

Second-Party Opinion Ahold Delhaize Sustainability-Linked Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Ahold Delhaize Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators (KPIs)** Ahold Delhaize Sustainability-Linked Bond Framework defines three KPIs (see Table 1). Sustainalytics considers KPI 1, 2a and 2b to be very strong, and KPI 3 to be adequate based on their materiality, relevance, scope of applicability and adequacy to external benchmarking.
- Calibration of Sustainability Performance Targets (SPTs)** Sustainalytics considers the SPTs to be aligned with Ahold Delhaize’s sustainability strategy. Sustainalytics further considers SPTs 1a, 1b, 2a and 2b to be highly ambitious, and SPTs 3a and 3b to be moderately ambitious based on past performance, peer performance and science-based trajectories, as applicable.
- Bond Characteristics** Ahold Delhaize will link the financial characteristics of its sustainability-linked bond to achievement of the SPTs selected. The financial characteristics may include a potential coupon adjustment, such as a coupon step-up.
- Reporting** Ahold Delhaize commits to report on its progress on the KPIs on an annual basis and intends to include the relevant figures in its Annual Report, published on Ahold Delhaize’s website. Ahold Delhaize may also disclose relevant information that could affect the KPIs. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2023.
- Verification** Ahold Delhaize commits to have an external limited assurance conducted against each SPT for each KPI at least once a year and publish it in its Annual Report which will be available on its website.

Evaluation Date	March 1, 2024
Issuer Location	Zaandam, The Netherlands

The SPTs contribute to the following SDGs:



Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO ₂ e)	2018	Very Strong	SPT 1a: Reduce absolute scope 1 and 2 GHG emissions by more than 38% by 2025 from a 2018 baseline	Highly Ambitious
			SPT 1b: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2030 from a 2018 baseline	

KPI 2a: Absolute scope 3 FLAG GHG emissions (MtCO ₂ e)	2020	Very Strong	SPT 2a: Reduce absolute scope 3 FLAG GHG emissions by 30.3% by 2030 from the 2020 baseline	Highly Ambitious
KPI 2b: Absolute scope 3 energy and industry (non-FLAG) GHG emissions (MtCO ₂ e)	2020	Very Strong	SPT 2b: Reduce absolute scope 3 energy and industry (non-FLAG) GHG emissions by 42.0% by 2030 from the 2020 baseline	Highly Ambitious
KPI 3: Food waste per food sales (t/EUR million)	2016	Adequate	SPT 3a: Reduce food waste per food sales by more than 40% by 2025 from a 2016 baseline	Moderately Ambitious
			SPT 3b: Reduce food waste per food sales by 50% by 2030 from a 2016 baseline	

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Scope of Work and Limitations

Ahold Delhaize has engaged Sustainalytics to review the Ahold Delhaize Sustainability-Linked Bond Framework dated February 2024 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023 (SLBP).¹

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the Framework with the SLBP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of Ahold Delhaize's management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the 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 and 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 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 KPI performance.³ The measurement and reporting of the KPIs is the responsibility of the 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 favour 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 Framework until one of the following occurs:

- (1) A material change to the external benchmarks⁴ against which targets were set;
- (2) A material corporate action (such as a material M&A or change in business activity) that has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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¹The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

²When 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 Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

⁴ 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 63 million customers each week, in Europe, the United States and Indonesia. The Company is headquartered in Zaandam, the Netherlands, and its brands employ around 402,000 associates in more than 7,700 stores and 1,800 grocery pick-up points.⁵

Ahold Delhaize intends to issue sustainability-linked bonds whose coupon rate is tied to the achievement of sustainability performance targets for three KPIs related to decreasing its Scope 1, 2 and 3 GHG emissions and reducing food waste in the Company's own operations.

Ahold Delhaize has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles 2023.

Ahold Delhaize has defined the following KPIs and SPTs:

Table 1: KPI Definitions

KPI	Definition
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO ₂ e)	<p>Scope 1 and 2 GHG emissions are measured in kilotonnes of carbon dioxide equivalent expressed in ktCO₂e.</p> <p>Scope 1 GHG emissions comprise direct emissions from Ahold Delhaize's owned and controlled operations and GHG emissions from the Company's owned stores, warehouses, distribution centres, and offices. Scope 1 GHG emissions are attributed to GHG emissions from refrigerant leakages, owned trucking and on-site fuel usage (natural gas, propane and light fuel). Scope 2 GHG emissions comprise emissions from the generation of purchased electricity, heat or steam consumed by the Company.</p>
KPI 2a: Absolute scope 3 FLAG GHG emissions (MtCO ₂ e)	<p>Scope 3 forest, land and agriculture (FLAG) GHG emissions are measured in million tonnes of carbon dioxide equivalent expressed in MtCO₂e.</p> <p>The KPI includes all relevant and calculated forest-, land- and agriculture-related indirect GHG emissions from the Company's value chain, as per the GHG Protocol category 1, which is restricted to 67% of calculated GHG emissions from category 1.</p>
KPI 2b: Absolute scope 3 energy and industry (non-FLAG) GHG emissions (MtCO ₂ e)	<p>Scope 3 energy and industry (non-FLAG) GHG emissions are measured in million tonnes of carbon dioxide equivalent expressed in MtCO₂e.</p> <p>The KPI includes all relevant and calculated indirect energy and industry (non-FLAG) GHG emissions from the Company's value chain, including GHG emissions as per the GHG Protocol categories 3, 4, 5, 6, 7, 9, 11, 12, and 67% of calculated energy and industry GHG emissions from category 1.</p>
KPI 3: Food waste per food sales (t/EUR million)	<p>Food waste per food sales is measured in tonnes of food waste per million euros in food sales of the Company expressed in t/EUR million.</p> <p>Food waste is defined as any food that is not consumed by people, sold, donated to hunger relief charities or otherwise stays within a system to feed people. Food waste includes unsold food sent to animal feed, composting, anaerobic digestion and bio-material processing.</p> <p>The KPI includes food waste from all of Ahold Delhaize's operations, including all owned stores, franchise stores, warehouses, distribution centres, and offices where Ahold Delhaize manages the waste stream.</p>

⁵ Ahold Delhaize, "Annual Report 2022", (2022), at: <https://media.aholddelhaize.com/media/ob4jkl1/ar-2022-ahold-delhaize-interactive-final.pdf?t=638137720957200000>

