

## **Further explanation on agenda item 11 – proposal to amend the remuneration policy**

The inaccurate statement in the remuneration section in this year's annual report that did not align with the announcement in the 2015 AGM agenda caused confusion to several shareholders regarding the proposed adjustment to the Remuneration policy. We apologize for this.

Furthermore, shareholders have asked us to shed some light on the (decision) process followed and the methodology used to come to the proposed adjustment. We are more than willing to provide this insight.

The annual benchmark process starts by collecting and analyzing all relevant remuneration data. This is done by our external compensation consultant, Hay Group. In line with the remuneration policy as approved by our shareholders in the 2013 AGM, the international peer group is the basis for comparison. In addition, AEX market practice in the Netherlands is considered.

Every year, the benchmark results are presented in October to the Remuneration Committee Chairman and subsequently presented in the succeeding Remuneration Committee in November.

Based on the benchmark information, the Remuneration Committee decided that there was no indication to make any adjustment other than a 1,25% increase to the base salary for most of the Managing Board members. However, the benchmark did show that the total package for the CEO role (Total Direct Compensation; base salary, at target bonus and at target Long-term Incentive) and more specifically, the at target value of the Long-term Incentive component was, below the median levels of the peer group. The median level in the peer group was around 400% of base salary versus the current 185% for the Ahold CEO. An adjustment to that level was not deemed acceptable by the Remuneration Committee and it was decided to make a further study of the total package of the CEO.

The results of this study were presented in the first next meeting of the Remuneration Committee in 2015. In the study, the package of the CEO was benchmarked against a subset of companies in the AEX that were considered comparable on the basis of, international footprint, complexity and size. (The subset included Randstad, AkzoNobel, Philips, Heineken en WoltersKluwers). Based on the results of this study, the Remuneration Committee prepared a proposal to move the at target Long-term Incentive component to 220% (from 185%) of base. By doing so, the total direct compensation for the CEO was brought to the median of the subset of comparable companies from the AEX.

The proposal is to solely increase the Long-term incentive component with RoC and TSR as the performance measures as this further aligns with shareholder interest. In the proposal this component is adjusted to 170% (from 135%) of base salary. Added to the unchanged conditional share component, currently at 50% of base salary, the total Long-term Incentive component for the CEO amounts to an at target value of 220% of base salary.

The above proposal was submitted to the full Supervisory Board and approved on February 25, 2015.

The Remuneration Committee will take 2015 to evaluate the current remuneration policy with specific focus on the peer group currently used to benchmark the remuneration mix and levels. Part of the evaluation will be the consultation of the various stakeholders. The adjusted policy will be presented in the 2016 AGM.

We are more than willing to further elaborate on this in the next couple of weeks and in the AGM on April 15, 2015.