

Frans Muller, President and CEO Ahold Delhaize

## Q&A with our CEO

We caught up with Frans Muller to reflect on a year unlike any other during his 24-year career in food retail – and hear his thoughts about the future.



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**Q: COVID-19 had a significant impact on Ahold Delhaize in 2020 – how do you look back on this extraordinary time?**

Throughout my entire career in the food retail business, 24 years, I've never experienced anything like the past year. COVID-19 has had a huge impact on our people and all our communities, both in terms of the public health crisis but also from an economic and social standpoint. As an essential business, our brands had to stay open to provide customers' basic needs. So, we acted fast to implement a wide range of safety measures in stores and distribution centers, worked closely with suppliers to ensure shelves were stocked, and expanded online capacity at an extraordinary speed. All in all, we spent approximately €680 million on safety measures, donations to support communities and appreciation pay for associates in 2020.

The pandemic has put enormous pressure on associates, both physically and mentally. During the peak, they were truly on the front lines, along with other essential workers. I am humbled and impressed, and tremendously proud of how associates across our brands kept going to serve not only customers but also their communities, many of which were hit hard by the pandemic and loss of jobs – especially those that were in a more vulnerable position to begin with. Our brands have continued to support them through food donation programs and other community partnerships. And our business has kept many small- and medium-sized enterprises and entrepreneurs going in these challenging times.

One thing that became clearer than ever is how essential our business is and how important it is to have strong and well-functioning food supply chains.

And how much we need to work together – across not only our local brands but our industry and our communities – to make sure everyone is taken care of.

**Q: In light of this, how would you characterize the company's financial results in 2020?**

We had strong sales in 2020, due to the COVID-19 impact of more people eating at home when restaurants were closed. This was partly balanced by higher costs related to the pandemic. Our underlying business also performed strongly during the year. Our online business accelerated rapidly, as more people switched to contactless shopping options, enabling us to reach our €7 billion target for net consumer online sales one year earlier than we had planned.

As a result of our strong performance, we were able to keep investing in our business. We more than fully deployed our capital budget, investing €2.6 billion to further build our omnichannel and digital capabilities, finance our U.S. supply chain overhaul and advance our Healthy and Sustainable strategy. I am pleased that we were able to strengthen our market position by entering into agreements to acquire stores from Southeastern Grocers and the online business FreshDirect, which will enable us to reach even more shoppers in the New York metro area.

We also took the opportunity to further secure the pensions of many associates in the U.S. And our brands hired more than 45,000 people to meet increased demand – an enormous number and an important way we could help families through job losses resulting from the pandemic.

For our shareholders, we propose a cash dividend of €0.90 per share for 2020, an 18.4% increase over 2019, which reflects our ambition to sustainably grow the dividend per share.

# Q&A with our CEO continued

**Q: You also announced several new long-term targets as part of your Healthy and Sustainable ambition. Why was this important?**

Yes, we made quite a lot of progress on our Healthy and Sustainable ambitions during the year. This is very important to me personally – it's one of the reasons I work in food retail. As a leading food retailer, Ahold Delhaize is able to exercise influence both upstream and downstream in the supply chain. We need to use this influence to help our industry address some of the big sustainability challenges facing us, not only because it's the right thing to do, but also because it's important that customers and associates can trust us to take responsibility for our impacts on people and the planet.

Our ambitions in this area focus on healthier eating. In 2020, for example, we rolled out a new target aiming for sales from healthy own-brand products to comprise at least 50.5% of our total own-brand sales in 2021. We set ambitious targets to reduce food waste and carbon emissions and increase product transparency. In 2020, we took our climate disclosure to a new level, publishing targets as part of the Science Based Targets initiatives and committing to include climate-related disclosures through our support of the Task Force on Climate-related Financial Disclosures.

I am proud of the level of transparency we achieved in our first Human Rights Report, which outlined six areas where we have room for improvement – and how we plan to address them. The report was well received by our stakeholders, who said that it was realistic and transparent, showing that we not only have gaps but that we also have the ambition to close these gaps.

Our achievements led to our company being ranked as the leading healthy and sustainable food retailer in the U.S. and Europe on the Dow Jones Sustainability World Index – truly a testament to the energy and actions of people in all our local brands working to improve our healthy and sustainable performance even in such a challenging year.

**Q: What are the biggest challenges and dilemmas you encounter while carrying out your strategy?**

We operate in a highly competitive landscape, in a fast-changing world, so we face complex challenges every day. Aside from the obvious challenges we encountered due to COVID-19, one of our main dilemmas is how to balance sales and margins in our online businesses. We invest heavily in technology and digital, to make it more convenient for associates to work and customers to shop. Our challenge is to maintain financial discipline at the same time. So, we are looking at ways to improve the profitability of our online businesses, by increasing efficiency in fulfillment and supply chains, for example.

Another dilemma is how to help people find a healthy balance in nutrition and lifestyle while, at the same time, providing the wide choice of products customers want. This is especially difficult when it comes to the sale of products seen as unhealthy, such as tobacco. Because we recognize that lifestyle choices are personal, our approach is to empower customers by providing them with the information they need to make healthy choices and access to healthy products. An important part of this – especially today – is ensuring healthy foods are affordable on any budget. Our brands also work to continuously reformulate own-brand products to be healthier.

