

# Value creation

The most important input, output and outcomes per capital that occur as we create value are summarized in the following table and explained in more detail, by stakeholder group, in the pages following. We followed the guidance of the International Integrated Reporting Council (IIRC), including its definition of six capitals every organization depends on for success, when we created the model.

- customers
- associates
- communities
- shareholders

Input	Output	Outcomes for our stakeholders
<b>Our financial framework – Financial capital</b>		
<p><b>We strive for strong operational performance and best-in-class cash generation. A strong balance sheet and sustainable profits are essential to our business model and to fund growth.</b></p> <p><b>Across Ahold Delhaize, each brand works to save, drive same-store sales and fund growth.</b></p>	<p> <b>portfolio and scale efficiencies</b></p> <p><b>Short- to medium-term focus:</b></p> <ul style="list-style-type: none"> <li>• Delivery of consistent and sustainable results</li> <li>• €1.9 billion Save for Our Customers target for 2019-2021</li> </ul> <p><b>Long-term focus:</b></p> <ul style="list-style-type: none"> <li>• Financial solidity</li> <li>• Solid investment grade credit rating</li> <li>• Environmental, Social and Governance (ESG) investment and prioritization</li> </ul>	<p>Our 2019 results:</p> <ul style="list-style-type: none"> <li>• Net sales: €66.3 billion</li> <li>• Net consumer online sales growth (at constant rates): 28.6%</li> <li>• Underlying operating margin: 4.2%</li> <li>• Free cash flow: €1.8 billion</li> <li>• Underlying earnings per share (EPS): €1.71; increase of 8.4% over 2018</li> <li>• Completion of €1bn share buyback program in 2019 and announcement of new program for 2020 amounting to €1bn</li> </ul> <p> • Strong balance sheet with attractive returns to shareholders through a sustainably growing dividend and the return of excess liquidity to shareholders</p> <ul style="list-style-type: none"> <li>• Dividend payout ratio of 40-50% of underlying net income</li> </ul> <p> • Funds to invest in customers and growth – Save for Our Customers savings of €709 million in 2019</p> <ul style="list-style-type: none"> <li>• Achievement of ESG goals</li> </ul>
<b>Omnichannel network – Tangible capital</b>		
<p><b>We meet our customers every day in our network of stores and pick-up points and through our delivery services.</b></p> <p><b>We take a disciplined approach to capital investments and a balanced capital allocation.</b></p>	<p> <b>omnichannel growth</b></p> <p> <b>portfolio and scale efficiencies</b></p> <p><b>Short- to medium-term focus:</b></p> <ul style="list-style-type: none"> <li>• 6,967 brick-and-mortar stores, 242 of which were newly opened / acquired in 2019</li> <li>• 987 pick-up points</li> <li>• Warehouse automation</li> </ul> <p><b>Long-term focus:</b></p> <ul style="list-style-type: none"> <li>• Ongoing cash capex spend of approximately 3% of sales</li> <li>• Omnichannel growth – expanding our footprint and in-store experience</li> <li>• State-of-the-art online platforms</li> <li>• Balanced capital allocation</li> <li>• Meal solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Service to more than 54 million customers per week</li> <li>• 12 million online visitors</li> <li>• Net consumer online sales growth (at constant rates): 28.6%</li> <li>• 454 stores remodelled in 2019</li> </ul> <p> • Funding of growth in key retail and eCommerce channels – inorganic and organic</p> <ul style="list-style-type: none"> <li>• Return on capital among top quartile of the industry</li> </ul> <p> • A leading customer experience that helps save time</p> <ul style="list-style-type: none"> <li>• The ability for customers to shop wherever and whenever they want</li> <li>• Access to same-day pickup or delivery for 59% of our U.S. customers</li> <li>• State-of-the-art stores</li> </ul>
<b>Technology – Intellectual capital</b>		
<p><b>We believe technology can help people live better – and we are leveraging it for the benefit of our customers and our business.</b></p> <p><b>We have policies and procedures at all levels of our operations that are aimed at ensuring the quality and safety of products sold.</b></p>	<p> <b>technology</b></p> <p> <b>best talent</b></p> <p><b>Short- to medium-term focus:</b></p> <ul style="list-style-type: none"> <li>• Knowledge and expertise</li> <li>• Strong local brands</li> <li>• Inspiring apps and loyalty card programs</li> <li>• Digital solutions</li> <li>• Rollout of self-scan solutions</li> <li>• Nutritional navigation systems</li> </ul> <p><b>Long-term focus:</b></p> <ul style="list-style-type: none"> <li>• Innovation and data – redefining retail through AI and robotics</li> </ul>	<ul style="list-style-type: none"> <li>• 66% of net sales generated by loyalty card members</li> <li>• 1,989 stores offering self-scan solutions</li> <li>• Healthy product navigation systems in seven brands</li> <li>• Understanding of local consumer needs</li> <li>• Efficient processes</li> <li>• Established partnerships to accelerate research and development of AI and robotics</li> </ul> <p> • Increase in the number of personalized offers to our customers</p> <ul style="list-style-type: none"> <li>• 5.4 million monthly active mobile app users</li> <li>• Enhanced omnichannel presence and improved customer experience</li> <li>• Make healthier choices easier</li> <li>• Healthy and safe products</li> <li>• Efficient processes facilitating savings for our customers</li> </ul> <p> • Improved internal digital capabilities</p>

