



We talked to Frans Muller about how being a family of great local brands helped us continue to meet the needs of all our stakeholders during another challenging year.

Q It's been another challenging year around the world – looking back, how has the company responded?

It was indeed a difficult year, that put a lot of strain on associates and communities – particularly as a result of the war in Ukraine. Having worked in Ukraine and Russia earlier in my career, I felt great sadness and shock as I watched events unfold. I'm grateful to, and proud of, the people in our brands, particularly in Romania and the Czech Republic, who offered comfort, food and other necessary supplies, shelter and work to civilians fleeing violence.

We also saw the impact on people's mental well-being – which was already under pressure after two difficult years of the COVID-19 pandemic. The war created uncertainty, fear and a feeling of powerlessness for many. Our brands worked hard to support associates, continuing to invest into mental health and overall well-being.

The wider impact of the war was felt across the world, but particularly in Europe, where we saw unprecedented inflation, rising commodity prices and soaring energy prices. What helped us to adapt is our unique strength as a family of great local brands and our proven Leading Together strategy. Our brands worked hard to keep prices as low as possible for customers and support local communities – while implementing cost-savings programs to control margin pressure, particularly in Europe. Our buying and merchandising teams did an amazing job. They negotiated firmly with suppliers and left no stone unturned to ensure we could continue to provide realistic prices, even in these challenging times. I'm very grateful for their hard work on behalf of customers. This is a responsibility all companies across the food supply chain need to take.

I want to thank all of my colleagues for putting customers and communities first during the year, especially while facing their own challenges. As we continue to navigate through choppy waters, I feel confident that together we've built a strong ship that can weather the storm. We laid a solid groundwork in 2022, guided by our Leading Together strategy, and we have great teams and the right knowledge and expertise to face whatever comes next.



Q&A WITH OUR CEO



How are our great local brands adapting to this volatile environment?

During the year, our brands focused on keeping healthy groceries affordable for customers. They invested in local communities and associates, along with strategic projects in digitalization, sustainability and store remodeling. We worked hard to balance the needs of all stakeholders, and ensure our brands could keep caring for customers and communities during these challenging times.

I already mentioned tougher supplier negotiations by our buying teams. There are many other examples of how our brands are keeping healthy food as affordable as possible. One I'm especially proud of, and that shows the value of collaboration, was the adoption of Albert Heijn's price favorite program by our other European brands. This program supports customers by providing the best prices on high-quality everyday products.

During the pandemic, we saw people cooking at home more and enjoying the convenience of our brands' ready-to-eat ranges. This year, our brands built on that trend by expanding their ranges, enhancing the affordability of their convenient meal solutions and finding other ways to help customers manage their spending. For example, all our brands provided online recipes and cost calculations to help customers cook fresh and healthy meals on a budget.

Our brands also continued to expand their own-brand assortments, which I'm proud to see growing stronger every day. And they used their highly tailored omnichannel loyalty programs to provide personalized offers and solutions relevant to customers at every step of the shopping journey.

In line with our shared values, our brands showed they care for people across their communities in many other ways. As a total company, we donated €218 million in cash and equivalent donations, such as food and products, to charitable organizations. Food Lion Feeds reached an important milestone in 2022 when it donated its one billionth meal, and Albert became the largest food donor in the Czech Republic during the year.



How did this environment influence Ahold Delhaize's financial results?

We felt the brunt of the external headwinds – such as rising energy and raw materials prices – in our European businesses. This impacted margin here, and we are working to bring it back to normal levels over time. While our U.S. brands were also affected, to a lesser extent, they were able to weather these headwinds better due to a stronger U.S. economy, higher consumer confidence and more energy self-sufficiency.

With many factors outside of our control in 2022, we focused on things we could control, for the benefit of customers, communities and our company.

While the magnitude of inflation made it impossible to avoid raising prices, our brands were able to absorb part of the cost increases relating to energy, transport and labor by accelerating their work on our Save for Our Customers programs – delivering record-high savings of €979 million. This enabled us to continue to invest in better customer propositions and keep shelf prices as low as possible.

One person who has been passionate about driving our Save for Our Customers program is our CFO, Natalie Knight. In light of her decision in early 2023 to leave the company and return home to the U.S., I'd like to thank her for her contributions to our company. We wish her all the best in the future.

In our Annual Report 2021, I mentioned our planned sub-IPO to fuel bol.com's growth potential. However, during this turbulent past year, we announced that we had decided to suspend the intention to sub-IPO bol.com in 2022 and would revisit when equity market conditions are more conducive.



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Q&A WITH OUR CEO



The theme of this year's Annual Report is 'Local matters' – why is this an especially important message for 2022?

To us, local is not just about geography. It's about communities – and our deep connections to them through our great local brands. It's about offering people jobs in the neighborhood, while supporting local charities and institutions they care about. It's about our ambition to be 100% gender balanced, 100% reflective of our communities and 100% inclusive.