Table 2: SPTs and Past Performance⁶

KPI	2016	2018	2020	2021	2022	2023	SPTs
KPI 1: Absolute scope 1 and 2 GHG missions (KtCO ₂ e)	n/a ⁷	4,095 (Baseline)	n/a ⁸	-31%	-29%	-35%	SPT 1a: Reduce absolute scope 1 and 2 GHG emissions by more than 38% by 2025 from a 2018 baseline SPT 1b: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2030 from a 2018 baseline
KPI 2a: Absolute scope 3 FLAG GHG emissions (MtCO ₂ e)	n/a ⁹	n/a ¹⁰	15.5 (Baseline)	n/a ¹¹	n/a ¹²	n/a ¹³	SPT 2a: Reduce absolute scope 3 FLAG GHG emissions by 30.3% by 2030 from a 2020 baseline
KPI 2b: Absolute scope 3 energy and industry (non-FLAG) GHG emissions (MtCO ₂ e)	n/a ¹⁴	n/a ¹⁵	29.5 (Baseline)	n/a	n/a ¹⁶	n/a ¹⁷	SPT 2b: Reduce absolute scope 3 energy and industry (non-FLAG) GHG emissions by 42.0% by 2030 from a 2020 baseline
KPI 3: Food waste per food sales (t/EUR million)	4.99 (Baseline)	n/a ¹⁸	n/a ¹⁹	-21%	-34%	-37%	SPT 3a: Reduce food waste per food sales by more than 40% by 2025 from a 2016 baseline SPT 3b: Reduce food waste per food sales by 50% by 2030 from a 2016 baseline

⁶ The past performance data in percentages represent the rate of change in relation to the respective baseline years, thus not compounded.

⁷ Not applicable.

⁸ Ibid.

⁹ Ahold Delhaize has split its corporate KPI on scope 3 GHG emissions from its value chain into two sub-KPIs in 2024 to be in line with the SBTi's Forest, Land and Agriculture (FLAG) guidance. Ahold Delhaize has restated the baseline 2020 data for KPI 2a and 2b in line with this latest guidance. The Company reports scope 3 GHG emissions on a one-year delay due to data availability and resource requirements. Ahold Delhaize has confirmed that the 2022 figures will be available in the Company's 2023 Annual Report. Therefore, historical performance data for KPIs 2a and 2b are not available prior to 2023, except for the 2020 baseline year.

SBTi, "SBTi FLAG Guidance", (2023), at: <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Not applicable.

¹⁹ Ibid.

Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the Ahold Delhaize Sustainability-Linked Bond Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2023.



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

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

KPI 1, 2a and 2b: Sustainalytics considers the KPIs to be material and relevant given that the Sustainalytics' ESG Risk Rating identifies carbon emissions from own operations²⁰ as a material ESG issue for Ahold Delhaize and the Food Retailers industry.²¹ In addition, the Sustainable Accounting Standards Board (SASB) identifies GHG emissions as a highly material issue for food retailers and distributor companies. The SASB notes that the main sources of GHG emissions of food retailers and distributors are the fossil fuel consumption of vehicle fleets and the air emissions from refrigeration.²² In relation to scope 3 GHG emissions, the SASB identifies supply chain management as a relevant issue for the Food Retailers and Distributors industry. The SASB that effective supply chain management, including supplier engagement and implementation of sustainable sourcing guidelines, may support reducing environmental impacts, including climate change impact.²³

Regarding applicability, Sustainalytics has taken a combined approach to viewing applicability because KPIs 1, 2a and 2b together address the issue of emissions in absolute terms. In this sense, these KPIs cover 70.8% of the Company's total GHG emissions in 2021, with KPIs 2a and 2b (scope 3) jointly accounting for 66.4% and KPI 1 (scope 1 and 2) covering the remaining 4.4%. In relation to FLAG emissions, KPI 2a applies to 22.7% of the Company's FLAG emissions and KPI 2b applies to 43.7% of its non-FLAG emissions. Scope 1 and 2 GHG emissions account for 4.4% of Ahold Delhaize's total scope 1, 2 and 3 GHG emissions. More specifically, using the GHG Protocol Standard's categories, KPI 2a and 2b cover all relevant and calculated scope 3 GHG emissions from categories 3, 4, 5, 6, 7, 9, 11 and 12, and 67% of calculated emissions from category 1.

Sustainalytics has taken a combined approach to view applicability, and notes that KPI 1, 2a and 2b together account for 70.8% of the Company's total GHG emissions in 2021. Based on the above, Sustainalytics considers KPI 1 and 2 to be relevant and material and to have a high scope of applicability.

KPI 3: Sustainalytics' Industry Report on Food Retailers and Distributors identifies Emissions, Effluents and Waste as a material ESG issue for this sector.²⁴ The SASB also identifies food waste as a material topic to track and disclose for food retailers and distributors.²⁵ The SASB notes that food retailers dispose of significant quantities of food waste, which represents a loss of resources, such as land, water, labour, energy and agricultural

²⁰ Sustainalytics' Material ESG Issue Carbon – Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes part of scope 3 GHG emissions.

²¹ Sustainalytics, "Food Retailers Industry Report", (2023)

²² SASB, "Food Retailers and Distributors", at: <https://sasb.org/standards/materiality-finder/find/?industry%5B0%5D=FB-FR>

²³ Ibid.

²⁴ Sustainalytics, "Food Retailers Industry Report", (2023)

²⁵ SASB, "Food Retailers and Distributors", at: <https://sasb.org/standards/materiality-finder/find/?industry%5B0%5D=FB-FR>

chemicals. Additionally, food waste creates significant GHG emissions and represents a missed opportunity to alleviate hunger.²⁶ Ahold Delhaize's materiality assessment also identified food waste as a material topic.²⁷

In terms of applicability, KPI 3 covers all of the Company's owned stores, namely integrated stores and waste from food sales to franchises and affiliates, warehouses, distribution centres, and offices where Ahold Delhaize manages the waste stream. Therefore, KPI 3 applies to 100% of the Company's generated food waste.

Based on the above, Sustainalytics considers KPI 3 to be relevant and material with a high scope of applicability.

KPI Characteristics

In its assessment of the KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on the material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.²⁸

KPI 1: Sustainalytics considers Ahold Delhaize's definition and methodology to calculate KPI performance to be clear and consistent based on the ease of calculation and the Company's historical disclosure since 2018. Ahold Delhaize calculates and reports on its scope 1 and 2 GHG emissions in accordance with the World Business Council for Sustainable Development,²⁹ World Resources Institute and the GHG Protocol Standard and guidelines,³⁰ which are considered industry standards. Considering that the KPI measures absolute GHG emissions (in ktCO₂e), Sustainalytics notes that the KPI supports benchmarking against external science-based decarbonization pathways, such as the Science Based Targets initiative's (SBTi) cross-sector absolute contraction pathway.³¹ Furthermore, Sustainalytics considers KPI 1 to be directly linked to Ahold Delhaize's environmental performance on the material ESG issue of GHG emissions from the Company's own operations.

