Remuneration policy of the Management Board

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Title	**Remuneration policy of the Management Board**
Applicable to	**Management Board**
Approved on	**April 19, 2016**
Effective date	**July 24, 2016**

Introduction

The remuneration policy of Koninklijke Ahold Delhaize N.V. (“Ahold Delhaize” or “the Company”) aims at attracting, motivating and retaining the best qualified talent. The Supervisory Board designed the Ahold Delhaize remuneration policy of the Management Board to align with the Company’s strategy and to support the pay for performance culture, while aiming at an effective, transparent and simplified policy.

In the development of the Company’s remuneration policy, scenario analyses were carried out with due regard for the risks to which variable remuneration may expose the Company.

Remuneration Philosophy

The basic elements of the Total Direct Compensation provided to Management Board members are (1) a base salary, (2) an annual cash incentive and (3) a long-term equity based program.

The Ahold Delhaize remuneration policy is aligned with the Company’s strategy and supports a strong and aligned performance culture. Accordingly the Total Direct Compensation for the Management Board is structured and more heavily weighted at variable short- and long-term incentives tied to realization of financial and societal performance criteria. These performance criteria are a cornerstone of the strategy for the Company.

The short-term incentive is focused on the key financial metrics of a retail organization: sales growth, operating margin and operating cash flow. Expanding market share, while growing margins and consequently increasing profitability while managing capital spending and expenses prudently to secure strong and sustainable cash flow are the Company's focus and goal.

The long-term incentive is measured against (i) internal measure on Return on Capital (“RoC”), (ii) external measure of the Company's share performance relative to that of its peers (Total Shareholder Return or “TSR”) and (iii) the Company's contribution to society through sustainability objectives. Performance for long term incentives is measured over a revolving three year period.

The structure of the Company's remuneration policy aligns the focus of the Management Board with the interests of the Company's shareholders, the Company's communities and society at large. Compensation and awards are tied to and dependent on the delivery of the Company's strategy in a responsible and sustainable way.

Market competitive pay

The competitiveness of the Management Board remuneration is benchmarked annually. The peer group used for this purpose consists of peer companies in Europe and the USA as well as AEX listed companies, and comprises of 18 companies. This labor market peer group reflects the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. In respect of being a Dutch headquartered company, the AEX market practice in the Netherlands is included. The composition (risk profile) of the Total Direct Compensation levels is taken into account when benchmarking base salary levels. The target Total Direct Compensation level is typically around the median, with base salary levels slightly below the median and long term incentives at the higher end of the market to support the pay for performance culture and long term focus.

European Peers	U.S. Peers	AEX
Tesco	Kroger	Unilever
Carrefour	Costco	Philips
Metro	Target	Heineken
Casino Guichard Perrachon	Walgreen Boots Alliance	Randstad
J Sainsbury	Best Buy	Akzo Nobel
W M Morisson	Staples	Relx

In anticipation of potential changes to the labor market peer group due to delisting, mergers or other extraordinary circumstances, the Supervisory Board has the discretion to include substitute comparable companies. In general, geographical composition leads replacement determination. For example, if a US based company drops out, it is replaced by a US based company.

Base salary

The level of the base salary of the members of the Management Board is derived from the benchmarking of Total Direct Compensation. Adjustment of the base salary is at the discretion of the Supervisory Board.

Annual cash incentive plan: Executive Committee Incentive Plan

The Management Board members participate in the Executive Committee ("ExCo") Incentive Plan ("EIP"). The EIP annual cash incentive plan uses three equally weighted financial measures: sales growth (30%), operating margin (30%) and operational cash flow (30%). In addition, personal objectives (10%) are included. The at-target pay-out as a percentage of base salary is 100 percent, contingent on full achievement of the objectives, with a cap at 150 percent of the base salary in case of above target performance.

Long-term Equity-based program: Global Reward Opportunity

The Management Board members participate in the Company long-term incentive program: Global Reward Opportunity ("GRO"). Under the GRO program, shares are granted through a three-year program. The vesting of these performance shares is subject to performance over a period of three years. The GRO program employs two financial measures: Return on Capital (40%) and Total Shareholder Return (40%). In addition, a non-financial performance measure (20%) is included related to responsible retailing / sustainability targets.

In line with market practice the target value of long term incentives to be granted differentiates per role. For the CEO the target value is 235% of base salary, for the Deputy CEO and US COOs the target value is 200% of base salary, for the CFO the target value is 175% of base salary and for the COO Europe the target value is 150% of base salary.

Linked to RoC

Of the total GRO award, 40% is linked to a three year Return on Capital target. Dependent on performance, the number of shares that eventually vest may range between zero and a maximum of 150% of the number of performance shares granted.

Linked to TSR

For another 40% of the total GRO award, the performance at vesting is measured using Total Shareholder Return (share price growth and dividends paid over the performance period) benchmarked against the TSR performance of a performance peer group comprised of 14 companies. The number of shares that vest depends on the Company's relative ranking in the peer group. An independent external advisor determines the ranking based on TSR performance. No shares will vest to Management Board members if the Company ranks below the seventh position in the performance peer group. The table below indicates the percentage of performance shares that vests based on the Company's ranking.

