

# ROYAL AHOLD AND THE ENVIRONMENT



*"We aspire to be an environmentally responsible company in every market where we operate."*

## PROFILE

### Royal Ahold

Royal Ahold is a growing international food retailer with more than 3,000 stores in Europe, the US, Asia and South America and 1997 sales of more than USD 26 billion. We employ more than 200,000 associates around the world.

### Mission

Ahold's mission is to become the world's leading supermarket company by securing long-term growth and continuity in food retail businesses worldwide. Every day, millions of people shop in Ahold supermarkets. As our customers determine our success, all operating companies are focused on achieving the highest levels of customer satisfaction.

### Business strategy

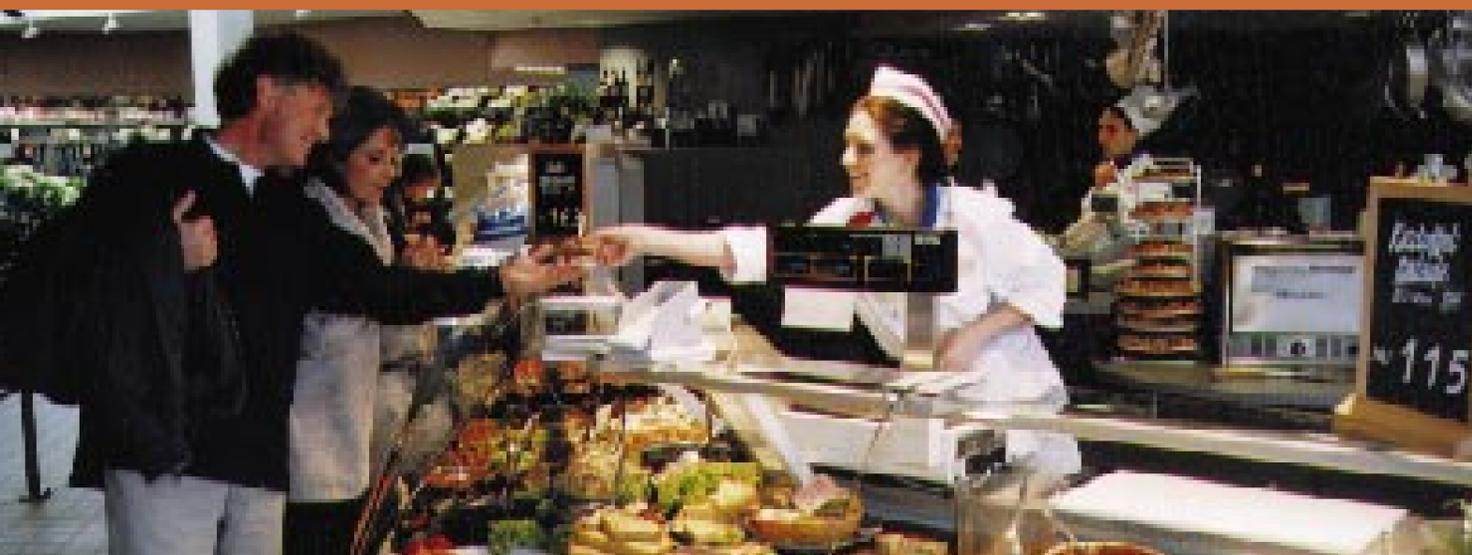
Ahold's strategy is to expand our operations in mature and new markets by providing superior service to our customers, and increasing the productivity and efficiency of our operations. This strategy is supported by two key management principles:

- decentralize management and decision making
- share best practices and know-how.

### Environmental policy

We aspire to be an environmentally responsible company in every market where we operate.

We can only be successful if we meet the needs of our customers and are welcome members in the communities where we operate. Therefore, conducting our business in an environmentally responsible manner is important to our success. This responsibility is fundamental to our long-term profitability, corporate growth and continuity. It is the basis for our environmental policy.



## INTRODUCTION

Environmental issues touch many aspects of our business. This status report on Ahold and the environment updates management and associates on the relationships between our business and the environment, the major issues, and the activities of our operating companies. This information will also be of interest to others outside the company interested in how Ahold fulfills its environmental responsibilities.

We aspire to be an environmentally responsible company in every market where we operate. We believe this is important to the success of our business. By focusing on the positive contribution that good environmental management makes to our business, I am confident this review will inspire and help spread good practices throughout the Ahold organization. This will help each operating company realize our corporate ambitions.

Our best practices include developing new products through partnerships with suppliers, building new stores around the world to the same high standards, and anchoring them in our communities as good corporate neighbors and sources of vitality. These contributions to our business success are noteworthy because they are the models for our future progress.

I trust this review will serve as a useful tool for increasing awareness, stimulating synergy among our operating companies, and establishing improved monitoring of the issues critical to our environmental performance, profitability and continuity.