KPI 2a and 2b: Sustainalytics considers Ahold Delhaize's definition and methodology to calculate progress on the KPIs to be clear and consistent³² based on the ease of calculation. Ahold Delhaize follows the World Business Council for Sustainable Development and the GHG Protocol Standard in calculating the Company's scope 3 GHG emissions.³³ Additionally, to define KPI 2a and 2b, the Company also follows the SBTi FLAG Guidance for target setting on scope 3 FLAG GHG emissions and energy and industry (non-FLAG) GHG emissions.³⁴ The Company has applied this methodology to the 2020 baseline. Sustainalytics notes that KPI 2a and 2b support benchmarking against external science-based decarbonization pathways, such as the SBTi FLAG sector-specific absolute contraction pathway and the SBTi cross-sector absolute contraction pathway.^{35,36} Furthermore, Sustainalytics considers KPI 2a and KPI 2b to be directly linked to Ahold Delhaize's performance in relation to the material environmental issue of GHG emissions.

KPI 3: Sustainalytics considers Ahold Delhaize's definition and methodology to calculate KPI performance to be clear and consistent based on the ease of calculation and consistent with the Company's historical disclosure. KPI 3 incorporates the calculation methodology for food waste set by the Food Loss and Waste Standard (FLW Standard).³⁷ Sustainalytics notes that the FLW Standard is a global accounting and reporting standard established by the Food Loss and Waste Protocol, a multi-stakeholder partnership convened by the World

²⁶ SASB, "Food Retailers and Distributors", at: <https://sasb.org/standards/materiality-finder/find/?industry%5B0%5D=FB-FR>

²⁷ Ahold Delhaize, "Annual Report", (2022), at: <https://media.aholddelhaize.com/media/vy4neu1n/ar-2022-ahold-delhaize-interactive-final.pdf?t=638143108570530000>

²⁸ External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

²⁹ World Business Council for Sustainable Development, "Agriculture and Food", at: <https://www.wbcsd.org/Pathways/Food-Agriculture>

³⁰ Greenhouse Gas Protocol, "A Corporate Accounting and Reporting Standard", at: <https://ghgprotocol.org/corporate-standard>

³¹ Science Based Targets initiative, "SBTi Corporate Manual", (2023) at: <https://sciencebasedtargets.org/resources/files/SBTi-Corporate-Manual.pdf>

³² Ahold Delhaize has split its corporate KPI on scope 3 GHG emissions from its value chain into two sub-KPIs in 2024 to be in line with the SBTi's Forest, Land and Agriculture (FLAG) guidance. Ahold Delhaize has restated the baseline 2020 data for KPI 2a and 2b in line with this latest SBTi guidance. SBTi, "SBTi FLAG Guidance", (2023), at: <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>

³³ GHG Protocol, "Corporate Value Chain (Scope 3) Standard", at: <https://ghgprotocol.org/corporate-value-chain-scope-3-standard>

³⁴ SBTi, "SBTi FLAG Guidance", (2023), at: <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>

³⁵ Ibid.

³⁶ SBTi, "SBTi Corporate Net-zero Standard", at: <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>

³⁷ The Food Loss and Waste Accounting and Reporting Standard enables companies, countries, cities and others to quantify and report on food loss and waste. FLW Protocol, "Food Loss and Waste Accounting and Reporting Standard", at: <https://flwprotocol.org/flw-standard/>

Resources Institute.³⁸ The Company is a founding member of 10x20x30 Food Loss and Waste initiative and has been following this calculation methodology since 2016. Sustainalytics views the KPI as a whole, which is a measurement of economic intensity based on tonnes of food waste per food sales in EUR million, as an indirect KPI and notes that it does not lend itself well to be benchmarked in absence of comparable science-based benchmarks. Nonetheless, Sustainalytics notes that the calculation and definition of food waste follows a clear and consistent methodology that is externally defined.

Overall Assessment

Sustainalytics considers KPI 1, 2a and 2b to be very strong given that: i) they are a direct measure of the Company’s sustainability performance on relevant and material environmental issues; ii) they together have a high scope of applicability; iii) they follow clear and consistent methodologies that are externally defined; and iv) they lend themselves to be benchmarked against recognised external GHG emissions reduction trajectories.

Sustainalytics considers KPI 3 to be adequate given that: i) it is an indirect measure of the Company’s sustainability performance on a relevant and material environmental issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) it does not support benchmarking against contextual science-based trajectories.

KPIs	Strength of KPIs			
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO₂e)	Not Aligned	Adequate	Strong	Very strong
KPI 2a: Absolute scope 3 FLAG GHG emissions (MtCO₂e)	Not Aligned	Adequate	Strong	Very strong
KPI 2b: Absolute scope 3 energy and industry (non-FLAG) GHG emissions (MtCO₂e)	Not Aligned	Adequate	Strong	Very strong
KPI 3: Food waste per food sales (t/EUR million)	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Targets

Alignment with Ahold Delhaize’s Sustainability Strategy

Ahold Delhaize has set the following SPTs for its KPIs:

- SPT 1a: Reduce absolute scope 1 and 2 GHG emissions by more than 38% by 2025 from a 2018 baseline
- SPT 1b: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2030 from a 2018 baseline
- SPT 2a: Reduce absolute scope 3 FLAG GHG emissions by 30.3% by 2030 from a 2020 baseline
- SPT 2b: Reduce absolute scope 3 energy and industry (non-FLAG) GHG emissions by 42.0% by 2030 from a 2020 baseline
- SPT 3a: Reduce food waste per food sales by more than 40% by 2025 from a 2016 baseline
- SPT 3b: Reduce food waste per food sales by 50% by 2030 from a 2016 baseline

Sustainalytics considers the SPTs to be aligned with Ahold Delhaize’s Sustainability strategy. Please refer to Section 2 for an analysis of the credibility of the Company’s sustainability strategy.