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- customers
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- communities
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	Input	Output	Outcomes for our stakeholders
<b>Associates – Human capital</b>			
<p><b>We are committed to the continued development of our associates, with a strong focus on diversity and inclusion and providing a safe and healthy work environment.</b></p> <p><b>Cultivating our talent supports individual and business growth. Investing in our people ensures we are aligned in our company's purpose, to help people eat well, save time and live better.</b></p>	<ul style="list-style-type: none"> <li> <b>best talent</b></li> <li> <b>technology</b></li> </ul> <p><b>Short- to medium-term focus:</b></p> <ul style="list-style-type: none"> <li>• Diverse workforce</li> <li>• Digital / data mindset</li> <li>• Associate wages and safety, health and well-being</li> </ul> <p><b>Long-term focus:</b></p> <ul style="list-style-type: none"> <li>• Development and training programs</li> <li>• Programs to attract the best talent</li> <li>• Corporate culture and values</li> <li>• Focus on diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Net sales per associate (FTE) of €286 thousand</li> <li>• 54% women in workforce</li> <li>• 13% Executive Committee members is female</li> <li>• 67% part-time associates</li> <li>• Rate of lost days due to accidents of 2.1 per 200,000 hours worked (2018: 2.4)</li> <li>• 55% of associates under collective labor agreements</li> <li>• 17% reduction of serious injuries</li> <li>• 6.4 million training hours in 2018</li> </ul>	<ul style="list-style-type: none"> <li> • Job opportunities</li> <li>• Better place to work</li> <li>• 2019 associate engagement score of 80% (2018: 79%)</li> <li>• 2019 associate development score of 72% (2018: 72%)</li> <li>• 2019 inclusive workplace score of 78% (2018: 78%)</li> <li>• 2019 Healthy workplace score of 76% (2018: 74%)</li> <li>• Skilled workforce</li> <li>• Safe place to work</li> </ul>
<b>Communities – Social and relationship capital</b>			
<p><b>Our brands are closely connected to their communities, playing a role in the lives of millions of people every day. We feel a deep sense of responsibility for helping people live better.</b></p> <p><b>Our influence – and the positive impact we can have – extends much further than our operating area. Through our suppliers, we are connected to, and impact, communities across the globe.</b></p>	<ul style="list-style-type: none"> <li> <b>healthy and sustainable</b></li> <li> <b>technology</b></li> <li> <b>omnichannel growth</b></li> </ul> <p><b>Short- to medium-term focus:</b></p> <ul style="list-style-type: none"> <li>• Focus on providing information on healthy living</li> <li>• Donations, sponsorships and partnerships</li> <li>• Personal data privacy</li> </ul> <p><b>Long-term focus:</b></p> <ul style="list-style-type: none"> <li>• Promotion of health and well-being</li> <li>• 80% of own-brand production units in high-risk countries meeting social compliance standards (by end 2020)</li> <li>• 100% of own-brand food production sites certified against GFSI or equivalent standard (by end of 2020)</li> <li>• 50% of own-brand food sales from healthy products (by 2020)</li> </ul>	<ul style="list-style-type: none"> <li>• 71% of own-brand production units in high-risk countries meeting social compliance standards</li> <li>• Sustainable sourcing of products, including seven critical commodities</li> <li>• 90% of own-brand suppliers GFSI-certified</li> <li>• 22.7 million addressable loyalty program participants</li> <li>• Good relationships with communities in our markets</li> <li>• Own-brand food sales from healthy products</li> <li>• €358 million income taxes paid</li> </ul>	<ul style="list-style-type: none"> <li> • 48% of own-brand food sales from healthy products in 2019</li> <li>• 95% of own-brand products with front-of-pack nutritional labeling in 2019</li> <li>• Over seven billion personalized offers sent in 2019</li> <li>• Better place to shop</li> <li>• More health-conscious / informed consumers</li> <li>• Reduced sugar, salt and fat in own-brand products</li> </ul> <hr/> <ul style="list-style-type: none"> <li> • Better neighbor</li> <li>• Connected communities</li> <li>• Associates assisting communities during critical times</li> <li>• Status as responsible taxpayer</li> </ul>
<b>Products and climate – Natural capital</b>			
<p><b>Climate change is a significant global issue impacting our society, our quality of life and our business. The natural environment can be positively or negatively affected by business activities.</b></p> <p><b>The products we sell rely on natural resources, and how they are grown and produced impacts soils, water resources, and biodiversity. We aim to make it easier for customers to understand these connections and more easily shop for sustainably-sourced products.</b></p>	<ul style="list-style-type: none"> <li> <b>healthy and sustainable</b></li> </ul> <p><b>Short- to medium-term focus:</b></p> <ul style="list-style-type: none"> <li>• Waste minimization and plastic reduction</li> <li>• Lowering of carbon emissions</li> <li>• Implementation of Science-Based Targets</li> <li>• Product transparency and safety</li> <li>• Respect for human rights</li> </ul> <p><b>Long-term focus:</b></p> <ul style="list-style-type: none"> <li>• Biodiversity – sourcing of products, including seven critical commodities</li> <li>• Impact of climate change and eliminating waste</li> <li>• Building and maintenance of long-term relationships with strategic suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• 4,056 thousand tonnes CO<sub>2</sub> emissions (SBT); reduction of 159 thousand tonnes in 2019</li> <li>• €1.5 billion in inventories written off during 2019 (own operations) (represents 2.3% of net sales)</li> <li>• 6,649 million kilowatts of energy consumed in 2019 (own operations)</li> <li>• Food waste of 255 thousand tonnes in 2019</li> <li>• Increased number of products with clean labels in our U.S. brands</li> </ul>	<ul style="list-style-type: none"> <li> • 32% CO<sub>2</sub> reduction compared to 2008</li> <li>• 9% food waste (per sales) avoided since 2016</li> <li>• Sustainably sourced products</li> <li>• Better neighbor</li> <li>• Mitigating negative impact on biodiversity</li> </ul>