for human consumption to recycling[11] to prevent it from going to landfill.[12] In addition, Ahold Delhaize commits to measure and publish its food loss and waste inventory, including steps to reduce this waste. As of 2020, the Company reduced food waste by 17% against 2016 baseline.

Strategy to Achieve the SPTs

Ahold Delhaize intends to achieve the SPT 1 through the following strategy:

- Ahold Delhaize intends to invest in energy efficiency technologies, strengthen renewable energy procurement plans, increase onsite energy production, improve refrigeration systems and accelerate the replacement of hydrofluorocarbons (HFCs). Furthermore, the Company aims to promote the use of natural sources for refrigeration and the modernization of its fleet by using eco-friendly fuels and transitioning to low-carbon distribution and logistics.

Ahold Delhaize intends to achieve the SPT 2 through the following strategy:

- Ahold Delhaize is planning capital expenditures on technology to maximize product freshness. Ongoing actions include smarter product ordering and supply management, providing storage guidance on food packaging, discounting perishable products that are reaching end-of-shelf-life as well as 'imperfect' vegetables, and raising associate awareness. Beyond its own operations, Ahold Delhaize intends to promote partnerships with third parties that notify customers of reduced prices on close-to-expiration products. Examples of these partnerships are *Too Good To Go*[13] and *Flash Food*. Moreover, the Company aims to enhance collaboration among Ahold Delhaize brands with local food banks and charitable organizations to redistribute unsold but edible food.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers i) whether the SPTs go beyond a business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science-based trajectories, where applicable.[14]

For SPT 1, Ahold Delhaize has set the baseline at 2018, as that is the most recent comparable data available.

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[10] Ahold Delhaize, "Our Healthy and Sustainable ambition 2025", at: https://www.aholddelhaize.com/en/sustainable-retailing/sustainability-strategy/our-healthy-and-sustainable-ambition-2025/.

[11] Food recycling involves using food that would otherwise go to landfill or incineration, for animal feed, biomaterials (rendering), anaerobic digestion (biogas), and/or aerobic composting.

[12] Ahold Delhaize, "Climate Strategy", (2020), at: https://www.aholddelhaize.com/media/10406/climate-strategy-report.pdf

[13] Too Good To Go is a mobile application that connects customers to restaurants and stores that have unsold, surplus food. At: https://toogoodtogo.org/en/.

[14] We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.

For SPT 2, Ahold Delhaize has set the baseline at 2016, as that is the first year the Company reported food waste according to the Food Loss & Waste Standard.

SPT 1: Sustainalytics was able to use the following benchmarks to assess ambitiousness: SBTi approved targets and peer analysis.

Ahold Delhaize's target to reduce its absolute Scope 1 and 2 GHG emissions by 50% by 2030 from a 2018 base year is aligned with the Company's science-based target trajectory and is consistent with reductions required to keep warming to 1.5°C.

In comparison with its peers, Ahold Delhaize's SPT 1 is relatively strong with respect to Scopes 1 and 2. Based on the analysis Sustainalytics has conducted on Ahold Delhaize's peer group, only 23% of companies in this group have SBTi approved Scopes 1 and 2 targets aligning with the 1.5 degree warming scenario.

SPT 2: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer analysis. Sustainalytics has relied on these benchmarks as the SPT 2 does not support benchmarking with science-based targets.

To assess the ambitiousness of SPT 2 against past performance, Sustainalytics' used estimated absolute food waste reduction target for 2025, absolute food waste reduction performance between 2016 and 2020, and food sales figures for respective years.[15] Data suggests that, the achievement of SPT 2 will result in an average annual reduction in absolute food waste of about 3% each year between 2020 and 2025, while the absolute food waste performance between 2016 and 2020 demonstrates a lower average percentage. Sustainalytics considers the SPT to go beyond a business-as-usual trajectory compared to historical absolute food waste performance.