Strategy to Achieve the SPTs

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

³⁸ WRI, “Food Loss & Waste Protocol”, at: <https://www.flwprotocol.org/>

- Ahold Delhaize intends to facilitate transition to low GHG emitting refrigerants by: i) replacing or retrofitting refrigerator systems with lower GHG alternatives; ii) installing natural or hybrid systems; and iii) minimizing leakage from all its systems.
- Ahold Delhaize plans to facilitate transition to renewable energy by increasing: i) onsite generation capacity; ii) use of power purchase agreements; and iii) renewable energy credits.
- Ahold Delhaize aims to facilitate transition from fossil fuels in heating and transportation by replacing heavy-duty vehicle fleets to electric vehicles. Furthermore, Ahold Delhaize plans to achieve this transition by electrifying facility heating with heat pumps and by using waste heat and other heating solutions.
- Ahold Delhaize intends to increase energy efficiency by installing energy-efficient solutions, such as LED lights, refrigerator cabinet doors, heat recuperation, heat pumps, CO₂ refrigeration systems and improved insulation. The Company also plans to install sensors, such as automatic defrosting sensors.

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

- Ahold Delhaize encourages and supports suppliers and farmers to establish their own GHG emissions reduction targets and submitting them to the SBTi for validation. As of 2023-year end, out of the Company's top 100 suppliers, more than 50 have already set or have committed to setting GHG emissions reduction targets in alignment with the SBTi.
- The Company aims to also increase sales of low-carbon products, including plant-based protein products. In this context, all of the Company's Europe-based brands aim to commit to establish a baseline for their protein ratios and set respective targets. One of Ahold Delhaize's brands, Albert Heijn, has already committed to achieving a distribution of 60% plant-based and 40% animal-based protein sales by 2030.
- Ahold Delhaize encourages its customers to choose lower GHG emissions products through loyalty programmes and discounts. The Company also plans to increase product transparency by adopting navigation systems such as HowGood, which is used by Giant Food (Ahold Delhaize's subsidiary) in the US,³⁹ product labelling, improving assortments towards more vegan and vegetarian products, and increasing knowledge on healthier lifestyles by giving customers access to free dieticians and knowledge platforms. The HowGood system' sustainability research helps consumers identify food products that meet environmental and social standards, including integration of carbon footprint with a Good, Great or Best attached to the price tag on store shelves.

SPT 3a and 3b: Ahold Delhaize intends to achieve SPT 3a and 3b through the following strategy:

- Ahold Delhaize aims to reduce food waste across its brands' operations, including stores, warehouses, distribution centres and transport. In this context, the Company intends to maximize its product utilization, such as through upcycling; refining product management such as through demand planning; and improving product distribution, for example, by decreasing transit times or route optimization.
- The Company also plans to donate surplus food to food banks, charities and innovative operations, including restaurants that cook with unsold food. In line with this plan, one of the Company's brands, Food Lion, has set a target to donate 1.5 billion meals by 2025. Additionally, another brand, the Giant Company, has launched an app-based digital marketplace for discounted products approaching their expiration dates.
- Ahold Delhaize intends to reduce the amount of food waste from landfills by sending food that is no longer suitable for human consumption to other recycling facilities, including animal feed production, green energy facilities and industrial uses.
- The Company has partnered with its key suppliers to support them in establishing their own food waste targets. In line with the World Resources Institute's 10x20x30 initiative, Ahold Delhaize's brands have partnered with 14 major suppliers, which have committed to reduce food waste by 50% in their own operations by 2030 (from 2021) by continuing to measure and publish their food waste inventory and creating actionable food waste reduction strategies.⁴⁰

³⁹ HowGood, "Giant Food Expands HowGood Ratings Program to 167 Supermarkets", at: <https://howgood.com/giant-food-partnership/>

⁴⁰ Ahold Delhaize, "Working together to reduce food waste: 10x20x30 initiative two years on", (2021), at: <https://www.aholddelhaize.com/en/news/working-together-to-reduce-food-waste-10x20x30-initiative-two-years-on/#:~:text=Ahold%20Delhaize%20brands%20have%20so,Incorporated%2C%20PepsiCo%2C%20Vezet%20and%20Yuhorhave>

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; and iii) how the SPTs compare with science.⁴¹

Ahold Delhaize has set the baselines for: i) SPT 1a and b at 2018 to be in line with SBTi-validated targets; ii) SPT 2 at 2020, in line with an SBTi target submission; and iii) SPT 3a and 3b at 2016, as it is the first year the Company reported food waste according to the Food Loss & Waste Standard, which the Company uses as the baseline year.

SPT 1a and 1b: Sustainalytics was able to use the following criteria to assess ambitiousness: past performance, peer performance and science-based trajectories.

Regarding past performance, Ahold Delhaize reduced its scope 1 and 2 GHG emissions by 35% between 2018 and 2023, representing an average annual reduction of 7%. To achieve SPT 1a, between 2023 and 2025, the Company would need to reduce scope 1 and 2 GHG emissions by approximately 2.3% annually on average, referring to GHG emissions observed in 2023 as the latest reporting year. To achieve SPT 1b, between 2023 and 2030, the Company would need to reduce scope 1 and 2 GHG emissions by approximately 3.3%, referring to GHG emissions observed in 2023 as the latest reporting year. Therefore, Sustainalytics considers SPT 1a and 1b to be below past performance but each representing a continuous material improvement.

Ahold Delhaize's SPTs 1a and 1b were compared with nine peers in the food retail and distribution industry. Out of the nine peers, Ahold Delhaize's targets exceed the targets set by six peers and are lower than the targets set by three peers. Based on this, Sustainalytics considers the SPTs to be above peers' targets.

Sustainalytics also notes that SPTs 1a and 1b are validated by the SBTi in line with the 1.5° C trajectory, following the absolute contraction cross-sector pathway.

SPT 2a: Sustainalytics was able to use the following criteria to assess ambitiousness: past performance, peer performance and alignment against science-based trajectories.

Regarding past performance, Sustainalytics notes that Ahold Delhaize restated the 2020 baseline data to be in line with the latest FLAG guidance (see KPI Characteristics section above). Therefore, Sustainalytics was not able to compare the SPT with past performance, except for the year 2020. Nevertheless, Sustainalytics notes that the achievement of the SPT in 2030 would result in an average annual decrease in scope 3 FLAG GHG emissions by 3.03%, as compared to the 2020 baseline. This represents a continuous material improvement.

In comparison with nine peers globally, Ahold Delhaize's SPT 2a is above seven peers and aligns with the targets set by two peers. Based on this, Sustainalytics considers the SPT to be above the targets set by peers.