Cees van der Hoeven  
President and CEO  
February 1998

*“These contributions to our business success are noteworthy because they are the models for our future progress.”*

# OVERVIEW



## 1 Global highlights

Case studies drawn from the Ahold world illustrate our policy in practice. The activities reflect local management priorities supported by the global exchange of Ahold know-how. *Page 4*

## 2 Our environmental objectives support our business strategy

Environmental objectives support our business strategy. We want to be an environmentally responsible company wherever we operate. This is fundamental to being a socially responsible company and inseparable from our business objectives. It means anticipating customer needs for environmentally improved choices, eliminating waste and increasing the efficiency of natural resource use, and being a good neighbor. These three objectives contribute directly to our business success.

*Page 6*

## 3 What we sell: Products



We provide quality choices. We are the buyers for our customers, not sellers for producers. Organic products and "Integrated Crop Management" are responses to growing customer demand for environmentally improved products. Packaging reductions lower costs and improve handling efficiency. Attention to these details leads to satisfied, loyal customers. *Page 12*

## 4 How we sell: Facilities



Energy efficiency, good maintenance and waste reduction lead to better performing facilities and lower costs. New stores throughout the world are built to the same standards and old stores are upgraded to the best available technology. This provides a comfortable shopping environment and drives down operating costs. *Page 16*



## 5 Where we sell: Communities

By building and sustaining our reputation as a good neighbor and a source of vitality in our communities, we earn our license to operate. This is key to opening new stores. We anchor our business and demonstrate local responsibility by contributing to the redevelopment of inner cities, cleaning up inherited contamination, supporting local farmers, and being involved in the community.

*Page 24*

## 6 Ahold and sustainable development

Sustainable development in simplest terms means meeting the needs of the present without compromising the ability of future generations to meet their own needs. The cases highlighted in this review are models for our future development.

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# GLOBAL HIGHLIGHTS

A selection of cases illustrates just how global Ahold has become. Transferring best practice and know-how is key to our environmental performance and business success.

## “More Good Choices Naturally”

At Tops, Dave Mueller coined the phrase “More Good Choices Naturally” which helps customers find organic and natural products throughout the store. BI-LO adopted the slogan as well.



## Organic food is part of the competitive strategy

With 75 products available daily, organic produce made up 10% of total produce sales at Giant. “We are overcoming the old stigmas of organic produce.”

## Collective research and development of energy and cooling

Ahold USA’s Project Compete pools energy conservation experience and buying power. The synergy group identifies new energy savings opportunities and focuses on improving measuring and monitoring.

## Energy saving in the stores - getting managers and associates involved

BI-LO’s Energy Analyst David Ward involves store managers in its energy savings program: “USD 1 million in energy savings equals USD 45 million in additional sales!”

## Composting organic store waste

A pilot project to compost organic store waste results in lower disposal costs, better cardboard recycling, and less waste to landfills. Stop & Shop received a commendation in 1997 for innovation from the Center for Environmental Technology.



## Focusing on packaging waste

“By working closely with suppliers, we reduce packaging and improve efficiency.” In 1997, Albert Heijn identified more than 200 improvements.

## Upgrading older stores

Remodeling in Central Europe brings cooling and lighting in old stores up to the current standards. Best practices are introduced by transferring know-how.



## Agro-chain management projects in Shanghai and Bangkok

“The new fresh distribution center enables coordination with suppliers and reduces direct store deliveries.” Results: better hygiene and quality, less product waste, and reduced pesticide use.

## New stores around the world are built to the same standards

“You could be proud to build this store in Amsterdam or Boston.” Local engineers have been trained in refrigerant leak prevention in Asia.

## Cold water storage for air conditioning

At Bompreço in Brazil, cold water is stored at night for air conditioning, reducing energy demand during daytime peaks. A predictive maintenance system keeps equipment running optimally.



## Experimenting with a new energy monitoring and measuring system

An experiment with a new energy monitoring and measuring system at Pingo Doce in Portugal should lead to significant energy savings.



## OUR ENVIRONMENTAL OBJECTIVES SUPPORT OUR BUSINESS STRATEGY

We can only be successful if we meet the needs of our customers and are welcome members in the communities where we operate. Therefore, conducting our business in an environmentally responsible manner is important to our success. This responsibility is fundamental to our long-term profitability, corporate growth and continuity. It is the basis for our environmental policy.

*In support of our business strategy, there are three key elements to our environmental strategy:*



## AHOLD ENVIRONMENTAL POLICY

*“We aspire to be an environmentally responsible company in every market where we operate.”*

