Ahold Delhaize

Remuneration policy of the Management Board

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Title	**Remuneration policy of the Management Board**
Applicable to	**Management Board**
Approved on	**April 10, 2019**
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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 Management Board Remuneration Policy to align with the Company's strategy and to support the pay for performance culture, with an effective and transparent remuneration policy.

The policy contemplates the various risks and scenarios associated with variable compensation elements. The proposed policy is set out in full below.

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. In addition to the Total Direct Compensation, members of the Management Board are offered pensions and additional arrangements in line with local practices.

The Management Board 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 with variable short- and long-term incentives tied to the realization of financial and non-financial performance criteria. These performance criteria are cornerstone elements of the strategy for the Company.

The short-term incentive is focused on the fundamental key financial metrics of a retail organization: sales growth, underlying operating margin and operating cash flow. Expanding market share, while focusing on 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. In addition to these financial metrics, the short-term incentive includes specific goals for key strategic imperatives that reflect and support the Company's vision and strategic goals.

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

The structure of the Management Board Remuneration Policy aligns the focus of the Management Board with the interests of the Company's shareholders, the Company's stakeholders and society at large. Compensation and awards are tied to and dependent on the delivery of the Company's strategy in a socially responsible and sustainable manner.

Market competitive pay

The competitiveness of the Management Board remuneration is benchmarked annually. The benchmark peer group consists of a total of 18 peer companies in Europe and the USA as well as AEX and BEL20 listed 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. As a Dutch-headquartered company and considering the Company's Dutch and Belgian footprint, the AEX market practice in the Netherlands and BEL20 market practice in Belgium are included.

European Peers	U.S. Peers	AEX and BEL20
Tesco	Kroger	Unilever
Carrefour	Costco	Philips
Metro Cash & Carry	Target	Heineken
Casino Guichard Perrachon	Walgreen Boots Alliance	Randstad
J Sainsbury	Best Buy	Akzo Nobel
W M Morisson	Lowe's	AB InBev

To accommodate potential changes in the labor market peer group due to de-listings, mergers or other extraordinary circumstances, the Supervisory Board may exercise discretion to substitute comparable companies. In general, geographical composition leads replacement determination. For example, if a US based company drops out, it is generally replaced by a US based company.

The composition (risk profile) of the Total Direct Compensation levels is considered when benchmarking base salary levels. The target Total Direct Compensation level is typically at or near the median, while consideration is given to the size of Ahold Delhaize relative to the peer group, with a fixed to variable pay ratio that supports the pay for performance culture and a long-term strategic focus.

An individual exception to the Management Board Remuneration Policy has been applied for the CEO Ahold Delhaize USA (Kevin Holt). The Supervisory Board has and will determine the remuneration for the CEO Ahold Delhaize USA on the basis of a local reference market, the U.S. retail labor market reference group.

Base salary

The level of the base salary of the members of the Management Board is derived, as one component, from the benchmarking of Total Direct Compensation. Adjustment of individual base salaries 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 employs three financial measures: sales growth (30%), underlying operating margin (30%) and operational cash flow (20%). In addition, key strategic imperatives (20%) are included. In support of the pay for performance culture and in recognition of the Company's focus on margins, the underlying operating margin measure will serve as a threshold.

The at-target pay-out as a percentage of base salary is 100%, contingent on full achievement of the objectives, with a cap at 150% of the at-target value in the event of above target performance.

Long-term Equity-based program: Global Reward Opportunity

The Management Board members participate in the Company's long-term incentive program: Global Reward Opportunity ("GRO"). Under the GRO program, shares are granted as a three-year program. The vesting of these Performance Share Units is subject to performance over a period of three years. The GRO program employs three financial measures: Return on Capital (35%), EPS growth (35%) and Total Shareholder Return (15%). In addition, a non-financial performance measure (15%) is included related to sustainable retailing targets.

In line with market practice the target value of long-term incentives granted varies per role. For the CEO the target value is 235% of base salary, for the CEO Ahold Delhaize USA the target value is 200% of base salary, for the CFO the target value is 175% of base salary and for the CEO Ahold Delhaize Europe and Indonesia the target value is 150% of base salary.

Linked to Return on Capital

Of the total GRO award, 35% is linked to a three-year Return on Capital target. As determined by performance, the number of share units that vest may range between zero and a maximum of 150% of the number of performance share units granted.

Linked to Earnings per Share growth

35% of the total GRO award is linked to a three-year Earnings Per Share growth target. As determined by performance, the number of share units that vest may range between zero and a maximum of 150% of the number of performance share units granted.

Linked to Total Shareholder Return

15% of the total GRO award is determined based on Total Shareholder Return (share price growth and dividends paid over the performance period) benchmarked against a TSR performance peer group. The number of shares units that vest is determined based on the Company's relative ranking within the peer group. An independent external advisor determines the ranking based on TSR performance. No share units will

vest to Management Board members if the Company ranks below the sixth position in the performance peer group. The table below indicates the percentage of performance share units that may vest based on the Company's ranking.

TSR position	Payout
1	150%
2	125%
3	110%
4	100%
5	75%
6	50%
7-12	0%

All to-be-granted GRO performance share units will be measured against the established peer group.

TSR performance peer group	
Tesco	Kroger
Carrefour	Costco
Metro Cash & Carry	Target
Casino Guichard Perrachon	Walgreen Boots Alliance
J Sainsbury	Walmart
W M Morisson	

To accommodate potential changes in the performance peer group due to delisting, mergers or other extraordinary circumstances, the Supervisory Board may exercise discretion to substitute comparable companies.

Linked to Sustainable Retailing

15% of the total GRO award is determined based on achievement of Sustainable Retailing targets related to the Company's Social Responsibility and Sustainable Retailing strategic ambitions. Dependent on performance, the number of share units that vest may 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 a minimum 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. The CEO

is required to achieve and hold shares in the Company with a value at least equal to 300% of his or her annual base salary. All other members of the Management Board are required to hold shares in the Company with a value at least equal to 200% of their respective base salaries. 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 in place and may be applied 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 are in line with the applicable fiscal pension regulations. The pension plan for Management Board members is calculated consistent with plans for 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 68. The pensionable salary is capped at or near EUR 100,000 (2019: EUR 102,487). Each Management Board member, working under 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 under a non-Dutch contract are offered pensions in line with local practices.

Loans

The Company does not provide loans 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, insurance, use of company cars and, where 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 are 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 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.

Koninklijke Ahold Delhaize N.V.
Provincialeweg 11, 1506 MA Zaandam
P.O. Box 3000, 1500 HA Zaandam