In terms of comparison with science-based references, Sustainalytics notes that SPT 2a is aligned with the SBTi's 1.5° C trajectory, following the FLAG-specific pathway.⁴² Ahold Delhaize has informed Sustainalytics that it has submitted targets to the SBTi⁴³ intending to follow the 1.5° C trajectory and the SBTi's FLAG Standard.⁴⁴

SPT 2b: Sustainalytics was able to use the following criteria to assess ambitiousness: past performance, peer performance, alignment against SBTi references.

Regarding past performance, Sustainalytics notes that Ahold Delhaize restated the 2020 baseline data to be in line with the latest guidance FLAG guidance (see KPI Characteristics above). Therefore, Sustainalytics was not able to compare the SPT with past performance. Nevertheless, Sustainalytics notes that the SPT 2b implies an annual average GHG emissions reduction rate of 4.2% by 2030, as compared to the 2020 baseline. Therefore, Sustainalytics considers the SPT to represent a continuous material improvement.

In comparison with nine peers globally, Ahold Delhaize's SPT 2b is above seven peers and aligns with the targets set by two peers. Based on this, Sustainalytics considers the SPT to be above targets set by peers.

⁴¹ We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

⁴² Sustainalytics notes that 3.03% annual average reduction in GHG emissions at minimum is considered to be 1.5°C aligned. SPT 2a implies 3.03% per annum reduction between 2020 and 2030. SBTi, "Forest, Land And Agriculture Science Based Target-Setting Guidance", (2023), at: <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>

⁴³ SBTi, "SBTi Criteria and recommendations for near-term targets", (2023), at: <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>

⁴⁴ SBTi, "Forest, Land and Agriculture (FLAG)", at: <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>

In terms of comparison with science-based references, Sustainalytics notes that SPT 2b is aligned with the SBTi's 1.5° C trajectory, following the absolute contraction cross-sector pathway.⁴⁵ Ahold Delhaize has informed Sustainalytics that it has submitted its targets for FLAG emissions to the SBTi.⁴⁶

SPT 3a: Sustainalytics was able to use the following criteria to assess ambitiousness: past performance and peer analysis.

Regarding past performance, the Company reduced food waste per food sales by 37% between 2016 and 2023, representing an average annual reduction of 5.3%. Between 2021 and 2023, the Company reduced food waste per food sales by 20.3%, representing an annual average reduction of approximately 10.1%. Sustainalytics notes that achieving SPT 3a in 2025 would result in a decrease in food waste per sales by 4.8% compared to the food waste per sales observed in 2023. This represents an average annual reduction rate of approximately 2.4% between 2023 and 2025. Sustainalytics notes that it is comparatively easier to reduce food waste at higher rates in the beginning of a trajectory implementing viable reduction strategies than to achieve the same reduction rates in later years. Given the economic intensity-based metric, Sustainalytics validates the food waste reduction in absolute terms to ensure that the metric represents sustainability improvement. Sustainalytics notes that Ahold Delhaize's non-sustainability factors, such as increased food sales, may influence the achievement of the SPT and, therefore, may not lead to food waste reduction in absolute terms that would translate into a significant sustainability improvement. Therefore, Sustainalytics considers the SPT to represent a continuous material improvement if its achievement leads to absolute food waste reduction.

Ahold Delhaize's targets were compared with nine of its peers in the food retail and distribution industry. Out of the nine peers, Sustainalytics considers Ahold Delhaize's targets to be greater than targets set by six peers, aligned with targets set by two peers and lower than the target set by one peer. Based on this, Sustainalytics considers the SPT to be above peers' targets.

SPT 3b: Sustainalytics was able to use the following criteria to assess ambitiousness: past performance and peer analysis.

Regarding past performance, the Company reduced food waste per food sales by 37% between 2016 and 2023, representing an average annual reduction of 5.3%. Between 2021 and 2023, the Company reduced food waste per food sales by 20.25% representing an average annual reduction of 10.1%. Sustainalytics notes that achieving the SPT in 2030 would result in a decrease in food waste of 20.6% compared to the food waste observed in 2023. This represents an average annual reduction rate of approximately 3.0% between 2024 and 2030. Sustainalytics notes that for such intensity-based target, it is comparatively easier to reduce food waste at higher rates in the beginning of a trajectory implementing viable reduction strategies than to achieve the same reduction rates in later years. Given the economic intensity-based metric, Sustainalytics validates the food waste reduction in absolute terms to ensure that the metric represents sustainability improvement. Sustainalytics notes that Ahold Delhaize's non-sustainability factors, such as increased food sales, may influence the achievement of the SPT and, therefore, may not lead to food waste reduction in absolute terms that translate into a significant sustainability improvement. Therefore, Sustainalytics considers the SPT to represent a continuous material improvement if its achievement leads to absolute food waste reduction.

Ahold Delhaize's targets were compared with nine of its peers' targets in the food retail and distribution industry. Out of the nine peers, Sustainalytics considers Ahold Delhaize's SPT 3b to be greater than targets set by six peers, aligned with targets set by two peers and lower than the target set by one peer. Based on this, Sustainalytics considers the SPT to be above the targets set by peers.

Overall Assessment

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

Sustainalytics considers Ahold Delhaize's SPTs 1a and 1b to be highly ambitious given that: i) they are below past performance but show a continuous material improvement; ii) they are above peer performance; and iii) they are aligned with the SBTi's 1.5°C scenario.

⁴⁵ Sustainalytics notes that a 4.2% annual average reduction in GHG emissions at a minimum is considered to be 1.5 °C aligned. SPT 2b implies a 4.2% annual average reduction between 2020 and 2030. SBTi, "SBTi Corporate Net-zero Standard", at: <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>

⁴⁶ SBTi, "SBTi Criteria and recommendations for near-term targets", (2023), at: <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>

Sustainalytics considers Ahold Delhaize’s SPTs 2a and 2b to be highly ambitious given that: i) they represent a continuous material improvement; ii) they are above peer performance; and iii) they are aligned with the SBTi’s 1.5° C scenario.

Sustainalytics considers Ahold Delhaize’s SPT 3a and 3b to be moderately ambitious given that: i) they may represent a continuous material improvement if their achievement lead to absolute food waste reduction; and ii) they are above peer performance.

SPTs	Ambitiousness of SPTs			
SPT 1a: Reduce absolute scope 1 and 2 GHG emissions by more than 38% by 2025 from a 2018 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 1b: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2030 from a 2018 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2a: Reduce absolute scope 3 FLAG GHG emissions by 30.3% by 2030 from a 2020 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2b: Reduce absolute scope 3 energy and industry (non-FLAG) GHG emissions by 42.0% by 2030 from a 2020 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3a: Reduce food waste per food sales by more than 40% by 2025 from a 2016 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3b: Reduce food waste per food sales by 50% by 2030 from a 2016 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Bond Characteristics

Ahold Delhaize has disclosed that the financial characteristics of the sustainability-linked bonds issued under the Framework, such as a coupon step-up, will be linked to achievement of the SPTs selected. The selection of SPTs for each bond issued under the Framework and the specific details on the changes or adjustments in the financial characteristics will be detailed in the documentation of each specific bond issuance.