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<p>Business strategy:</p>	<p><i>Provide superior service to our customers</i></p>	<p><i>Increase productivity and efficiency, and control costs</i></p>	<p><i>Expand operations in mature and new markets</i></p>
<p>Focus area:</p>	 <p><b>Products</b> <i>(what we sell)</i></p>	 <p><b>Facilities and operations</b> <i>(how we sell)</i></p>	 <p><b>Communities</b> <i>(where we sell)</i></p>
<p>Environmental objective to support business strategy:</p>	<p><b>Quality choices</b></p> <p>Respond to and anticipate customer needs for quality choices that reflect care for the environment</p>	<p><b>Efficiency</b></p> <p>Eliminate waste and increase the efficiency of natural resource use</p>	<p><b>Care</b></p> <p>Maintain and build on our reputation as a good neighbor and a source of vitality in our communities</p>
<p>Underlying actions:</p>	<ul style="list-style-type: none"> <li>• Integrate environmental performance as an element of quality</li> <li>• Provide choices and information</li> <li>• Ensure consumer health and safety is top priority</li> <li>• Innovate in partnership with suppliers to reduce environmental impacts of products and packaging</li> </ul>	<ul style="list-style-type: none"> <li>• Improve energy efficiency</li> <li>• Eliminate waste throughout operations</li> <li>• Maintain and upgrade facilities</li> <li>• Apply state-of-the-art technology to new facilities</li> <li>• Innovate in partnership with manufacturers and service-providers</li> <li>• Share expertise and experience among Ahold companies.</li> </ul>	<ul style="list-style-type: none"> <li>• Care for quality of life in our communities</li> <li>• Deal responsibly with new site development</li> <li>• Provide options for customer access</li> <li>• Be involved in the community</li> <li>• Communicate openly and transparently</li> </ul>

## HOW OUR ENVIRONMENTAL OBJECTIVES SUPPORT THE BUSINESS

By focusing on the needs of our customers and their communities, our environmental strategy contributes to our business success and corporate continuity. Ahold's top corporate environmental priority is to stimulate these "virtuous circles".

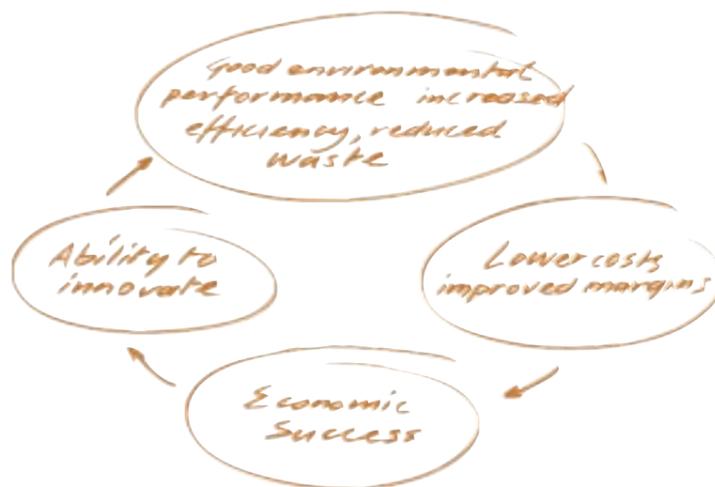
### Products:

Good environmental performance means anticipating and responding to customer needs for products that reflect increasing environmental quality (e.g., organic foods and reduced packaging). This leads to satisfied, loyal customers - the key to our business success and strong market positions. This success enables us to innovate further, which in turn reinforces this positive loop.



### Facilities and operations:

Good environmental performance means increasing energy efficiency and reducing waste. Operational efficiency translates into lower costs and improved productivity which contribute to our success. This success enables us to continue to innovate and to experiment with ways to improve our environmental performance.



### New stores:

Good environmental performance means accountability to our communities and care for the local environment where we operate. By building and maintaining a reputation as a good neighbor and a source of vitality in our communities, we earn our "license to operate". This improves our ability to obtain the best locations for new stores, which is how we realize our growth targets. Our economic success enables us to adopt best practices world-wide, furthering our care for local communities.



## ENVIRONMENTAL MANAGEMENT

Ahold's corporate strategy is based on decentralized decision making and global exchange of know-how. Environmental management at Ahold is also based on these two principles.

### Local responsibility

Local responsibility and accountability ensure the activities in each operating company reflect local possibilities and business priorities. Ultimate responsibility for environmental management at the operating company level lies with the company management team.

Each operating company must define priorities and activities in its trade area to anticipate and respond to local needs. Companies report yearly on environmental policy, targets and performance.

At the corporate level, Environmental Affairs is responsible for stimulating and challenging the operating companies to review and reassess priorities. More importantly, Environmental Affairs facilitates the exchange of good practices and advises the Corporate Executive Board and management teams of the operating companies on environmental issues.



### Implementation

The US and Dutch operating companies assign environmental responsibilities to line managers, set priorities, and report yearly on progress.

Environmental management differs per region and company. In the US, each operating company has an environmental committee made up of managers from different sectors of the business. Environmental coordinators from each operating company meet in the Ahold USA Environmental Synergy Group.

In the Netherlands, environmental managers at each company direct and coordinate environmental policy. Albert Heijn leads a synergy group with environmental coordinators from the other Dutch operating companies.

The primary responsibility for implementation lies with each line manager within his or her own discipline.

We are in the process of developing environmental management systems in our new markets. We expect to achieve this at each of our new operating companies over a period of five years. In the meantime, the most important environmental issues are targeted on a project basis, integrated with the essential core business objectives in those starting operations.

