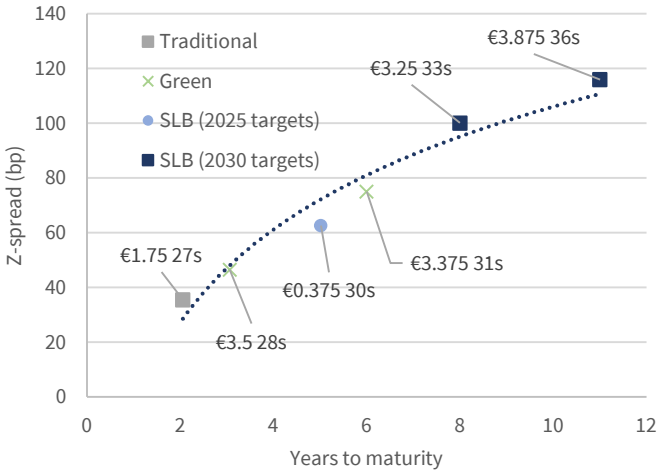


Ahold SLB review

Josephine Richardson [(*)], Patricia Hutchinson

Koninklijke Ahold Delhaize N.V. (ticker ADNA) is a Belgian-Dutch multinational retailer. It is included in the AFII Deforestation Debt Universe, a list of fixed-income issuers with deforestation exposure, due to its reliance on palm oil, soy, pulp & paper, beef, and timber in its supply chain.[1]

Figure 1. Ahold bond z-spreads for EUR bonds longer than 1 year in maturity. Source: Bloomberg, accessed 12 Mar 2025.



Ahold has issued ESG-labelled debt since 2019, both Use-of-Proceeds structures and Sustainability-Linked Bonds (SLB,) to support its sustainability objectives.

On 3 Mar 2025 Ahold priced a new SLB[2]. This followed the release of its 2024 annual report on 26 Feb 2025, which included updated sustainability reporting.[3] It is therefore an appropriate time to review Ahold's issuance and KPI performance for investors.

- Ahold's complimentary use of different debt structures gives investors a choice on how to support the company's sustainability journey.[4] The latest SLB includes targets on all scopes of GHG emissions, including those coming from land-use change. There is also a target to reduce food waste.
- Ahold's updated SLB framework includes more ambitious targets in 2025. The legacy targets, used in Ahold's first SLB (2030s), have been met according to the company's 2024 reporting. This implies a low SLB option value for this security.
- The subsequent two SLBs (2033s and 2036s) each use four 2030 targets from the updated framework. All are currently some distance away from being achieved, and all need to be met to avoid a coupon step-up. The 2033s have a higher step-up materiality, which generates the largest estimated option value for this bond, with indications in the range of 5-10bps.

[1] "Deforestation Debt Universe", AFII, 7 Jan 2024.
[2] "Ahold Delhaize successfully prices its third Sustainability-Linked Bond", Ahold, 3 Mar 2025.
[3] "Ahold Delhaize publishes Annual Report 2024 and issues convocation for 2025 Annual General Meeting of Shareholders", Ahold, 26 Feb 2025.
[4] For earlier analysis please see "Relative value is in the eye of the Ahold-er", AFII, 18 Mar 2024.

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Bond details

Details of Ahold's outstanding bonds are shown in Table 1. It first issued an ESG-labelled security in 2019 using a sustainability format, and first issued an SLB in 2021.

Table 1. Details for outstanding ADNA bonds of size greater than $0.2bn. Source: Bloomberg, accessed 5 Mar 2025.

Description	ISIN	Issue Date	Maturity	Currency	Amount Outstanding	ESG Label
ADNA $6.875 29s	US008685AB51	29-Apr-99	01-May-29	USD	500,000,000	
ADNA $9 31s	US246688AF27	17-Dec-01	15-Apr-31	USD	269,558,000	
ADNA $5.7 40s	US24668PAE79	21-Mar-11	01-Oct-40	USD	476,888,000	
ADNA €1.125 26s	XS1787477543	19-Mar-18	19-Mar-26	EUR	500,000,000	
ADNA €0.25 25s	XS2018636600	26-Jun-19	26-Jun-25	EUR	600,000,000	Sustainability
ADNA €1.75 27s	XS2150015555	02-Apr-20	02-Apr-27	EUR	500,000,000	
ADNA €0.375 30s	XS2317288301	18-Mar-21	18-Mar-30	EUR	600,000,000	SLB
ADNA €3.5 28s	XS2596537972	04-Apr-23	04-Apr-28	EUR	500,000,000	Green
ADNA €Float 26s	XS2780024977	11-Mar-24	11-Mar-26	EUR	400,000,000	
ADNA €3.375 31s	XS2780025271	11-Mar-24	11-Mar-31	EUR	500,000,000	Green
ADNA €3.875 36s	XS2780025511	11-Mar-24	11-Mar-36	EUR	700,000,000	SLB
ADNA €3.25 33s	XS3016387287	10-Mar-25	10-Mar-33	EUR	500,000,000	SLB