Sustainalytics considers the bond characteristics to be aligned with the SLBP, noting that it does not opine on the adequacy or magnitude of the financial penalty.



Reporting

Ahold Delhaize commits to report progress on the KPIs on an annual basis and intends to include the relevant figures in its Annual Report, published on Ahold Delhaize’s website. This reporting will include: i) updated information of performance on the selected KPIs, including the baseline where relevant; ii) verification assurance reporting related to the KPIs outlining the performance against the SPTs and their impacts; and iii) relevant information enabling investors to monitor the progress towards the SPTs. Additionally, Ahold Delhaize’s Annual Report may also include, whenever workable: i) qualitative or quantitative explanation of the details on the factors, including merger and acquisition activities, that may materially impact the evolution of the performance of KPIs on an annual basis; ii) illustration of the positive sustainability impacts of the performance improvement; and iii) any re-assessments of KPIs, restatement of SPTs, pro-forma adjustments of baselines or scope of KPIs in line with the recalculation policy in the Framework. This is aligned with the SLBP on reporting.



Verification

Ahold Delhaize commits to have external limited assurance conducted against each specified SPT for each selected KPI at least once a year, and in any case for any period relevant for assessing the performance towards the SPTs leading to a potential coupon adjustment or other financial impacts. Ahold Delhaize commits to publish the annual verification in its Annual Report, which will be on its website. This is aligned with the SLBP on verification.

Section 2: Assessment of Ahold Delhaize’s Sustainability Strategy

Credibility of Ahold Delhaize’s Sustainability Strategy

Ahold Delhaize’s sustainability strategy, namely “grounded in goodness” has two pillars: i) healthier people, focusing on products and communities; and ii) healthy planet, focusing on climate change, circular economy and nature.⁴⁷ Under its environmental pillar, Ahold Delhaize has committed to reach net zero carbon emissions for scope 1 and scope 2 by 2040 and for scope 3 carbon emissions by 2050. The Company has set a target to reduce scope 1 and 2 GHG emissions by 38% by 2025 and 50% by 2030, as compared to a 2018 baseline, which has been validated by the SBTi in line with the 1.5°C trajectory.⁴⁸ In this context, the Company has established company-wide GHG emissions reduction initiatives, namely: i) transition to low emitting refrigerants; ii) transition to renewable energy by increasing onsite generation, using power purchase agreements and renewable energy credits; iii) transition from fossil fuels-based heating and transportation to waste heat use, electric vehicles and alternatives; and iv) increasing energy efficiency by using more energy-efficient equipment, such as LED lights, heat recuperation, heat pumps, CO₂ refrigeration systems and improved insulation.⁴⁹

For decarbonization of the Company’s value chain, Ahold Delhaize aims to reduce scope 3 CO₂e emissions by 37% by 2030, as compared to the 2020 baseline in line with the 1.5°C trajectory.⁵⁰ Ahold Delhaize has set out initiatives, such as: i) encouraging and supporting farmers and suppliers to set their own emissions reduction targets, in line with the latest scientific evidence to accelerate improvements in livestock farming, raw material sourcing, deforestation reduction, processing, food waste reduction, packaging and transport; ii) investing in developing low-carbon products by introducing more plant-based protein products; and iii) proactively engaging with customers through loyalty programmes and discounts encouraging customers to choose lower emissions products, increasing product transparency through navigation systems and product labelling.⁵¹

In relation to food waste, which is one of the Company’s key priorities, Ahold Delhaize has set a target of reducing food wastes in tonnes per EUR 1 million of sales by 40% by 2025 and by 50% by 2030, as compared to a 2016 baseline of 4.99 t/EUR million.⁵² To reduce food waste, the Company has adopted a three-pronged approach: i) reduce food waste across operations by introducing discounts on almost-expired products, and using technology like dry misting in the fresh food department and electronic shelf pricing; ii) divert surplus food to food banks, charities and innovative operations, such as restaurants that cook with unsold food; iii) diverting food waste from landfill to recycling options, including animal feed production, green energy facilities and industrial uses; and iv) partnering with suppliers to source out food loss and waste in the food supply chain.⁵⁴

Ahold Delhaize follows international sustainability reporting frameworks, such as the Task Force on Climate-Related Financial Disclosures, the Global Reporting Initiative and the Sustainability Accounting Standards Board standards. Additionally, in November 2021, Ahold Delhaize became a signatory to the Business Ambition for 1.5°C, in partnership with the SBTi and the UN-led Race to Zero campaign. Ahold Delhaize is a founding partner of the World Resources Institute’s 10x20x30 initiative, which brings together more than 10 of the largest food retailers in the world, which have committed to engaging with 20 of their priority suppliers to halve their rates of food loss and waste by 2030.⁵⁵

⁴⁷ Ahold Delhaize, “Annual Report 2022”, (2022), at: <https://media.aholddelhaize.com/media/ob4jkl1/ar-2022-ahold-delhaize-interactive-final.pdf?t=638137720957200000>

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid.

⁵³ Ahold Delhaize, “Ahold Delhaize Sustainability-Linked Bond Framework”, (2024), at: <https://www.aholddelhaize.com/investors/debt-information/#investors-content>

⁵⁴ Ibid.

⁵⁵ Ibid.

Given the above elements of Ahold Delhaize's sustainability strategy, Sustainalytics considers that the Framework will further support the Company's sustainability initiatives and sustainability efforts.

Ahold Delhaize's Environmental and Social Risk Management

Sustainalytics acknowledges that Ahold Delhaize's defined targets are impactful, but achieving the SPTs bears environmental and social risks related to human rights – supply chain,⁵⁶ E&S impact of products and services⁵⁷ and product governance,⁵⁸ land use and biodiversity loss, emissions, effluents and waste, Occupational Health and Safety (OHS) and business ethics.

Sustainalytics comments below on Ahold Delhaize's ability to mitigate such potential risks.