With regards to peer analysis, Ahold Delhaize's SPT 2 is among the leaders in its subindustry with respect to efforts to reduce waste.[16] Additionally, the Company is among a group of only 10 food retailers committed to reducing food loss and waste in their own operations by 50% according to the World Resources Institute's 10x20x30 initiative. Under this initiative, food retailers, providers, and suppliers have committed to the "Target-Measure-Act" approach: set a target of reducing food loss and waste in their own operations by 50%, measure and publish their food loss and waste inventories, and take action to reduce their waste.

Overall Assessment

Sustainalytics considers the SPTs to align with Ahold Delhaize's sustainability strategy.

Sustainalytics considers Ahold Delhaize's SPT 1 to be ambitious, highlighting the alignment of the SPTs to a trajectory approved by the SBTi.

Sustainalytics considers Ahold Delhaize's SPT 2 to be ambitious given that it presents a material improvement compared to past performance, and the Company is considered to be among the leaders in the subindustry with respect to food waste reduction efforts.

Reduce emissions by 29% in 2025 from the 2018 baseline (Scope 1 and 2 GHG Emissions)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
Reduce food waste per food sales by 32% in 2025 from the 2016 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

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Bond Characteristics

Ahold Delhaize commits to outline in its bond offering documents the coupon adjustment to be made in case it fails to achieve the set SPTs. The Company has disclosed that bond issuances pertaining to the Sustainability-

[15] Ahold Delhaize provided absolute food waste reduction performance between 2016 and 2020, and absolute food sales figures for respective years on a confidential basis.

[16] Sustainalytics notes that even though there are targets set by sub-industry peers on food waste reduction, there is a lack of comparability due to different methodologies used to define food waste.

Linked Bond Framework will be subject to a penalty for not achieving the SPTs. The SPTs observation date is December 28, 2025, after which the coupon from the next period commencing after March 2026 may increase.

Sustainalytics positively notes that all SPTs need to be met to avoid an increase in the coupon rate, however it does not opine on the adequacy of the penalty imposed for not achieving the set SPTs.

4

Reporting

Ahold Delhaize commits to report on an annual basis on its performance on the KPIs and expects to include the relevant figures on a Sustainability-Linked Bond update within its Sustainability Annual Report to be published on its website. Ahold Delhaize further commits to disclose relevant information such as (i) up-to-date information on the performance of the selected KPIs, including the baseline where relevant; (ii) a verification assurance report relative to the KPIs outlining the performance against the SPTs and the related impact, and timing of such impact, on a bond's financial performance; and (iii) any relevant information enabling investors to monitor the progress of the SPTs. Ahold Delhaize reporting commitments are aligned with the SLB Principles.

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Verification

Ahold Delhaize commits to having an external verifier provide limited assurance on the published KPI performance figures for each fiscal year and a verification assurance certificate on the KPIs performance at the SPT deadlines, which is aligned with the SLB Principles on verification.

Section 2: Assessment of Ahold Delhaize's Sustainability Strategy

Credibility of Ahold Delhaize Sustainability Strategy

According to Sustainalytics' ESG rating, Ahold Delhaize is considered to be aligned with its sub-industry peers when it comes to performance on environmental and social issues and leading position on governance issues.[17] Sustainability is managed at all organizational levels, from the Supervisory Board's Sustainability and Innovation Committee and designated Executive Committee members to individual leads at each brand. A dedicated Executive Sponsor oversees sustainable retailing-related strategy, targets and implementation.