The concept that local matters is at the center of our vision to create the leading local food shopping experience and our purpose to help people eat well, save time and live better. It's part of everything we do. We are proud to operate the great local brands that customers love and trust – brands deeply rooted in their communities for generations.

We believe that local is the right strategy for us, and what makes us unique. A high relative market share combined with brand strength is, in our view, the winning combination.

And our customers appreciate us for it; we see that more than ever in these challenging times. Year after year, our brands have connected with customers, supported causes important to their communities and provided healthy and affordable food. We believe that people remember this, they trust us for it, and they come to us in times of crisis as a result.



What is the value for our local brands in being part of an international company?

Our unique portfolio of brands, operating across different markets in the U.S. and Europe, gives us some big advantages. We can leverage skills across the brands – for example, by sharing learnings from a program or initiative that's proven successful at one brand to be locally adapted and very quickly implemented at another. Our ability to collaborate makes us more agile and gives us better speed to market.

A good example of this is the AB Plus loyalty program. It was first implemented as the SuperPlus program at Delhaize Belgium and later rolled out at Alfa Beta in Greece. Our Digital and Tech teams adapted most of the SuperPlus functionalities into AB Plus, leveraging the existing technology and knowledge, and added even more capabilities. Since its launch in September 2022, the program has quickly gained popularity. Within the first few weeks, the AB app ranked among the top trending apps in Greece, with 180,000 new user registrations and 280,000 active users in December 2022.

We are working to unlock even more value by leveraging our transatlantic and regional scale. We have launched several projects that are helping us transform our omnichannel offering by combining our skills on both sides of the ocean to find solutions and opportunities in areas like mechanization, retail media services, payments and last-mile and multi-fulfillment orchestration.

Across Europe, we are working together to maximize our brands' customer value propositions, leverage our scale and build strong ecosystems between brands. For example, our teams in Central and Southeastern Europe are making strong progress on a joint strategy to accelerate growth. It leverages the brands' proximity, addresses the similar challenges they face and helps them be better for customers and communities. We also see regional examples of the ecosystems evolving in the Benelux.

In the U.S., we are uniquely organized to effectively deliver the Connected Customer Strategy. By providing innovative solutions to leverage scale and expertise through our Ahold Delhaize USA support organizations, the local brands can focus on serving customers.



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This strategy owes much to our CEO Ahold Delhaize USA Kevin Holt, who has, among other things, led our omnichannel transformation in the U.S. I'm grateful for his service and wish him all the best in his retirement later in 2023. To succeed Kevin, we're pleased to be nominating JJ Fleeman, our current President & Chief E-commerce Officer at Peapod Digital Labs, for appointment to the Management Board at our General Meeting of Shareholders in April.

We're strengthening our portfolio through mergers and acquisitions and strategic partnerships, such as Albert Heijn's partnership with Jan Linders Supermarkets in the Netherlands and our investments in advertising technology company Adhese. This supports us in creating an ecosystem of great local brands that lead together.



Q&A WITH OUR CEO



In addition to strengthening the portfolio, what are some of your other most pressing priorities?

While our growth drivers remain the foundation of our long-term strategy, we've also introduced four priorities that represent the concrete steps we will take in the next three years – through 2025.

First, we want to build deeper digital relationships with our customers – this is key to our brands' future competitiveness. One example is Delhaize Serbia's successful development of its My Maxi loyalty app. The encrypted data collected through the app is turned into useful insights, enabling the brand to offer personalized services that enhance the customer experience, such as by expanding the number of visible promotions. The app gained half-a-million users after only a few months, and was ranked number one on the app store charts, beating apps like TikTok.

Next, we are working to lead the transformation to a healthy and sustainable food system. In 2022, we focused intensely on providing affordable healthy choices to our brands' customers. We cemented our commitment to reducing carbon emissions from our operations (scope 1 and 2). And we strengthened our target for reducing (scope 3) emissions across the value chain.

I've already mentioned the third focus area – the work we're doing to strengthen our portfolio and create an ecosystem of great local brands that lead together.

And finally, we continue to accelerate our omnichannel transformation to be the best local operators and enable customers to shop whenever and wherever they want. Part of this is improving the profitability of our e-commerce business, something we took good strides forward on in 2022. For example, bol.com expanded its fulfillment center in Waalwijk, the Netherlands, to help support its growth and continue to provide good service at increasing volumes. The brand also acquired a majority stake in Cycloon, which delivers bol.com packages to Dutch customers on emissions-free cargo bikes.

These four priorities are enabled by technology and amazing associates – we cannot achieve any of it without them.

As our digital and technology agenda becomes more important – and more costly – we want to spread these investments over more sales by leveraging our scale. In addition, we are building additional revenue streams. In the U.S., Peapod Digital Labs announced plans in 2022 to create an end-to-end, in-house retail media business, building on the existing AD Retail Media network. Our investment in Adhese in Europe will also drive the development of digital advertising opportunities.