Company Ranking	Shares that will vest as % of originally granted amount
Ranking 1	175%
Ranking 2	150%
Ranking 3	125%
Ranking 4	110%
Ranking 5	100%
Ranking 6	80%
Ranking 7	50%
Ranking 8 until 14	0%

TSR performance peer group	
Tesco	Kroger
Carrefour	Costco
Metro	Target
Casino Guichard Perrachon	Walgreen Boots Alliance
J Sainsbury	Best Buy
W M Morisson	Staples
Walmart	

For relative TSR measurement, the above peer group comes into effect for all rolled-over unvested and yet to-be-granted GRO performance shares.

In anticipation of potential changes to the performance peer group due to delisting, mergers or other extraordinary circumstances, the Supervisory Board has the discretion to include substitute comparable companies.

Linked to Sustainable Retailing

For the remaining 20% of the total GRO award, the performance at vesting is measured using Sustainable Retailing targets. This measure relates to the Company's Sustainable Retailing strategic ambitions. The targets set under this non-financial performance measure are both qualitative and quantitative. Dependent on performance, the number of shares that eventually vest can range between zero and a maximum of 150% of the number of shares granted.

Shareholding requirements & ownership guidelines

Management Board members must retain the shares awarded under the GRO program for a period of at least five years from the grant date. The sale of a portion of the shares is permissible to finance tax due at the date of vesting. All members of the Management Board are required to hold shares in the Company with a value equal to 150% of their base salary. The holding may be build-up by retaining all after-tax shares from the GRO program and does not require personal share purchases.

Claw-back

A claw-back provision is applicable to the Management Board members' annual cash incentive plan (EIP) as well as the long-term equity incentive program (GRO).

Pensions and other contract terms

Pension

All existing pension arrangements in the Netherlands have been brought in line with the applicable fiscal pension regulations. The pension plan for Management Board members is calculated similarly to that of all other associates of the Company in the

Netherlands and is referred to as a defined benefit plan, based on career average salary. The (current) retirement age is 67. The pensionable salary is capped at around EUR 100,000 (2015: EUR 96,544). Each Management Board member, working on a Dutch contract, pays a pension premium contribution identical to that of all other associates of the Company in the Netherlands. In addition Management Board members receive a gross (age dependent) pension allowance and can choose to participate in a Net Pension Arrangement by investing the net (after tax) amount. The Net Pension Arrangement is identical to that of all other associates of the Company in the Netherlands whose pensionable salary exceeds the cap. Participation in this Net Pension Arrangement is voluntarily.

Members of the Management Board working on a non-Dutch contract will be offered pensions in line with local practices.

Loans

The Company does not provide loans or advances to members of the Management Board. Nor does the Company issue guarantees to the benefit of members of the Management Board.

Additional arrangements

In addition to the remuneration of the Management Board members, a number of additional arrangements apply. These include expense allowances, medical insurance and accident insurance, use of company cars and if applicable expatriate allowances, which apply to other senior employees and are in line with market practice in the Netherlands. In addition, third party tax services will be provided to ensure compliance with the relevant legislative requirements.

(Service) Agreements

The term of appointment for all Management Board members is four years. If the Company terminates the (service) agreement of any member of the Management Board, the severance payment is limited to one year's base salary. The same applies if an initial (service) agreement for four years is not continued in the event the Management Board member is not reappointed. The agreement may be terminated by the Company with a notice period of twelve months and by the Management Board member with a notice period of six months.

Transition year 2016

The ExCo Incentive Plan (EIP) for performance year 2016 will be determined pro rata for the period up to the merger between Koninklijke Ahold N.V. ("Ahold") and Delhaize Group NV/SA and post the merger having become effective on July 24, 2016.

The Global Reward Opportunity (GRO) award in 2016 will be made in the first open period following the merger. This delayed grant date is a one-time exception to the consistent grant policy in order to ensure a grant can be made to all members of the Management Board in 2016 on the same date. This 2016 award will vest on the regular vesting date in 2019, being the day after the Annual General Meeting of Shareholders.

Future GRO awards will continue to be made on the regular annual award date, being the day after the Annual General Meeting of Shareholders.

The outstanding performance shares awarded under the Ahold GRO program will roll-over in the Ahold Delhaize's long-term equity based program (2016 GRO). As a consequence of the Merger the outstanding (non-vested) performance share awards of the Ahold GRO plan are split in two parts. One part, which is related to the full performance years prior to the year of the Merger (2012, 2013, 2014 and 2015), will be assessed against the performance of the Company as a stand-alone company on the basis of the existing performance measures. Based on the performance realized in those years the portion of the award related to those years will be assessed and transformed into restricted shares of the Company. These restricted shares will not be subject to additional performance criteria, but will be subject to the remaining vesting period and continued employment. The other portion, which is related to the performance in the year of the Merger and beyond (2016 and 2017), will be assessed against the financial measures of the Ahold Delhaize long-term equity based plan. The outstanding conditional shares will continue to be subject to the remaining vesting period and continued employment.

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