In its 2019 sustainability report,[18] Ahold Delhaize identifies three main areas of focus: people, planet and product. People refers to health and safety, human rights, associates' wages, local communities and diversity and the Company follows the U.N. Guiding Principles on Business and Human Rights. Planet refers to food waste, sustainable agriculture, plastics, carbon emissions and deforestation, among which Ahold Delhaize is working toward zero plastic waste from own-brand packaging by 2025. Product relates to quality, healthy and sustainable diet, transparency and local sourcing and the Company is aiming for an increase in sales of healthy own-brand products to more than half of total own-brand food sales, with a target of 51% by 2022.[19]

Ahold Delhaize has followed a consistent sustainability strategy reinforced by materiality assessments. The Company presented its "Leading Together" strategy in 2018 in which it set out targets to mitigate carbon emissions and reduce food waste.[20] Moreover, the Ahold Delhaize is working on further integrating sustainable practices that account for lowering GHG emissions and reducing food waste and the Company is mapping the emissions from its supply chain. Sustainalytics is of the opinion that the Ahold Delhaize's sustainability strategy is credible and in alignment with its corporate priorities. Ahold Delhaize's adopted science-based targets after performing a global analysis of climate-related risks in 2020, to mitigate risks and potential material impacts to its business.

[17] This assessment has been derived from Sustainalytics' ESG Risk Rating.
[18] Ahold Delhaize, "Sustainability Report 2019", https://www.aholddelhaize.com/media/10197/ahold-delhaize-annual-report-2019.pdf.
[19] Ahold Delhaize, "Ahold Delhaize steps up Healthy & Sustainable ambition for people, planet and business", at: https://www.aholddelhaize.com/en/media/latest/media-releases/ahold-delhaize-steps-up-healthy-sustainable-ambition-for-people-planet-and-business/.
[20] Ahold Delhaize, "Sustainability Report 2018", at: https://www.aholddelhaize.com/media/8892/ahold-delhaize-annual-report-2018-interactive.pdf.

Sustainalytics considers Ahold Delhaize to have a strong sustainability strategy and considers that the SLBs will further support the Ahold Delhaize sustainability strategy.

Ahold Delhaize's Environmental and Social Risk Management

According to Sustainalytics' ESG Risk Assessment, Ahold Delhaize's exposure to ESG risks is medium, similar to the subindustry average. Overall, Sustainalytics notes that the ESG risk management of Ahold Delhaize is considered strong.[21] Sustainalytics also recognizes that while the Ahold Delhaize's defined targets are impactful, it is acknowledged that achieving the SPTs bears environmental and social risks related to overall human rights risks, risks pertaining to labor rights specifically within its supply-chain, business ethics, emission effluents and waste, and resource use.

In the following section Sustainalytics comments on Ahold Delhaize's ability to mitigate such potential risks.

- Ahold Delhaize is committed to upholding and respecting the UN Universal Declaration of Human Rights, and the UN Guiding Principles on Business and Human Rights. Ahold Delhaize became a signatory to the UN Global Compact ("UNGC") in 2010 committing to aligning its retail strategy with the UNGC's Ten Principles in the areas of human rights, labor, environment, and anti-corruption.[22] In 2020, as a result of Ahold Delhaize's human rights due diligence, the Company published its first separate Human Rights Report[23], demonstrating its commitment to respect the human rights of its associates, customers, communities, and people across its supply chain. Ahold Delhaize is also a signatory to the Women Empowerment Principles[24], and a member of the Consumer Goods Forum ("CGF").[25]
- Ahold Delhaize is a member of the Business Social Compliance Initiative and the Sustainable Supply Chain Initiative, indicating its commitment to addressing human rights issues in its own operations and across its supply chain. Ahold Delhaize's Standards of Engagement sets minimum standards for its suppliers in ten important human rights and labor rights areas.[26] Moreover, Ahold Delhaize has conducted an analysis to determine its most salient human and labor rights issues[23] such as forced labor, compensation, health & safety, discrimination & harassment, freedom of association, and women's rights.[23] Regarding compensation, to ensure that the right to equitable compensation is upheld across its supply chain, Ahold Delhaize requires its suppliers to provide wages and benefits that comply with all applicable laws and supply agreements and implements social audits at all of its production locations in high-risk countries. Ahold Delhaize recognizes that forced labor is a widespread problem across global supply chains and therefore, its Standards of Engagement specifies that its suppliers shall not engage in any form of forced, bonded, or trafficked labor. Moreover, Ahold Delhaize is a signatory to the CGF resolution to fight forced labor.[23]
- Ahold Delhaize has targeted strategies to increase waste recycling and minimize generated waste especially in the areas of food and plastic.[27] Ahold is a member of the New Plastics Economy Global Commitment, committing to take action in order to eliminate, innovate and circulate plastic items.[27] Regarding food waste, Ahold Delhaize is a member of the World Resources Institute's "10x20x30 Food Loss and Waste Initiative, committing to minimize and reduce food waste.[27]
- To ensure that products are sourced sustainably and ethically, Ahold Delhaize has implemented specific programs in its operations for seven commodities, – coffee, tea, cocoa, palm oil, soy, seafood, and wood fibers - which were identified to be linked to major social and environmental issues.[28] As part of these targeted programmes, Ahold Delhaize works together with farmers, suppliers, and industry groups to ensure that these products were produced sustainably. Ahold Delhaize has defined a set of acceptable standards and initiatives[29] for these commodities.[28]