When it comes to nurturing the best talent, we know that employing great people and giving them opportunities to grow is crucial to our success. We are investing to develop people and teams, build the skills necessary to address customers' needs and prepare our teams for change. Ensuring their mental health and overall well-being is a priority. We also continue investing in inclusive leadership and making sure everyone is heard and valued and finds purpose in their work.





Q&A WITH OUR CEO



Last year you set more ambitious targets on climate and healthier sales – how have you performed?

Even during challenging times, we believe it's important to keep making progress on our Healthy and Sustainable strategy. We are committed to reducing our scope 1 and 2 emissions and to becoming net zero in our own operations in 2040. In 2022, we strengthened our CO₂ emissions-reduction target for our entire value chain (scope 3) to at least 37% by 2030 and reiterated our commitment to become net zero in the entire value chain by 2050. This was a big decision for us. But we feel it reflects our responsibility to use our influence across the value chain to support the transition to a healthy and sustainable food system. It also brings us in line with the UN's goal of keeping global warming below 1.5°C.

I'm proud that our Healthy and Sustainable strategy is bringing real benefits to customers, especially in providing healthy and affordable food. For example, several brands now offer dynamic pricing for products approaching their sell-by dates. This helps reduce food waste while benefiting customers' wallets. Albert Heijn expanded access to Nutri-Score guidance by making it visible on electronic price tags for 6,000 products and adding it to its app and e-commerce site.

Hannaford in the U.S. launched its "Eat Well, Be Well – A Path to Better Health" initiative, which will provide \$1.5 million in funding to non-profit organizations to host programs that increase access to healthy, fresh food tailored to the specific needs of an individual's health conditions, as well as nutrition education.

Giant Food partnered with circular reuse platform Loop to offer shoppers products in reusable packaging. And Albert became the first retailer in the Czech Republic to test a hydroponic system growing herbs and leafy vegetables right on the shop floor.

To ensure that sustainability is fully represented at the Executive Committee level, we appointed a Chief Sustainability Officer, Jan Ernst de Groot, during the year.



You've said that creating a workforce that reflects the diversity of customers is an important priority. How is the company doing on this?

I feel very strongly about ensuring we're an inclusive company, where people find equal opportunities to grow, and where everyone feels free to bring their true selves to work and to shop with our brands.

We're not there yet, but we are working hard to reach our ambitious diversity, equity and inclusion (DE&I) aspiration to be 100% gender balanced, 100% reflective of our communities and 100% inclusive – and to be transparent about our journey. I'm pleased that in the past year, we saw our inclusiveness index go up by one percentage point, and the appreciation for our development opportunities rose by three percentage points.

Two important areas where we've made progress this year are in pay parity and Business Resource Groups, or BRGs. Our brands are conducting gender pay research and pay equity analyses and implementing action plans to eliminate disparities. Our BRGs have gone from strength to strength across our brands and are at the forefront of advocating positive change. AD Pride in the Netherlands is one of the newest, and is committed to making positive advancements within the group of associates that identify as part of the LGBTQ+ community.

While it's nice to have aspirations, we know the importance of measuring our progress. We've been pleased to see gender representation increase across our senior leaders (VP and above) from 27% to 33% in 2022. We still have a long way to go; however, we are convinced we are building momentum, not only in representation but in overall understanding about how diverse teams are better for the business and customers.

We also published our second Human Rights Report in 2022 – a big milestone for us. During a time when our world is facing extreme geopolitical challenges, we feel more than ever the weight of our responsibility to contribute to a more equitable society that recognizes and respects human rights.

I'm excited that we've brought on board a real champion of DE&I in our Chief Human Resources Officer Natalia Wallenberg, who joined the company in January 2022. She's already brought fresh perspectives and energy to our drive to become a more diverse, equitable and inclusive company.



What are your expectations for the year ahead?

We expect the year ahead to remain challenging, so it is crucial we keep doing the right thing for customers, communities and associates. We laid the groundwork for this in 2022 and have a strong strategy guiding us forward. We will keep anticipating the headwinds and opportunities to come in 2023 and balancing the interests of all our stakeholders – delivering good results for customers, associates, communities and investors. Thanks to our balanced portfolio, spread across the U.S. and a more challenged Europe, we expect to be able to achieve this.

So, in 2023, we will stay focused on our omnichannel customer experience. We will continue to pursue our environmental, social and governance performance and our healthy and sustainable ambitions. This includes working towards our scope 1, 2 and updated scope 3 targets, transitioning to renewable energy, increasing the sale of healthy food, and reducing food waste and use of virgin plastics.

And we will strengthen the portfolio of great local brands that helps us reach all of these goals. Together, we will keep our eyes open for the right M&A targets, deliver on the external commitments we've made and collaborate more closely to leverage the strength of our Leading Together strategy.

By continuing to work together across our family of brands, while showing how much local matters in all we do, I'm confident we'll continue to meet the demands of the future and remain the choice for customers in all our brands' markets.