It is interesting to see an issuer mix Use-of-Proceeds (UoP) debt with SLBs; Ahold even combined the two formats in a single issuance in 2024.[4] This gives investors a choice on how to engage with Ahold on its sustainability journey. For example, Ahold's allocation and impact report for its 2028 maturity green bond shows the majority of proceeds have been allocated to green buildings or energy efficiency,[5] which will potentially reduce Ahold's direct emissions. The SLBs, discussed below, feature targets on Scope 3 emissions, including those coming from land-use change, which may be attractive to nature-focused investors.

Sustainability-Linked Bond Details

Ahold has now issued three SLBs, using two different Sustainability-Linked Bond Frameworks (SLBF). The first, released in Mar 2021, established two KPIs with targets to 2025 and 2030, labelled in the below table as KPI1 and KPI3.[6] These were carried over into the latest framework, released in Mar 2024, which added another two KPIs. The latest framework also updated the 2025 targets to be more ambitious.[7] Full details are shown overleaf in Table 2.

[5] "Green Bond Allocation and Impact Report 2023", Ahold, 25 Apr 2024.
[6] "Sustainability-Linked Bond Framework", Ahold, Mar 2021.
[7] "Sustainability-Linked Bond Framework", Ahold, Mar 2024. Note this SLBF also updated the baselines for the two recurring KPIs.

Table 2. Ahold Sustainability Performance Target Details. Source: Ahold.

SLBF		2021	2021	2024	2024
Target date		2025	2030	2025	2030
KPI1	Scope 1 + 2 emissions (2018 baseline)	-29%	-50%	-38%	-50%
KPI3	Food waste intensity (2016 baseline)	-32%	-50%	-40%	-50%
KPI2a	Scope 3 FLAG emissions (2020 baseline)				-30.3%
KPI2b	Scope 3 E&I emissions (2020 baseline)				-42%

The first SLB (ISIN XS2317288301) uses the two Sustainability Performance Targets (SPTs) observed in 2025 from the 2021 SLBF. The bond coupon increases by 0.25% if one or both targets are missed, with first step-up to be paid in Mar 2027.[8]

The second and third SLBs (ISINs XS2780025511 & XS3016387287) use all four SPTs from the 2024 SLBF, with observation dates in 2030. The 2036 bond steps-up 0.25% if any targets are missed, and the 2033 steps-up by 0.5%.

Step-up materiality

The value of an SLB option for investors depends both on the likelihood that SPTs will be achieved (analysed in the next section), and also on the materiality of the step-up, which depends both on the size of the step-up coupon and also the length of time that the increased coupon applies for. The bond details are shown in Table 3. [8,9,13]

Table 3. Ahold SLB step-up details and total values. Source: Ahold, AFII.

Bond Maturity	Bond Maturity	Observation Date	Step-up Coupon	Step-up accrual start	Cumulative non-discounted step-up	Cumulative discounted step-up
2030	2030	2025	0.25%	2026	1%	0.93%
2036	2036	2030	0.25%	2032	1%	0.80%
2025	2033	2030	0.50%	2031	1%	0.84%

All bonds have a cumulative non-discounted step-up of 1%, either by paying 25bps for four years, or 50bps for two. [10]

Comparing the offering circulars for the new bond (2033s) with the earlier 2036s reveals an improvement to the reporting commitments. In the earlier bond there is a 1-year delay to Scope 3 reporting, so the step-up will not begin to accrue until 2032.[11] The new bond includes no such delay, meaning the step-up would begin to accrue in 2031.[12]

However, we note that in both documents the language around the date from when the step-up would apply is explicitly stated; for example the 2036s offering circular states that any step-up

[8] "Prospectus", Ahold, Mar 2021.
[9] "Offering Circular", Ahold, 6 Mar 2025.
[10] None however meet the standard of a greenback SLB, as detailed in "Greenback SLBs: an impact standardisation proposal", AFII, 10 May 2023.
[11] Condition 4c p80 of "Offering Circular", Ahold, 7 Mar 2024.
[12] Condition 4c p42 of "Offering Circular", Ahold, 6 Mar 2025.