Partnership with our product suppliers and equipment manufacturers is critical to achieving environmental improvement of our products and facilities. In support of our industry peers, Ahold has signed the Business Charter for Sustainable Development of the International Chamber of Commerce.

ENVIRONMENTAL ISSUES:  
PRODUCTS, FACILITIES, COMMUNITIES

Business area	Products	Facilities and operations	Communities
Objectives	Quality choices	Efficiency	Care
Issues	<ul style="list-style-type: none"> <li>• Agricultural practices</li> <li>• Packaging waste</li> <li>• Food safety</li> </ul>	<ul style="list-style-type: none"> <li>• Construction waste</li> <li>• Store waste</li> <li>• Energy use / CO<sub>2</sub> emission</li> <li>• Ozone depletion</li> <li>• Local pollution</li> </ul>	<ul style="list-style-type: none"> <li>• Urban planning, mobility</li> <li>• Soil contamination</li> <li>• Protection of natural areas</li> <li>• Urban quality of life (i.e., noise and safety)                             <ul style="list-style-type: none"> <li>• Social cohesion and economic vitality</li> </ul> </li> </ul>
Strategies	<ul style="list-style-type: none"> <li>• Organic products</li> <li>• Integrated Crop Management</li> <li>• Packaging reduction and recycling</li> <li>• Food safety policies</li> </ul>	<ul style="list-style-type: none"> <li>• Energy management</li> <li>• Refrigeration innovation</li> <li>• Building design</li> <li>• Waste management</li> <li>• Transportation efficiency</li> <li>• Manufacturing excellence</li> </ul>	<ul style="list-style-type: none"> <li>• New store location and access</li> <li>• Urban renewal</li> <li>• Community involvement</li> </ul>

**Addressing the issues**

In our mature markets, we address these issues out of our sense of responsibility and in anticipation of customer demand, local circumstances and regulatory requirements. In doing so we have developed good environmental practices that support our business objectives and improve our environmental performance.

In our new markets, we focus on growing the business. This means addressing environmental issues specifically related to the top priorities: opening stores and supplying them with quality products to serve our customers. The project teams for these start-up operations include experts from our mature markets who transfer their skills and Ahold's best practices to our local partners.

**COSTS AND BENEFITS**

Environmental responsibility is not an option; it is an imperative for our longterm profitability and continuity. Investments in environmental innovation often have measurable costs and difficult-to-measure or indirect benefits. Nonetheless, the innovations presented in this review meet the normal financial investment criteria.



*“Environment” in the supermarket is much more than just packaging - it touches many aspects of our business.*

They result in increased customer satisfaction and sales, new market development, lower costs and more productive, motivated associates.

To be successful in the long term, those products will eventually have to compete without special support.

Because environmental activities are integrated into business operations and specifically set up with multiple business objectives, it is hard to precisely quantify how much we spend on environment. Only a small number of environmental activities by Ahold companies are presented in this report. Environmentally efficient innovations do not necessarily require large investments. Our experience with energy efficiency and packaging reductions show that the focus on environmental performance improvement can result in direct cost savings. Some product innovations, like organic food, may cost more. Ahold believes these innovations should be promoted to help develop the market.

**BEYOND COMPLIANCE**

Good environmental management is more than mere compliance: anticipating both the needs of our customers and society is essential to our business success. Global excellence in areas critical to our business - like refrigeration and food safety - means that we often exceed local legal requirements because doing so directly addresses customer needs, improves operating efficiency, and prepares us for changes in our operating environment.

# THE PRODUCTS WE SELL

- Product choice
- Product packaging
- Product policies

Many products we sell impact the environment - in production, use and disposal. These impacts occur mostly outside the strictly legal reaches of our companies yet are still within our realm of responsibility to our customers. Agricultural practices, food processing, packaging, recycling and waste disposal are issues that can only be addressed through partnerships with our suppliers and with clear, reliable information for our customers.

**Our role**  
We see ourselves as buyers for our customers, not as sellers for producers. Whether they articulate it explicitly or not, our customers want safe, quality products and to shop with a clear conscience. This is part of what we call our "superior shopping experience."

**Ahold policy**  
We work with suppliers to improve the environmental performance of our products in ways that anticipate

the evolving needs of our customers and are linked to the effectiveness of our business.

**Quality is our first priority**  
Environmental improvements that contribute to product quality in the eyes of our customers are welcome. Those that detract from quality - or the customer's perception of quality - are neither attractive propositions for our merchandisers nor our customers.



**Fresh produce**  
Ahold companies are providing better product choices for their customers by offering products from organic farming practices and from "Integrated Crop Management" (ICM). In organic farming no chemicals or artificial fertilizers are used. In ICM, environmental impact is reduced by combining natural techniques with the sparing use of chemicals. Products from both organic farming and ICM have boosted sales and helped to distinguish Ahold companies as quality produce providers.

