Remuneration

Ahold Delhaize's remuneration policy was prepared in accordance with the Dutch Corporate Governance Code 2008. It was adopted at the General Meeting of Shareholders on April 19, 2016. The remuneration policy became effective on July 24, 2016, the first calendar day after the merger of Ahold and Delhaize was finalized.

Remuneration philosophy

Ahold Delhaize's remuneration policy is aligned with the Company's strategy and supports a strong and aligned performance culture. Our remuneration policy aims at attracting, motivating and retaining the best-qualified talent.

Management Board remuneration policy

The Supervisory Board designed the Management Board's remuneration policy to align with the Company's strategy and to support its pay-for-performance culture, while aiming to be effective, transparent and simple. While developing the remuneration policy, we carried out scenario analyses to determine the risks to which variable remuneration may expose the Company.

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 line with our overall remuneration philosophy, the Management Board's Total Direct Compensation is structured and more heavily weighted on variable short- and long-term incentives tied to the realization of financial and societal performance criteria. These performance criteria are a cornerstone of the Company's strategy.

The short-term incentive is focused on the key financial metrics of a retail organization: sales growth, operating margin and operating cash flow. Our focus and goal is to expand market share, while at the same time grow margins to increase profitability and manage capital spending and expenses prudently to secure strong and sustainable cash flow.

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

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

Market competitive pay

The competitiveness of the Management Board remuneration is benchmarked annually against a labor market peer group that reflects the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. Since Ahold Delhaize is a Dutch-headquartered company, the AEX market practice in the Netherlands is included. The peer group consists of 18 companies, including peer companies in Europe and the U.S. as well as AEX-listed companies.

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 in determining a replacement company: for example, if a U.S.-based company drops out, it is replaced by another U.S.-based company.

The composition (risk profile) of the Total Direct Compensation levels is also 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.

Base salary

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

Remuneration *continued*

Annual cash incentive plan: Executive Committee Incentive Plan

The Management Board members participate in the Executive Committee Incentive Plan (EIP). The EIP is an annual cash incentive plan that uses three equally weighted financial measures: sales growth (30%), underlying operating margin (30%) and operating cash flow (30%), as well as personal objectives (10%). The at-target payout as a percentage of base salary is 100%, contingent on full achievement of the objectives, with a cap at 150% of the base salary 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 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: RoC (40%) and TSR (40%). In addition, a non-financial performance measure (20%) related to sustainable retailing targets is included.

In line with market practice, the target value of the long-term incentives granted under the program differentiates per role. For the CEO, the target value is 235% of base salary; for the Deputy CEO and U.S. 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.

The total GRO award is comprised of three portions of shares, linked to RoC, TSR and sustainability targets, respectively.

Linked to RoC

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

Linked to TSR

Another 40% of the total GRO award is linked to TSR (share price growth and dividends paid over the performance period), with performance at vesting benchmarked against the TSR performance of a TSR peer group. The number of shares that vest depends on the Company's relative ranking in the peer group. An independent external adviser 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 – 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

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 and 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 built 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).

Remuneration *continued*

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 €100,000 (2016: € 97,474). Each Management Board member working on a Dutch contract pays a pension premium contribution identical to that of all other Ahold Delhaize associates 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

Ahold Delhaize 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 associates 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 12 months and by the Management Board member with a notice period of six months.

Future outlook

For 2017, no adjustments to the remuneration policy are expected.