- Regarding human rights in the supply chain, Ahold Delhaize's Code of Ethics and Position on Human Rights apply to all of its brands, being informed by internationally recognized human rights initiatives, including the UN Guiding Principles on Business and Human Rights, the UN Universal Declaration of Human Rights, the International Labor Organization's 1998 Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.^{59,60} Ahold Delhaize became a signatory to the UN Global Compact in 2010 committing to aligning its retail strategy with the UNGC's Ten Principles in the areas of human rights, labour, environment and anti-corruption.⁶¹ The Company has a human rights due diligence process in place in line with the OECD Due Diligence Guidance for Responsible Business Conduct. Ahold Delhaize also reports on its human rights due diligence on a bi-annual basis in a separate Human Rights Report. The Company requires that third-party suppliers sign and adhere to the Ahold Delhaize Standards of Engagement, which outline principles related to ethical business practices, human rights and the environment.⁶²
- For E&S impact of products and services, Ahold Delhaize requires that its suppliers comply with applicable regulation on air, water and soil pollution as well as waste management. The Company also encourages its suppliers to monitor and report their emissions in line with the GHG Protocol Standard, increase the use of recycled materials and reduce the use of plastics in packaging. Ahold Delhaize has established commodity-specific programmes for its own brands in relation to coffee, tea, cocoa, palm oil, soy, seafood and wood fibres.⁶³ As part of these targeted programmes, Ahold Delhaize sets and monitors targets, works with farmers, suppliers and industry groups to limit environmental risks, including deforestation and biodiversity loss. Additionally, in relation to the use of wood fibre, soy and palm oil in its own brand products, Ahold Delhaize aims to use certification and, where needed, credits that take into account the High Conservation Value approach.⁶⁴ Regarding sustainable agricultural practices, Ahold Delhaize and its brands work with farmers that apply good farming practices, such as Global G.A.P.,⁶⁵ the SAI Platform Farm Sustainability Assessment⁶⁶ and Rainforest Alliance certification.^{67,68} In addition, projects in the EU must comply with the Environmental Impact Assessment Directive 2011/92/EU, which requires land-intensive projects to be adequately assessed before they are approved and take appropriate measures to prevent, reduce and offset significant adverse effects on the environment, particularly on soil, species and habitats. Regarding food waste, Ahold Delhaize has in

⁵⁶ Sustainalytics' MEI Human Rights - Supply Chain focuses on a company's management of fundamental human rights issues occurring in its supply chain.

⁵⁷ Sustainalytics' MEI E&S Impact of Products and Services refers to the management of the inherent characteristics of input materials and the impacts during use, disposal and recycling (excluding carbon).

⁵⁸ Sustainalytics' MEI Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

⁵⁹ Ahold Delhaize, "Code of Ethics", at:

https://media.aholddelhaize.com/media/qv0iixj1/20220420_ahold_coe_digi_1920x1080_en.pdf?t=637865820686130000

⁶⁰ Ahold Delhaize, "Position on human Rights", (2022), at: <https://media.aholddelhaize.com/media/ys4jumuv/ahold-delhaize-position-on-human-rights-2022.pdf?t=637903574824100000>

⁶¹ United Nations Global Compact, "Ahold Delhaize", at: <https://unglobalcompact.org/what-is-gc/participants/12562-Ahold-Delhaize>

⁶² Ahold Delhaize, "Human Rights Report 2022", at: <https://media.aholddelhaize.com/media/zprnx2ho/ahold-delhaize-human-rights-report-2022.pdf>

⁶³ Ahold Delhaize, "Sustainable Agriculture", at: <https://www.aholddelhaize.com/sustainability/our-position-on-societal-and-environmental-topics/sustainable-agriculture/>

⁶⁴ Ibid.

⁶⁵ Global G.A.P, "What we do", at: <https://www.globalgap.org/>

⁶⁶ SAI Platform, "Join the industry wide movement of companies growing a better planet", at: <https://saiplatform.org/fsa/>

⁶⁷ Rainforest Alliance, "We're all in", at: <https://www.rainforest-alliance.org/>

⁶⁸ Ahold Delhaize, "Sustainability Policy", (2023), at: <https://www2.aholddelhaize.com/media/5slnbsnh/01-ahold-delhaize-sustainability-policy.pdf>

place a food waste policy in alignment with the World Resources Institute's 10x20x30 Food Loss and Waste Initiative.⁶⁹

- Regarding product governance, the Company has implemented a global Product Safety organization, policies, control framework and standard operating procedures at all of its brands. The Company's brands perform quality assurance reviews and audits in stores, DCs, and at key suppliers and preferred alternative suppliers.⁷⁰ 98% of the Company's production sites of own-brand food products are certified by the Global Food Safety Initiative or comply with another certification as of 2022.⁷¹

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to Ahold Delhaize. Overall, Sustainalytics considers that Ahold Delhaize has management programmes and policies to mitigate the aforementioned risks.

Section 3: Impact of the SPTs

Importance of reducing GHG emissions and food waste in food retail

By 2030, the anticipated growth in the global population and the impacts of climate change will require a potential 50% increase in food production.⁷² Food systems currently already generate significant GHG emissions, accounting for more than 30% of all emissions globally in 2022.^{73,74}

The food retail sector plays an important role in promoting sustainable development as intermediaries with supply chains, manufacturers, service providers and consumers.⁷⁵ Although their direct emissions are relatively low,⁷⁶ food retail is one of the most value chain-dependent sectors in the economy, with 97% of its total GHG emissions coming from its upstream supply chains or downstream customers' activities.^{77,78} Suppliers alone generate more than 70% of the food retail industry's GHG emissions.⁷⁹

It has been suggested that even if eliminating all non-food GHG emissions was currently possible, the emissions from the global food system alone would still push global warming beyond 1.5°C and make a 2°C target difficult to achieve.^{80, 81} The SBTi established the Forest, Land and Agriculture Guidance (FLAG) framework for companies operating in land-intensive sectors to set science-based targets in line with the Paris Agreement's goal of limiting global warming to 1.5°C.⁸² Under the FLAG framework, businesses engaged in activities that include food retail are required to set FLAG targets if their FLAG-related GHG emissions account for at least 20% of their total GHG emissions.⁸³

One aspect of the emissions from the food retail industry stems from waste, which UNEP estimates amounted to 931 million tonnes or 13% of food wasted globally in 2019, translating to an annual per capita waste of 15 kg in stores and 121 kg overall.⁸⁴ This global food waste accounts for 6% of global GHG emissions, highlighting the important role of retailers in preventing waste

⁶⁹ Champions 12.3, "10x20x30", at: <https://champions123.org/10-20-30>

⁷⁰ Ahold Delhaize, "Annual Report 2022", (2022), at: <https://media.aholddelhaize.com/media/ob4jkl1/ar-2022-ahold-delhaize-interactive-final.pdf?t=638137720957200000>

⁷¹ Ibid.