coupon applies "*for any interest period commencing on or after Mar 11 2032 following the occurrence of a Step Up Event.*" [13,14] For bonds issued in the first quarter of the year, with coupons payable in reporting season, there can sometimes be uncertainty and/or delays in the step-up coupons accruing due to the exact dates that annual reporting is released.[15]

Summary

Ahold has issued three SLBs, which reference different targets and use varying step-up structures. These have the potential to create a range of option values which we will now explore.[16]

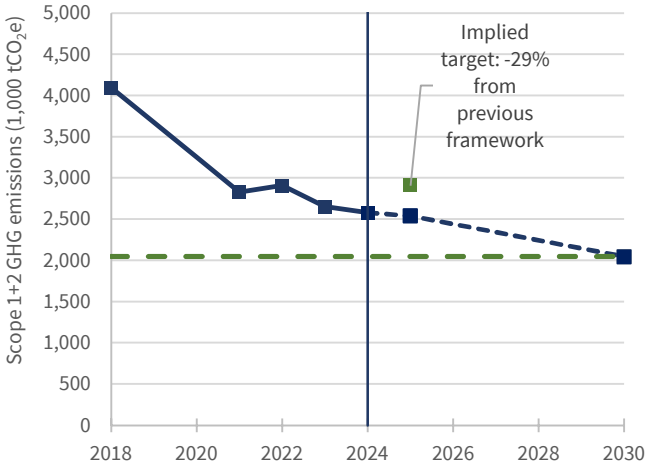
KPI performance

KPI1

KPI1 is Scope 1+2 GHG emissions versus a YE 2018 baseline. Historical figures and targets are shown in Figure 2.[17] The 2030 target is disclosed as validated by the Science Based Targets initiative (SBTi).[18]

Note, the 2024 SLBF included both an updated 2018 benchmark, and also a more ambitious target to 2025, a shift from -29% reduction from 2018 to -38% reduction. Figure 2 shows an implied legacy 2025 target using the updated baseline.[19]

Figure 2. Scope 1+2 GHG emissions historical, targets, and implied targets. Source: Ahold, AFII.



Ahold's SLBs reference the legacy 2025 targets (from the 2021 SLBF) and the expanded 2030 targets (from the 2024 SLBF). The 2025 target has been achieved since 2022, while the 2030 target requires an annual reduction of 3.7%. This compares to an average annual reduction of -7.0% since 2018.

[13] Page 76 of "Offering Circular", Ahold, 7 Mar 2024.
[14] We note that this isn't the coupon period immediately after the observation date in Dec 2030, but is the subsequent coupon period. This is driven by the bond prospectus allowing a 1-year delay to Scope 3 emissions reporting, which is also noted in the SLBF, and applies to the 2036s. For the 2033s the date given is in 2031.
[15] This is described in more detail in "A2A goes for gold with an EU green bond", AFII, 23 Jan 2025.
[16] The AFII option pricing approach is explained in more details in "Sustainability Linked Bond Handbook", AFII, 12 May 2024.
[17] Data sourced from "Ahold-delhaize Updated SLB Framework 2024", Ahold, Mar 2024 and "Ahold delhaize Annual Report 2024", Ahold, Feb 2025.
[18] "Updating scope 3 targets to latest SBTi methodology", Ahold, 7 Mar 2024.
[19] Our reading of the bond prospectus is that the target is defined as relative to baseline, and so expect the absolute target to be updated in this way, see p34 of "Prospectus", Ahold, Mar 2021.

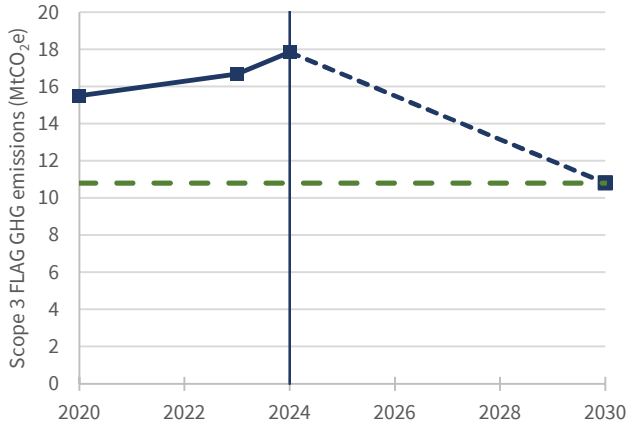
In pursuit of this emissions target, Ahold is transitioning to low-emitting refrigerants, increasing renewable energy usage, transitioning from fossil fuels in heating and transportation, and improving energy efficiency.[20]

KPI2a

KPI2a concerns absolute Scope 3 GHG emissions for Forest, Land and Agriculture (FLAG). The associated target is a 30.3% reduction by YE 2030 versus a YE 2020 baseline.