With the ICM approach, a broad spectrum of produce items is improved by gradually reducing the use of chemical inputs. ICM makes use of a combination of natural and technical means to fight pests and provide plants with the right nutrients. Traps and beneficial insects, such as ladybugs, are used to control pests like the corn borer, Japanese beetle and other aphids. Trickle irrigation conserves water and reduces fertilizer and chemical usage. Independent inspectors check the fields, identify thresholds of insects and fungi, and advise on sparing use of pesticides and herbicides. Technology like electrostatic and air-blast sprayers enables better coverage with fewer sprays.

## Environment as purchase criteria

Environmental awareness varies among the markets where we operate and the market segments that our operating companies serve. Where environment is a significant purchase criteria, it is but one of several including price, taste, quality, appearance, availability, emotion and perception. For many customers, environmental quality is synonymous with personal health. Even in markets with high environmental awareness, customers purchase inconsistently, sometimes choosing an environmentally friendlier product and other times not. A 1997 survey by the Food Marketing Institute, The Greening of the Consumer, indicates that while about half the American customers surveyed have some preference for environmen-

tally more acceptable products, their willingness to pay extra for those products is more limited. In emerging economies, the customer's disposable income for food expenditures is generally lower which puts even more importance on price. In areas of emerging environmental awareness, environmentally improved products often exceed expectations. In more mature markets, these products are expected and when they are not available, their absence is a disappointment. Environmental benefits in a product without a higher price are invariably perceived as added value. This is the context in which we evaluate new products.

## Integrated Crop Management for produce at Tops



More than half of Tops produce in season is purchased from a local growers' cooperative in Eden, New York, who use Integrated Crop Management (ICM) to reduce pesticide and fertilizer use.

For *David Zittel*, a 4th generation farmer in Eden Valley, ICM is just the evolution of common sense business practices in farming: "I live here with my family, so my interest in minimizing the environmental impact of my farming is obvious. This drives our costs down as well." According to *Jim Kankoski*, Director of Produce Procurement and Merchandising at Tops: "The result is the best quality, best tasting produce I can buy during their six month growing season. Our commitment to the Eden Valley growers provides them with the financial security to keep experimenting and improving."

*Buyers from Tops and growers from the local cooperative work together throughout the season.*



## “Earth and Values” improves the product assortment at Albert Heijn

Starting in 1990, Albert Heijn in cooperation with the Dutch Center for Agriculture and Environment, set standards for Dutch growers to ensure gradual, year-on-year reductions of the environmental impact of cultivation. The program, known as “Earth and Values” is Albert Heijn’s tailor-made “Integrated Crop Management” program. A combination of technical, natural, and common-sense techniques are used to reduce chemical and fertilizer use. Record keeping helps decision-making and leads to steady improvement. It has been expanded to include imported produce, with standards and criteria set on the basis of local growing needs and practices. The practices have been implemented at Albert Heijn’s suppliers, first in the Netherlands and subsequently abroad, including Italy, Spain, France, Israel and Egypt. The program includes fresh produce as well as private



*The Hartman family in the northwestern Dutch province of Friesland has reduced chemical use virtually to zero for peppers and cucumbers. They now also apply their expertise to operations in Israel.*

label deep frozen and grocery products. The program is called “Earth and Values” because it addresses both environmental and social/economic elements. Changing farming practices can entail risks for farmers. Albert Heijn shares in that risk by developing long-term relationships. These relationships help to improve the economic position of the growers.



*Natural methods like these traps are used to control pests.*

Gé Happe, Category Manager at Albert Heijn describes the benefits:

“With our network of suppliers and long-term relationships, we have reduced costs by about 20% compared to the open market. We have set limits on pesticide and fertilizer use - some products are close to organic. We’re providing better tasting, higher quality products, and the customer recognizes us for that.” Indeed, Albert



Heijn stands out with its fresh produce.

*An innovative way to remove weeds without herbicides.*

Albert Heijn commanded a higher market share in the fresh produce segment than could be expected from its overall market share.

### Independent review of Albert Heijn’s “Earth and Values” Program

The Dutch Center for Agriculture and Environment reviewed Albert Heijn’s fresh produce program in 1996. Their main conclusions:

- The number of products and area under cultivation increased each year from 1992 through 1996. Each year, more products exceeded the norms set for the year 2000.
- The environmental impact of cultivation was reduced in each year.
- The program was successfully extended to foreign growers the researchers inspected farms in Spain and Italy in 1996 and found satisfactory results.

## Organic produce is a success at Giant

In 1996, management at Giant determined that organic products would be fundamental to its growth strategy. Giant now offers a large selection of certified organic products at an acceptable price differential. The growth in this sector is the result of astute micro-marketing, catering to the needs of a growing and diverse customer base. "It's not just yuppies who buy organic food," says *Jeff Beaulieu*, VP for Perishables at Giant/Edwards. "It is Mrs. Everyday right here in Harrisburg." New relationships with a broker in California and two premium suppliers are critical to overcoming the old stigmas of organic produce, says Produce Manager *Jeff Martin*. "Pre-ordering is no longer necessary, shrink is under

control thanks to everyday delivery, and the price differential is coming down thanks to our volume."