Overall, Sustainalytics considers that Ahold Delhaize has strong programs and policies in place to mitigate risks that are material to the Company's sub-industry.

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[21] This assessment has been derived from Sustainalytics' ESG Risk Rating
[22] UNGC, at: https://www.unglobalcompact.org/what-is-gc/participants/12562-Ahold-Delhaize
[23] Ahold Delhaize, "Human Rights Report", at: https://www.aholddelhaize.com/media/10344/ahold-delhaize-human-rights-report.pdf
[24] Women's Empowerment Principles, at: https://www.weps.org/
[25] The Consumer Goods Forum, at: https://www.theconsumergoodsforum.com/who-we-are/overview/
[26] Ahold Delhaize, "Standards of Engagement", at: https://www.aholddelhaize.com/en/about-us/ethical-business/code-of-ethics/our-standards-of-engagement/
[27] Ahold Delhaize, "Sustainable Retailing", at: https://www.aholddelhaize.com/en/sustainable-retailing/
[28] Ahold Delhaize Annual Report 2019, at: https://www.aholddelhaize.com/media/10196/ahold-delhaize-annual-report-2019.pdf
[29] These standards and initiatives include UTZ Certification, Rainforest Alliance, Fairtrade USA/Fairtrade International, Roundtable on Sustainable Palm Oil (RSPO) Principles & Criteria, Rainforest Alliance SAN Standard, Forest Stewardship Council (FSC) Chain of Custody, Program for Endorsement of Forest Certification (PEFC) Grade A standards, Sustainable Forestry Initiative (SFI) Roundtable on Responsible Soy (RTRS) standard for Responsible Soy Production, ProTerra, certification recognized by the Global Sustainable Seafood Initiative (GSSI) or Aquaculture Stewardship Council (ASC) farm standards.

Section 3: Impact of the SPTs Chosen

The global food system is highly resource-intensive and accounts for almost a third of global GHG emissions.[30] While the production of food crops and livestock accounts for a major proportion of emissions (82%), the post-production processes such as retailing, processing, packaging, and distribution account for 18% of emissions.[31] A significant portion of food retailer's environmental footprint comes from stores: lighting, heating, cooling, ventilation, refrigeration, and food waste.[32] A self-assessment conducted by Ahold Delhaize found that 60% of operational CO_2 emissions came from electricity, 31% from cooling devices (e.g. refrigerants) and 9% from transport.[33] According to a study by Climate Smart, some of the key contributors are electricity, refrigerant (which can account for up to 90% of emissions for some businesses), and food waste which can be easily diverted via composting or donation.[34]

Food waste prevention is essential for reducing emissions. Around 25% of emissions from food production are attributed to food waste, either from supply chain or consumers.[31] This food waste can be prevented with better refrigeration and durable packaging solutions.[31] Food waste prevention can yield significant benefits, including lessening the stress on ecosystems and food systems and mitigating carbon emissions. [31] It is estimated that halving the current rate of food loss and waste by 2050 would result in: (i) global GHG emissions saving by an amount equivalent to Japan's current energy and industry related emissions, (ii) prevent natural ecosystems of an area roughly the size of Argentina from becoming agricultural land, and (iii) reduce by one-fifth the gap between food needed in 2050 and food available in 2010.[35]

