

Ahold Delhaize

Type of Engagement: Annual Review

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Introduction

In June 2019, Koninklijke Ahold Delhaize N.V. ("Ahold Delhaize") issued €600 million of sustainability bonds to finance its transition to sustainable food systems as well as low carbon operations. In 2020, Ahold Delhaize engaged Sustainalytics to review the projects funded through the issued sustainability bonds and to provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in its Sustainability Bond Framework ("Framework").

Evaluation Criteria

Sustainalytics evaluated the projects funded in 2019 based on whether they:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1: Use of Proceeds (UoP), Eligibility Criteria, and associated KPIs

UoP Theme	UoP Categories	Eligibility Criteria	Key performance indicators (KPIs)
Procurement of Sustainably Produced Products	Environmentally Sustainable Management of Living Natural Resources and Land Use	<p>Procurement of sustainably produced products, including certified sustainable products, in the year of issuance. Costs related to:</p> <ul style="list-style-type: none"> • Procurement of third-party certified products (including tea, coffee and seafood) • Installation of the "Urban Farm" (to contribute to providing local sustainable products as well as educational programs and workshops for schools) 	<ul style="list-style-type: none"> • Percentage of sales from sustainability sourced own-brand products (for Certified seafood, tea, coffee and cocoa)
Climate Impact	Renewable Energy	<p>Expenditures related to investments in renewable energy including from on-site or off-site solar, wind, geothermal, and bio-digesters. Feedstock for bio-digesters to be derived from retail store and distribution center food waste, and possibly other waste streams.</p>	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent • Annual energy savings in MWh (electricity) and GJ (other energy savings)
	Energy Efficiency	<p>Expenditures related to increasing energy efficiency of stores and distribution centers. Costs related to:</p> <ul style="list-style-type: none"> • Energy efficiency projects: LED lighting installations, efficiency devices on heaters and heat pumps; installing doors or curtains on 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent • Annual energy savings in MWh (electricity) and GJ (other energy savings) due to installation of energy

		<p>cooling cabinets; insulation; purchase of energy efficient equipment</p> <ul style="list-style-type: none"> Refrigeration projects: upgrading refrigeration equipment to improve energy efficiency 	<p>efficient fixtures /devices /equipment.</p> <ul style="list-style-type: none"> Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent Annual energy savings in MWh (electricity) and GJ (other energy savings) due upgrading refrigeration equipment.
	Green Buildings	<p>Expenditures related to stores, offices or warehouses that have received or are expected to receive Gold or Platinum LEED certification, BREEAM 'Excellent' or 'Outstanding' certification, or a nationally recognized equivalent certification.</p>	<ul style="list-style-type: none"> LEED, BREEAM, or equivalent environmental certification scores
	Pollution Prevention and Control	<p>Expenditures related to waste prevention, including operational improvements and food donations, food waste recycling, waste recycling, optimizing packaging for sustainability. Costs related to:</p> <ul style="list-style-type: none"> Optimizing replenishment processes, ordering, and stock management to reduce shrink¹: Plastic and packaging reduction, increase in recyclability or compostability of plastics Improving collection and recycling, including packaging and other operational waste. Changing refrigerant to natural or climate-friendly substances 	<ul style="list-style-type: none"> Percentage of total food waste recycled Tonnes of food waste reduced Tonnes of waste recycled Tonnes of plastic reduced
Promoting Healthier Eating	Access to Healthy Food	<p>Expenditures related to implementation and expansion of healthier eating initiatives while maintaining affordability, including R&D for reformulated products and marketing and distribution of healthier products. Costs related to:</p> <ul style="list-style-type: none"> Reformulation of own brand products to improve the nutritional quality of products while maintaining product affordability Maintenance and improvement of the Guiding Stars System, an audited nutritional rating system in U.S. Investments in rating products against the Choices International criteria (Europe), an audited nutritional rating system developed by a panel of third-party scientists, 	<ul style="list-style-type: none"> Percentage of sales from healthier products

¹Shrink is as any removal of food from the food supply chain which is or was at some point fit for human consumption, but has been disposed of, or has spoiled or expired, mainly as a result of economic behavior, poor stock management, neglect, theft or cash shortages.

		<p>based on World Health Organization dietary guidelines².</p> <ul style="list-style-type: none"> Investments in rating products against the Nutri-Score system, a European based rating system 	
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Issuing Entity’s Responsibility

Ahold Delhaize is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Ahold Delhaize’s Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Ahold Delhaize employees and review of documentation to confirm the conformance with the Ahold Delhaize.

Sustainalytics has relied on the information and the facts presented by Ahold Delhaize with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Ahold Delhaize.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Ahold Delhaize’s Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. Ahold Delhaize has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of the end of 2019.

² <https://www.choicesprogramme.org/>

³ Sustainalytics’ limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the sustainability bond in 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Ahold Delhaize and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the sustainability bond in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Ahold Delhaize and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendices

Appendix 1: Impact Reporting by Eligibility Criteria

UoP Themes	UoP Categories	Environmental Impact Reported by Eligibility Criteria (For the year 2019)
Procurement of Sustainably Produced Products	Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> 97% of own-brand products containing tea certified against an acceptable standard 96% of own-brand coffee products certified against an acceptable standard 84% of own-brand products containing cocoa certified against an acceptable standard 98% of own-brand seafood product sales certified against an acceptable standard, from sustainable sources assessed by a credible third party, or from credible FIPs / AIPs (Fishery and Aquaculture Improvement Projects)
Climate Impact	Renewable Energy	<ul style="list-style-type: none"> 51 million kWh of total renewable electricity produced on site in 2019
	Energy Efficiency	<ul style="list-style-type: none"> 32% change in CO2 equivalent emissions per m2 of sales area (from 2008 baseline) as result of utilization of renewable energy and implementation of energy efficiency measures 78% of refrigerants used in 2019 were ozone friendly refrigerants
	Green Buildings	<ul style="list-style-type: none"> Construction of a new warehouse for bol.com (Ahold Delhaize's online retailer), which was rated as BREEAM Outstanding.
	Pollution Prevention and Control	<ul style="list-style-type: none"> 77% of total food waste recycled 77% of waste recycled 9% reduction in food waste (measured in tonnes of food waste per sales t/€ million) and compared to a 2016 baseline).
Promoting Healthier Eating	Access to Healthy Food	<ul style="list-style-type: none"> 48% of healthy own-brand food sales as a proportion of total own-brand food sales 95% of own-brand products with front-of-pack nutritional labeling

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