Giant's total produce business grew by 10% in 1996-1997.

By the end of 1997, there were more than 75 organic produce items available regularly. The aim is to provide more than 100 items in 1998, with sales growth forecast between 5% and 8%.



*Produce Manager Jeff Martin (right) shown in California with organic growers from Pavich Farms and Cal-organics.*

### Elsewhere:

Tops, BI-LO, Stop & Shop and Albert Heijn are aggressively expanding their organic food assortments, both in produce and non-perishable grocery items. For example, Stop & Shop stocked 68 organic items continuously in its stores in 1997, compared to 39 items in 1996.

Organically grown produce is also emerging in some markets in Asia.

The Ahold TOPS supermarkets in Malaysia now carry pesticide-free produce. Both supply and demand for these products may soon become viable in Shanghai, China, where we operate TOPS supermarkets in a joint venture.



*These crops are grown in Malaysia without pesticides.*

# case

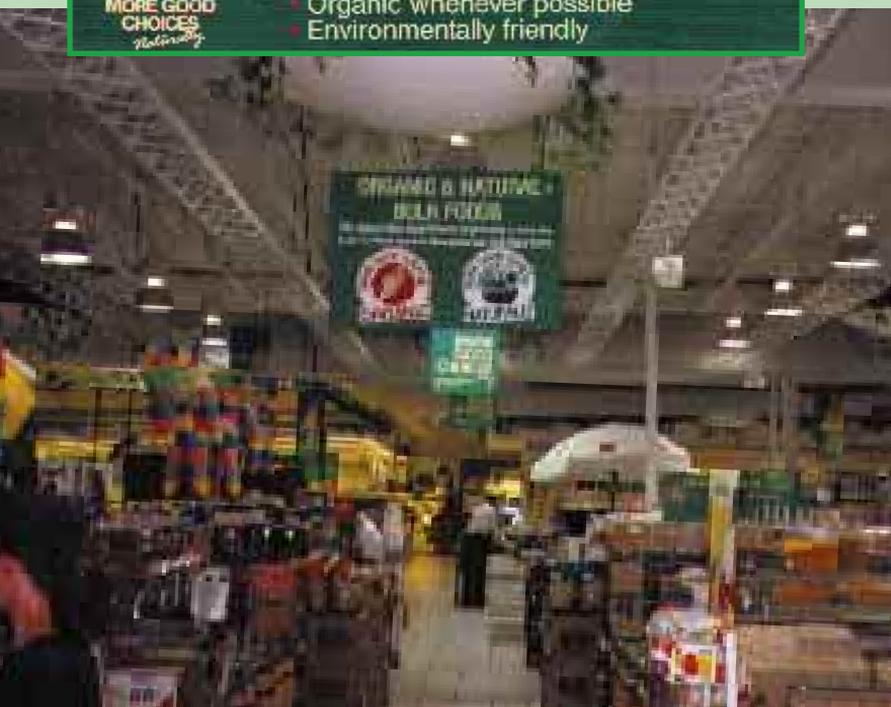
## “More Good Choices Naturally” at Tops in New York State



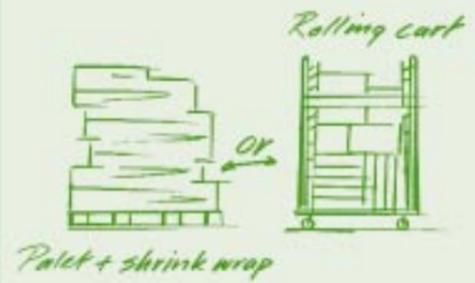
Dave Mueller, Director of Natural and Organic Foods Marketing at Tops in New York state, coined the phrase “More Good Choices Naturally” as the motto to help customers identify organic and natural products throughout the store. The green signs indicate products that fit within these three guidelines: No artificial colors, flavorings or preservatives; organic wherever possible; and environmentally friendlier. When BI-LO started expanding its natural foods program in 1997, Grocery Buyer Lamar Wolgemuth, adopted the same motto and a wealth of experience from Tops, demonstrating the power of synergy among the Ahold companies.

**The Green Means:**

- No artificial colors or flavors
- No preservatives
- Organic whenever possible
- Environmentally friendly



*Signs throughout the store inform customers about organic and natural products.*



- Product choice
- Product packaging
- Product policies

**In the Netherlands, where landfills are no longer available for municipal waste, reducing packaging waste is a high priority issue. Government and industry have negotiated agreements called “covenants” to reduce packaging waste.**

The covenant process is unique because packaging reductions are achieved through coordination throughout the entire supply chain. The Dutch covenant process has become a model for pragmatic environmental legislation, and Ahold companies have been actively involved since the early 1990's when the first Packaging Covenant was negotiated. Ahold Corporate Executive Board member Jan Andrae is currently Chairman of the Packaging and Environment Foundation which negotiated the second Dutch packaging covenant in 1997 on behalf of all Dutch businesses. This commits Dutch business collectively to two main goals: 65% recycling of all packaging material in 2001 and a 10% reduction in packaging by 2001 over 1986.