**Q: The theme of this year's Annual Report is "Leading together through change." What does it mean to you?**

Of course, we saw unprecedented change in 2020 – from the quickly developing pandemic situation, to changes in society and technology, to huge pressure on economies and jobs and the widening gap between the haves and have-nots. At the same time, customer expectations and behaviors were rapidly shifting. All this meant that associates across all our brands constantly had to adapt, learning new behaviors and skills, and new ways of serving customers.

The challenges we faced this year required us to work together more closely than ever before, not only to share knowledge internally, but also with external partners. Our people moved mountains this year – but they did not do it alone. They worked together closely with suppliers, business partners, non-profits and governments to make sure they could care for both customers and communities.

And finally, I believe that Ahold Delhaize is well-positioned to lead during times of change and crisis. We have excellent people, and our strategy of operating great local brands means that we are very closely knit to the communities and societies we serve and that we know customers' needs very well. And we care – about each other, about customers and about communities. During our more than 150 years of operating supermarkets, we've built a strong reputation as a company that can be trusted in good and bad times. We proved that again this year and it helped our brands build loyalty and gain market share.

**Q: What are your expectations for the coming year?**

We know the coming year will remain uncertain, but we do see some trends brought on by COVID-19 that we expect will stay relevant in years to come.

Some of these trends could be considered positive. In many ways, the pandemic has brought us closer together – both in our families and in business – as we realized how much we need each other. I believe this feeling will remain long after the pandemic.

Customers became more conscious about making healthy choices for both people and the planet. Families had conversations around the dinner table about issues like climate change, food waste and healthy eating. As a result, we expect the sale of healthy and sustainable products to continue to grow.

Many people also learned to appreciate eating at home, a trend we believe will continue to a certain extent. And we will provide convenient solutions to help customers do this. Online shopping will remain part of many customers' routines – though we won't continue to see the extremely rapid growth we experienced at the height of the pandemic, we will now be growing from a higher base.

From a financial perspective, while the ongoing COVID-19 pandemic continues to bring uncertainty, we remain confident in our ability to produce strong cash flow once again in 2021, as you can see by our €1.6 billion free cash flow forecast.

## Q&A with our CEO continued

We have a company with a strong financial base. Even when we return to a more normal situation, we believe we'll be in a better position than we were before because of the investments we've made and the customer loyalty our brands have built. We have a good strategy, and we see many opportunities to grow across the whole shopping journey, for example in convenience, ready-made meals, takeaway, better recipes and highly personalized options. And we're making good investments in our store network, digitization, automation and supply chains and customer-facing technology such as self-checkout. We believe all of these will help our brands attract more customers and win in their markets in 2021 and beyond.

Other trends could be seen as negative, as COVID-19 has also brought a great deal of hardship – and it's not over yet. We have the deepest sympathy for those who have lost loved ones and dealt with sickness and pain – many also within our own teams. And we all regret that some businesses will not survive the pandemic. We need to see what we can do as a society to support people and businesses that have suffered the most because of COVID-19 – and we will certainly continue to find new ways to do this as a company.

I felt personally very affected by the racial unrest in the U.S. and Europe. It further opened my eyes to see how much work we still need to do on inclusion, avoiding discrimination and understanding each other better. How important it is for people to be themselves in our company and have a working environment where they can reach their full potential. I see how crucial it is that we continue to develop more diversity at Ahold Delhaize – it makes us a stronger company and enables us to make better decisions. Going forward, we will continue to drive diversity and inclusion across our company and in all our brands.

### Q: Any final thoughts?

The pandemic has taught me the value of having a strong company with strong values in times of crisis. I learned our people are very resilient – they go the extra mile to do the best possible job for their communities. I want to give a big thank you to them for working day in and day out, under difficult circumstances, to make sure products are available, shelves are stocked, and customers can get what they need in a safe way. They have displayed amazing amounts of energy to do the right thing and ensure that people can eat well, save time and live better – and we are so grateful.

And I want to give another big thank you to all the customers who stayed loyal to our brands and kept visiting our stores and enjoying our products online more than ever before. We appreciate your trust and confidence in our products, our people, our stores and our supply chain.

## 2020 Timeline:

### January

The GIANT Company announces a \$114 million strategic growth plan.

### April

Ahold Delhaize announces €170 million in COVID-19 relief and support efforts so far.

After joining Ahold Delhaize in March, Natalie Knight is appointed to the Management Board in the role of Chief Financial Officer (CFO) at the annual General Meeting of Shareholders.

### June

Food Lion agrees to acquire 62 BI-LO and Harveys Supermarkets from Southeastern Grocers.

Ahold Delhaize publishes its inaugural Human Rights Report.

### July

Stop & Shop reaches tentative withdrawal agreement with local unions on UFCW International Union – Industry Pension Fund (ratified in October).

Ahold Delhaize adopts science-based climate targets for 2030.

### August

Bol.com introduces a French-language website, expanding into Brussels and Wallonia.

### October

Delhaize launches SuperPlus program to make healthy foods more affordable.

### November

Ahold Delhaize elevates its position as a world leader in the Dow Jones Sustainability Index.

Ahold Delhaize enters into a definitive agreement to acquire FreshDirect.

### December

Ahold Delhaize successfully closes €1 billion, Sustainability-linked Revolving Credit Facility.

Stop & Shop reaches agreement with local union 1500 on pension fund investment and withdrawal

Giant Food reaches agreement with Pension Benefit Guaranty Corporation (PBGC) and local unions on certain multi-employer pension plans.