2016 Management Board remuneration

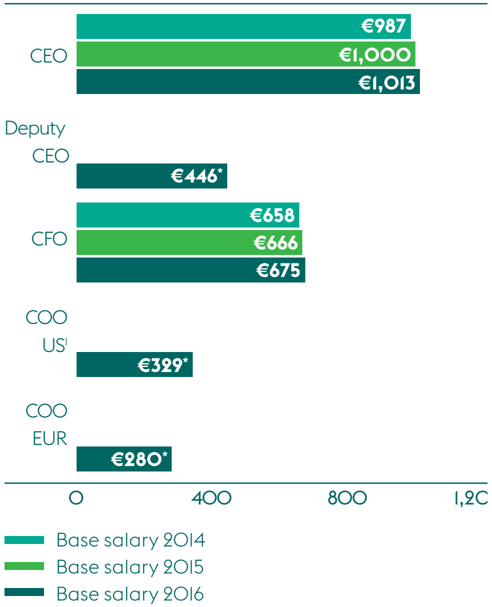
The Management Board remuneration for 2016 is in accordance with the Management Board remuneration policies applicable in 2016. Up to the date of the merger between Ahold and Delhaize, the Ahold remuneration policy applied. This policy was adopted at the General Meeting of Shareholders on April 17, 2013, and amendments were adopted at the General Meeting of Shareholders on April 15, 2015.

Ahold Delhaize's remuneration policy, adopted at the General Meeting of Shareholders on April 19, 2016, applies as of July 24, 2016 – the first calendar day after the merger of Ahold and Delhaize was finalized.

2016 Base salary

The base salaries of members of the (former Ahold) Management Board were increased by 1.75% effective March 28, 2016. No changes to base salaries were made at the time of the merger.

Base salary
thousands



* For the members appointed to the Management Board in 2016, the 2016 base salary reflects a partial year.

1 COO U.S. refers to the COO Delhaize America for the period up to October 1, 2016 and the COO Ahold USA for the period starting October 1, 2016. The salary of the COO U.S. has been converted from U.S. dollars into euros using the year-to-date average $/€ exchange rate of 0.912519.

Remuneration *continued*

2016 Annual cash incentive plan: EIP

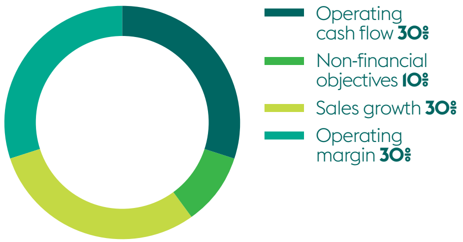
The ExCo Incentive Plan (EIP) for performance year 2016 has been determined pro rata for the period up to the merger between Ahold and Delhaize and after the merger became effective on July 24, 2016.

For the period up to the merger, the EIP uses three equally weighted financial measures: sales growth (30%), operating margin (30%) and operating cash flow (30%). In addition, one non-financial performance measure (10%) is included that relates to our Responsible Retailing strategic ambitions. Targets set under this non-financial performance measure are qualitative. The score under the non-financial component is linked to the performance of the financial components. If the financial multiplier is zero, the score on the non-financial component will also be zero (regardless of the achieved score on the non-financial component).

For the period after the merger, the EIP uses the same three equally weighted financial measures: sales growth (30%), underlying operating margin (30%) and operating cash flow (30%). In addition, personal objectives (10%) are included.

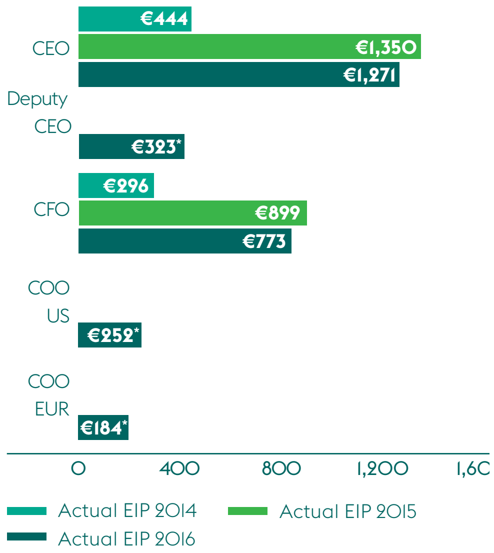
Ahold Delhaize does not disclose the actual targets per performance measure, as this is considered to be commercially sensitive information.

2016 EIP Performance measures



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

Actual EIP
thousands



* For the members appointed to the Management Board in 2016, the 2016 EIP reflects a partial year.