Similarly to KPI1, this target has been submitted to the Science Based Targets initiative (SBTi), however it is disclosed as 'pending validation'.[18]

Figure 3. Absolute Scope 3 FLAG GHG emissions historical and target. Source: Ahold.



As is shown in Figure 3, this metric increased between 2020, the baseline year, and 2024, the year for which the most recent data is available.[17] Though we would caution against calling this a 'trend' due to the low number of data points, it is clear that the total level of FLAG emissions is currently moving away from target.

The company disclosed that it is focused on engaging suppliers to set science-based targets, implement sustainable practises, invest in low-carbon product offerings, and encourage customers to switch to lower emission purchases.[20]

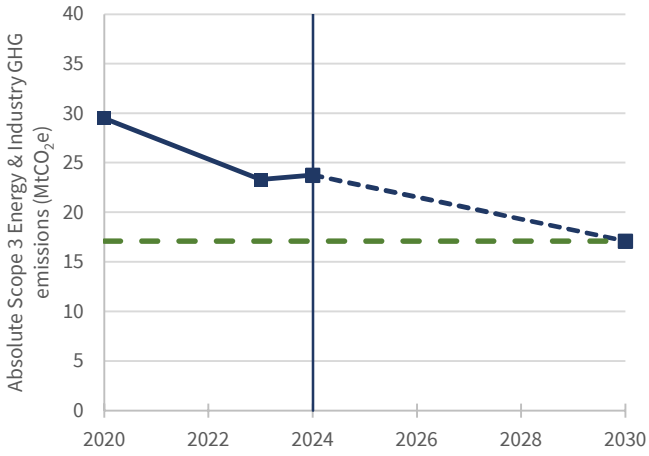
KPI2b

KPI2b covers absolute Scope 3 Energy & Industry GHG emissions, measured in $MtCO_2e$. The associated target is a 42% reduction by YE 2030 versus a YE 2020 baseline. This target is also pending validation by SBTi.[18]

As can be seen in Figure 4, some reduction has been achieved since the baseline year, however there was an increase in emissions from 2023 to 2024. The latest figure in 2024 is 19.5% below the baseline.[17]

Ahold's plans to achieve this target are the same as those for KPI2a.

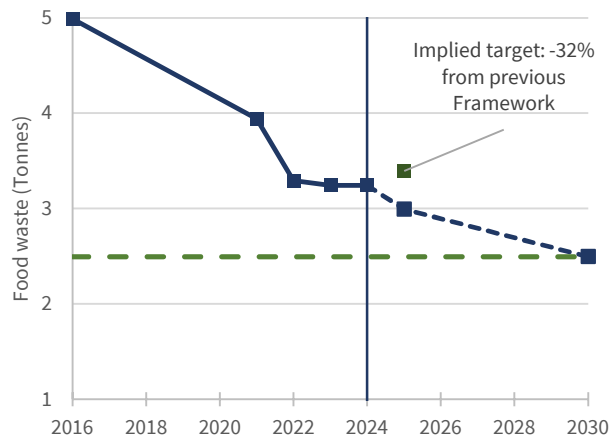
Figure 4. Absolute Scope 3 Energy & Industry GHG emissions historical and target. Source: Ahold.



[20] "Ahold-delhaize Updated SLB Framework 2024", Ahold, Mar 2024.

KPI3

Figure 5. Food waste historical, target and implied targets. Source: Ahold, AFII.



KPI3 is focused on food waste. The target is to decrease tonnes of food waste by 50% by YE 2030 versus a YE 2016 baseline. As shown in Figure 5, the company has been making progress on this KPI since the baseline date, albeit at a slower rate recently.[17] Reporting for 2022, 2023, and 2024 shows food waste reductions that exceed an implied target from the first SLBF, updated to the new baseline.