### Transport packaging

Disposable transport packaging receives significant attention at our US and European stores. Virtually all carton and plastic transport packaging is recycled. Recycling is either cost-neutral or revenue generating. It also eliminates waste disposal costs and increases the neatness and operational effectiveness of our stores. In the Netherlands, extensive experience has been gained in working with suppliers to optimize packaging (see cases). Reusable plastic crates are used in many of our operations. The drivers are lower costs and increased operating efficiency - the environmental benefits are a welcome positive contribution.

### Packaging improvements are intended to minimize environmental impact

One primary function of packaging - the protection of the product during transport and storage - must not be impaired. Packaging reductions can be achieved by omitting unnecessary packaging, using lighter and more compact packaging, and stimulating reuse and recycling of packaging materials. They make most impact when combined with strategic business objectives: reducing costs, enhancing handling efficiency and safety, and most importantly, providing higher quality for our customers.

*Facilities for returning bottles and other recyclable packaging.*



### Consumer packaging

Product quality and packaging effectiveness are twin priorities. The consumer's confidence needs to be maintained with every change in packaging. The accompanying cases illustrate but a small selection of improvements to private label products.

### Recycling

In many markets, Ahold companies have facilities for returning bottles and other recyclable packaging. Shopping bags are a highly visible form of waste. Programs have been developed to encourage customers to reuse and recycle them in the US, the Netherlands, Portugal and, among others the Czech Republic.

Despite packaging innovations, the demographic trends that result in demand for more fresh products and smaller portions also lead to increasing quantities of consumer packaging.



*Measuring product temperature as part of an in-store HACCP\* program*

Effective food safety programs like HACCP\* do more than ensure the safety of the products we sell. Daily record keeping helps to signal poorly functioning cooling installations and to identify the causes of food waste.

### Modern biotechnology

In principle, Ahold supports the use of modern biotechnology (genetic modification) as long as it results in demonstrable benefits for the customer and the safety and environmental impacts have been established through official procedures. Ahold is concerned about how producers and governments handle consumer information in this respect. Ahold strongly advocates providing consumers with appropriate product information, preferably through labeling. We are concerned that new product development through genetic modification has not yet resulted in consumer products with an obvious advantage to the customer in quality, price or environmental benefit.

Ahold is active in Europe in the retail trade organizations that promote appropriate labeling of products made with the help of modern biotechnology.

\* Hazard Analysis of Critical Control Points, a standard industry approach to measuring, monitoring and reducing potential sources of food contamination.

- Product choice
- Product packaging
- Product policies

**Food safety and hygiene**  
**Food safety is a top priority and an integral element of Ahold quality programs. Around the world we are introducing programs to ensure safe food cooling and handling.**



## Reusable packaging is good business



The combination of cost savings, more efficient handling, and environmental benefits led to the development of reusable plastic crates for most of the fresh product range at Albert Heijn. Cooperation among supermarkets and suppliers enables all supermarkets to benefit from standard sized, reusable packaging. Albert Heijn is now considering transporting the entire assortment of fresh products in standard containers on rolling load-bearing carts.

### Elsewhere:

Tops in the US and its main local produce supplier pack local produce in reusable plastic crates instead of waxed carton or wooden crates. The plastic crates do not absorb moisture like carton or wood, so cooling is not wasted on the



crates. This results in energy savings in both transport and storage. The plastic crates drop right into the store displays, reducing product handling. Labor costs are reduced, product quality is improved, and the waste stream substantially reduced. "Not idealism," says Jim Kankoski, Tops Director of Produce. "Just smart business practice."

*American Sales Company consolidates and ships small quantities of products to all Ahold USA stores in reusable plastic crates.*

## Albert Heijn works with suppliers to reduce packaging waste

## Innovations in packaging reduce costs and environmental impact

Albert Heijn works with suppliers to reduce packaging waste. Guidelines developed in 1995 integrate environmental objectives (waste minimization and separation for reprocessing) with other business objectives:

- supply chain cost minimization,
- efficient handling in distribution and stores, and
- worker safety.



*John Roos, Albert Heijn's packaging expert, shows how 30% less plastic wrap and cardboard are used to transport Albert Heijn's private label wine.*

In working with suppliers, Albert Heijn discovered that suppliers often had little notion of how packaging is handled and disposed of in the store. To break through this "information barrier", Albert Heijn developed a program called "Top Irritations" to alert suppliers to "irritating packaging". Suppliers with difficult to handle or recycle packaging are sent a simple form with a description and photo of their packaging irritation and suggestions for improvements. In 1997, more than 200 Irri-Toppers were identified, of which more than two-thirds were resolved immediately.