1 2016 EIP represents accrued annual cash incentives to be paid in 2017 and subject to shareholder approval of the financial statements.

2 For former Ahold management board members, the EIP for the year 2016 has been determined pro rata for the period up to the merger and after the merger became effective. For former Delhaize management board members, the 2016 EIP reflects a partial year and has been determined pro rata for the period after the merger became effective. The overall 2016 performance multiplier was 108%. This reflects our results being modestly ahead of target. In addition to our financial performance, being a responsible retailer remains a key priority. We are pleased with our progress in 2016 on our previously established responsible retailing targets and commitments. The individual EIP amounts also include the component linked to individual performance. In recognition of outstanding leadership leading up to and since the completion of the merger, the Supervisory Board increased the EIP payout for the CEO by 11% for 2016, in line with the parameters of the Company's Remuneration Policy.

3 COO U.S. refers to the COO Delhaize America for the period up to October 1, 2016, and the COO Ahold USA for the period starting October 1, 2016. The EIP of the COO U.S. has been converted from U.S. dollars into euros using the year-to-date average $ / € exchange rate of 0.912519.

Remuneration *continued*

2016 Long-term equity-based program: GRO

The Management Board members participate in Ahold Delhaize's long-term equity-based incentive program, GRO. The 2016 GRO award was made in the open period following the merger. This grant date was a one-time exception to the consistent grant policy in order to ensure a grant could be made to all members of the Management Board on the same date in 2016. This 2016 award will vest on the regular vesting date in 2019: the day after the annual General Meeting of Shareholders. Future GRO awards will continue to be made on the regular annual award date, which is also the day after the annual General Meeting of Shareholders.

The vesting of the GRO performance shares is subject to performance over a period of three years and 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. For this purpose, performance is measured on the basis of both an external and internal target. The Dow Jones Sustainability Index (the external target) measures how the Company performs on sustainability against peers in the sector. Healthy sales (the internal target) is the measure we use to drive performance against our company objective of facilitating healthier eating.

2016 GRO grant

To calculate the number of shares to be granted, the at-target value of the award is divided by the average share price over the six-month period preceding the regular annual award date. Scenario analyses are prepared regularly to estimate the possible future payout levels.

At-target grant and maximum vesting performance shares

	Performance shares				
	RoC (40%)	TSR (40%)	Sustainability (20%)	Total at-target grant	Total maximum vesting
CEO	94%	94%	47%	235%	376%
Deputy CEO	80%	80%	40%	200%	320%
CFO	70%	70%	35%	175%	280%
COO US	80%	80%	40%	200%	320%
COO EU	60%	60%	30%	150%	240%

All percentages constitute a percentage of base salary

2016 GRO share grant calculation – *Example CEO*

	At-target share grant (% of base salary)	Award value (base salary * at-target grant %)	Number of shares granted (award value divided by six-month average share price)
RoC performance shares	94%	955.999	48.680
TSR performance shares	94%	955.999	48.680
Sustainability performance shares	47%	477.999	24.340
	235%	2.389.997	121.700

Table assumes base salary of €1,017,020 and six-month average share price preceding the regular annual award date of €19.63

2016 GRO share grant calculation – *Example CFO*

	At-target share grant (% of base salary)	Award value (base salary * at-target grant %)	Number of shares granted (award value divided by six-month average share price)
RoC performance shares	70%	474.609	24.168
TSR performance shares	70%	474.609	24.168
Sustainability performance shares	35%	237.305	12.084
	175%	1.186.523	60.420

Table assumes base salary of €678,013 and six-month average share price preceding the regular annual award date of €19.63

Treatment of outstanding performance shares

The outstanding performance shares awarded under the Ahold GRO program (for former Ahold management board members) and the Delhaize European long-term incentive plan (for former Delhaize management board members) have been rolled over into Ahold Delhaize's GRO program.

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

Outstanding (non-vested) performance shares awarded under the Delhaize European long-term incentive plan have similarly been converted into Ahold Delhaize restricted shares and shares subject to meeting the performance measures of the Ahold Delhaize GRO plan.

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