⁷² Sovacool, B. et al. (2021), "Decarbonizing the food and beverages industry: A critical and systematic review of developments, sociotechnical systems and policy options", *Renewable and Sustainable Energy Reviews*, at: <https://doi.org/10.1016/j.rser.2021.110856>

⁷³ McKinsey & Company, "Decarbonizing grocery", (2022), at: <https://www.mckinsey.com/industries/retail/our-insights/decarbonizing-grocery>

⁷⁴ Societe Generale, "Reducing emissions in Germany's food retail industry", at: <https://wholesale.banking.societegenerale.com/en/news-insights/clients-successes/clients-successes-details/news/reducing-emissions-in-germanys-food-retail-industry/>

⁷⁵ Ibid.

⁷⁶ McKinsey & Company, "Decarbonizing grocery", (2022), at: <https://www.mckinsey.com/industries/retail/our-insights/decarbonizing-grocery>

⁷⁷ OliverWyman, "Supermarkets need to act now for a net-zero future", at: <https://www.oliverwyman.com/our-expertise/insights/2023/mar/supermarkets-need-to-act-now-for-a-net-zero-future.html>

⁷⁸ McKinsey & Company, "Decarbonizing grocery", (2022), at: <https://www.mckinsey.com/industries/retail/our-insights/decarbonizing-grocery>

⁷⁹ Ibid.

⁸⁰ M.A. Clark, et al. "Global Food System Emissions Could Preclude Achieving the 1.5 and 2°C Climate Change Targets," *Science*, 370 (6517): pp. 705–708, (2020), at: <https://www.science.org/doi/10.1126/science.aba7357>

⁸¹ Global Alliance for the Future of Food, "Submission by the Global Alliance for the Future of Food on the First Global Stocktake (GST)", (2022), at: <https://unfccc.int/sites/default/files/resource/202208100817---Future%20of%20Food-Global%20Stocktake%20Submission-20220808.pdf>

⁸² SBTi, "Forest, Land and Agriculture (FLAG)", at: <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>

⁸³ KPMG, "Introducing SBTi – FLAG", at: <https://kpmg.com/ie/en/home/insights/2022/10/science-based-targets-sustainable-futures.html>

⁸⁴ UNEP, "Food Waste Index Report", (2021), at: https://wedocs.unep.org/bitstream/handle/20.500.11822/35280/FoodWast_e.pdf

within their stores and educating consumers, since 50% of food waste occurs under their purview and in households.⁸⁵ In 2022, food retailers produced 4.99 million tonnes of surplus food, with 35% of it ending up in landfill or incinerated as waste.⁸⁶

Based on the above, Sustainalytics is of the opinion that Ahold Delhaize's efforts to reduce emissions and waste will positively contribute to reducing its environmental footprint and support the Paris Agreement's goals.

Contribution to SDGs

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The sustainability-linked bonds issued under the Framework are expected to help advance the following SDG goals and targets:

KPI	SDG	SDG Target
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO ₂ e)	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
KPI 2: Absolute scope 3 GHG emissions (MtCO ₂ e)	9. Industry, Innovation and Infrastructure	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 sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	12. Responsible Consumption and Production	12.5 By 2030, achieve the sustainable management and efficient use of natural resources 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle
KPI 3: Food waste per food sales (t/EUR million)	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
	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 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

⁸⁵ Ludmir, C. (2023), "Food Waste Is Becoming Top Priority For Grocers - And They Are Trying To Get Shoppers Involved Too", Forbes, at: <https://www.forbes.com/sites/claraludmir/2023/08/30/food-waste-is-becoming-top-priority-for-grocersand-they-are-trying-to-get-shoppers-involved-too/?sh=7911ffd57c4d>

⁸⁶ ReFED, "Stakeholder Recommendations Retailers: Solutions for Grocery Waste", at: <https://refed.org/stakeholders/retailers/>

Conclusion

Ahold Delhaize intends to issue sustainability-linked bonds tying the financial characteristics, namely a potential coupon adjustment, such as coupon step-up, to achievement of the following SPTs:

- 1) SPT 1a: Reduce absolute scope 1 and 2 GHG emissions by more than 38% by 2025 from a 2018 baseline
- 2) SPT 1b: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2030 from a 2018 baseline
- 3) SPT 2a: SPT 2a: Reduce absolute scope 3 FLAG GHG emissions by 30.3% by 2030 from a 2020 baseline
- 4) SPT 2b: Reduce absolute scope 3 energy and industry (non-FLAG) GHG emissions by 42.0% by 2030 from a 2020 baseline
- 5) SPT 3a: Reduce food waste per food sales by more than 40% by 2025 from a 2016 baseline
- 6) SPT 3b: Reduce food waste per food sales by 50% by 2030 from a 2016 baseline

Sustainalytics considers KPI 1, 2a and 2b to be very strong given that: i) they are a direct measure of the Company's sustainability performance on relevant and material environmental issues; ii) they together have a high scope of applicability; iii) they follow clear and consistent methodologies that are externally defined; and iv) they lend themselves to be benchmarked against external GHG emissions reduction science-based trajectories. Sustainalytics considers KPI 3 to be adequate given that: i) it is an indirect measure of the Company's sustainability performance on a relevant and material environmental issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) it does not support benchmarking against contextual science-based trajectories, but it enables comparability across various industry players.

Sustainalytics considers Ahold Delhaize's SPT 1a and 1b to be highly ambitious given that: i) they are below past performance but show a continuous material improvement; ii) they are above peer performance; and iii) they are aligned with the SBTi's 1.5°C scenario.

Sustainalytics considers Ahold Delhaize's SPT 2a and 2b to be highly ambitious given that: i) they represent a continuous material improvement; ii) they are above peer performance; and iii) they are aligned with the SBTi's 1.5°C scenario.

Sustainalytics considers Ahold Delhaize's SPT 3a and 3b to be moderately ambitious given that: i) they may represent a continuous material improvement if their achievement lead to absolute food waste reduction; and ii) they are above peer performance.

Sustainalytics considers Ahold Delhaize's reporting and verification commitments to be aligned with the Sustainability-Linked Bond Principles 2023.

Based on the above, Sustainalytics considers the Ahold Delhaize Sustainability-Linked Bond Framework to be aligned with the five core components of the Sustainability-Linked Bond Principles 2023 and the prospective achievement of the SPTs to be impactful.

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