Ahold Delhaize ranks among the top food retailers globally in terms of sales.[36] Therefore, Ahold Delhaize's goal to reduce its Scope 1 and 2 emissions can make a positive impact in the reduction of post-production GHG emissions of the food sector. In addition, Ahold Delhaize is committed to reduce food waste, which can create a cascading effect in reducing landfill emissions. Sustainalytics is of the opinion that Ahold Delhaize's efforts to decrease its Scope 1 and 2 emissions while reducing foods waste will positively contribute to minimizing the environmental footprint of the food retail industry and support the Paris Climate goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability linked bonds advance the following SDG goals and targets:

KPI	SDG	SDG Target
Scope 1 and 2 GHG Emissions	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency
	8. Decent work and economic growth	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead
		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally

[30] J. Poore et at. (2018), "Reducing food's environmental impacts through producers and consumers", Science, at: https://science.sciencemag.org/content/sci/360/6392/987.full.pdf
[31] Ritchie H. et al, (2020), "Environmental impacts of food production", at: https://ourworldindata.org/environmental-impacts-of-food#citation
[32] EU, "Measurement and reduction of carbon footprint of stores", (2011), at: http://ec.europa.eu/environment/industry/retail/pdf/Issue%20Paper%206.pdf
[33] Ahold Delhaize, "Supplementary Report on Sustainable Retailing Performance", (2016), at: https://www.aholddelhaize.com/media/3984/supplementary-report-on-sustainable-retailing-performance-2016.pdf
[34] ClimateSmart, "Carbon emissions in the food and beverage sector", (2014), at: https://climatesmartbusiness.com/wp-content/uploads/2014/06/CS-Food-and-Beverage-Sector-Industry-Brief-digital.pdf
[35] WRI, "Reducing Food Loss and Waste. Setting a Global Action Agenda", at: https://files.wri.org/s3fs-public/reducing-food-loss-waste-global-action-agenda_1.pdf
[36] Deloitte, "Global Powers of Retailing 2020", (2020), at: https://www2.deloitte.com/content/dam/Deloitte/at/Documents/consumer-business/at-global-powers-retailing-2020.pdf

	9. Industry, innovation and infrastructure	sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Food Waste per Food Sales	12 Responsible consumption and production	12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

Ahold Delhaize intends to issue Sustainability-Linked Bonds which will tie the coupon rate to the achievements of the following SPTs:

(1) Scope 1 and 2 GHG Emissions: Reduce emissions by 29% to 2,597 ktCO2e by 2025 from the 2018 baseline;

(2) Food Waste per Food Sales: Reduce food waste per food sales by 32% (to 3.73 tonnes per million EUR) by 2025 from the 2016 baseline;

Sustainalytics performed a review of Ahold Delhaize's SLB information and considers the KPIs to be relevant and material and aligned with the Company's sustainability strategy. Sustainalytics considers KPI 1 to be adequate given that it measures the majority of the carbon footprint from the Company's own operations, and that it can be benchmarked, while noting that Scope 3 emissions are not covered. Sustainalytics considers KPI 2 to be Adequate given its incorporation of clear and consistent definition and externally recognized calculation methodology for food waste, while noting that the KPI as a whole does not lend itself well to benchmarking as it is an economic intensity indicator. Sustainalytics considers both SPTs to be Ambitious, highlighting the alignment of the SPT 1 with a 1.5-degree scenario and the material improvement being targeted by SPT 2 compared to past performance.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers Ahold Delhaize's SLB Framework to be in alignment with the five core components of the SLBP and the prospective achievement of the SPTs to be impactful.

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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Named

2015: Best SRI or Green Bond Research or Rating Firm

2017, 2018, 2019: Most Impressive Second Opinion Provider