To progress this KPI, Ahold is focused on reducing waste across operations, diverting surplus food to operations where they can be used, and diverting food no longer fit for human consumption away from landfill and to alternative recycling methods.[20]

Summary

The original 2025 targets, referenced by the first SLB Ahold issued (2030 maturity), are currently met (when adjusted for the re-baselining).

All 2030 targets require significant progress in order to be achieved; the Scope 3 KPIs in particular have both increased in the most recent reporting.

Bond pricing

SLB option value

Both 2025 SPTs referenced by the first issued SLB (2030 maturity) are currently met. These are numeric targets, so could in theory deteriorate in advance of the observation date, but both KPIs in question have been decreasing since the baseline date. However, as the step-up would apply for roughly 80% of the remaining length of the bond, even a 10% probability of the target being missed would imply 2bps of option value.

The 2030 SPTs have a higher degree of uncertainty, both due to the extended period of time before observation, but also due to the more volatile historical performance in the Scope 3 KPIs. Also, by virtue of the bond structure stepping-up if any SPT is missed, the inclusion of four SPTs strictly increases the probability of a step-up coupon, even if the KPIs exhibit some correlation. Using an illustrative probability of 90% gives an option value of 7.5bps for the 2036s and 10.4bps for the 2033s, and using an illustrative probability of 50% gives an option value of 4.2bps for the 2036s and 5.8bps for the 2033s, which suggests a range of potential values. The difference is driven by the discounting of the step-up coupons.

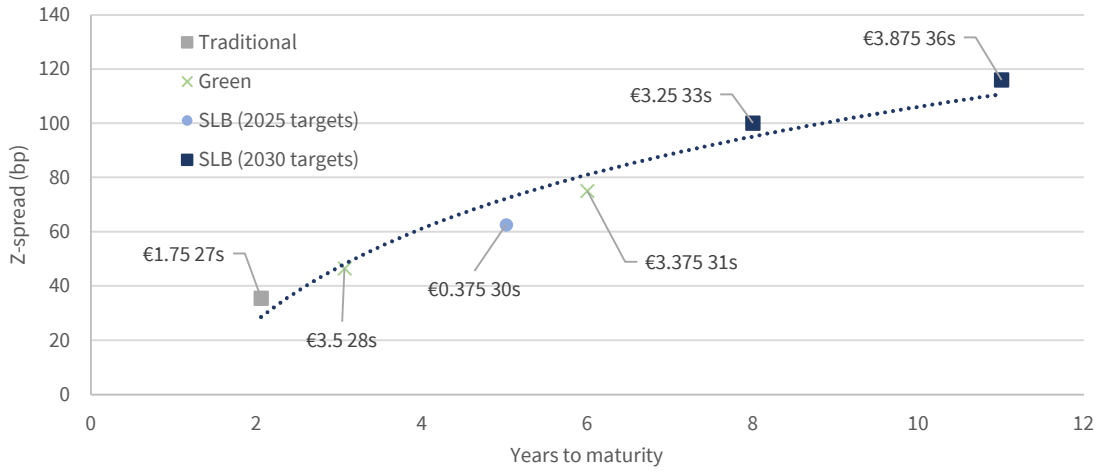
Market pricing

Pricing on Ahold's EUR bonds is shown in Figure 6 (overleaf). The maturities of the bonds vary, and so it can be hard to draw comprehensive conclusions vis-a-vis a line-of-best fit.

The 0.375% 30s SLB has the lowest option value, as the targets are currently met. This suggests the bond should be trading closer to the curve. The 3.25% 33s have the highest option value, as the

step-up coupon is subject to less discounting. This suggests the bond should be trading at a tighter spread. On that basis, the curve between the 2030s and 2033s appears to be quite steep.

Figure 6. Ahold bond z-spreads for EUR bonds longer than 1 year in maturity. Source: Bloomberg, accessed 12 Mar 2025.



Conclusions

Ahold has used a variety of ESG-labelled debt structures, including green, sustainable, and SLBs. This offers a chance for investors to be selective about which part of its sustainability journey they want to support.

The SLBs reference a selection of KPIs, targets, and coupon structures, which may present valuation differences between the bonds.

The 2025 targets, referenced by its shortest-dated SLB, are currently met, when adjusting to the updated baselines. Its 2030 targets, referenced by the two longer-dated SLBs, are still some distance from being achieved, especially the two Scope 3 KPIs, both of which increased in the most recent reporting period.

Combining this with analysis of the step-up coupon structures suggests the 2033s have the highest SLB option value, potentially in the range of 5.8-10.4bps.

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