Albert Heijn has led the way in reducing consumer packaging on private label products. The photos on this page illustrate minor changes in packaging that result in major savings in material use and waste. Additional improvements include requesting suppliers to use more recycled and recyclable material.

*Components that would hamper recycling, like metal cutting strips on plastic wrap or metal pour spouts on carton containers, are eliminated where possible.*



*The new packaging material for Albert Heijn Ultra detergent is 30% lighter than the old material, resulting in 90,000 kilos less packaging material per year.*



*Some products don't require any packaging. Result: 100% less packaging material.*



*A simple solution to an irritating problem: by eliminating the top of a cardboard box, associates no longer have to cut or tear difficult-to-open boxes. Besides reducing the amount of damaged product, the reduction in cardboard means cost savings in packaging, handling and transport, and environmental improvement.*



## Fresh distribution centers at TOPS in Asia improve hygiene and reduce environmental impact

In Ahold's new Asian joint ventures, small traders traditionally delivered most produce directly to the stores. The produce was not pre-cooled and was of variable quality, quantity, availability and hygiene. Much produce in the region is wasted - perhaps a third - simply because the supply chain is irregular and uncoordinated.



*Meat in the traditional market is of variable quality and hygiene.*

Using the fresh foods distribution center as the starting point, the Ahold TOPS supermarkets in Thailand and Shanghai are working to set standards for suppliers to improve quality and hygiene at source, which includes reducing pesticide and herbicide use. Experience from Albert Heijn with controlled cultivation is being transferred to local growers, resulting in improved quality, cost savings, and operational and logistical benefits throughout the supply chain. Reduced product shrink and improved hygiene are the primary benefits. Additionally, consolidating deliveries at the distribution center results in less transport to inner-city stores, less use of disposable packaging materials, less energy and water use, and the use of returnable plastic crates.



*In a TOPS store in Asia, quality and hygiene are top priorities.*

# THE FACILITIES WE OPERATE

- Energy management
- Refrigerant management
- Store design and remodeling
- Waste management
- Transport and distribution
- Production companies



Good environmental performance in facilities and operations means focusing on energy efficiency and eliminating waste. Facilities are upgraded as stores are remodeled, leading to increased operational efficiency and productivity, and in turn, lower costs and better performance.

Our customers may only notice the tip of the iceberg: a more comfortable shopping environment. The ongoing improvements are inherent to our reputation for quality and service, and for cost control.

This section covers the activities needed to operate our facilities: energy, refrigerants, store design, waste management, transport and manufacturing.

*“Stores with the highest energy consumption are targeted each year for extra maintenance, remodeling or retrofitting of inefficient equipment.”*

- Energy management
- Refrigerant management
- Store design and remodeling
- Waste management
- Transport and distribution
- Production companies

Energy use is a key global issue because of climate change, natural resource depletion and local pollution. Energy is used for cooling, lighting and equipment, and is one of our largest variable operating costs. The top priority is to provide customers with properly prepared and refrigerated foods in a pleasant shopping environment. Rapid growth and constant change means we are pushing forward the state-of-the-art of energy conservation and management.

Our engineers constantly update purchasing specifications to install the most efficient and cost-effective equipment available. The real-world applicability of new technology is assessed in ongoing experiments.

All new refrigeration equipment installed in our stores around the world is of comparable quality, purchased from internationally represented manufacturers. High efficiency lighting is now available in almost all our markets. Particularly in the largest US stores, an array of technical solutions has been developed - automatic controls and motion detectors - to remove variability and inefficiencies resulting from human error or systems override.

While growth and innovation are driving energy efficiency forward, older stores are not left behind. In the US and the Netherlands, stores with the highest energy consumption are targeted for maintenance, remodeling or retrofitting inefficient equipment. Preventive maintenance on critical items like outside compressors assures system reliability and operational efficiency. In joint ventures in new growth markets, older stores are also being rigorously upgraded.

## Energy efficiency program at BI-LO involves store managers and associates



*BI-LO Energy Analyst David Ward shows store manager Jimmy Harris how motion detectors and automatic controls save energy and costs.*

Energy Analyst *David Ward* at BI-LO has developed an energy awareness program that involves store managers and associates in squeezing cents from energy savings. The financial incentive is powerful. Ward has installed simple devices to help save energy: detectors shut off cooling fans when cold storage room doors are open, motion detectors turn off storage area lights when not needed, automatic controls turn off or pre-warm bakery ovens and deli wrap machines. The devices enable store managers and associates to focus on their job - serving customers - while not wasting energy. To get support from store managers, Ward puts energy costs in perspective: "USD 1 million in energy savings is equivalent to USD 45 million extra sales."

## Global installation standards ensure top performance world-wide



*Many stores that we have acquired were dark and unattractive before we remodeled them.*

Refrigeration systems in Ahold's new stores in the Asia-Pacific region and eastern Europe meet the same standards as those in Amsterdam. This is the result of sharing technical expertise and working with industry partners to install efficient equipment in growth markets.

In 1997, Ahold posted *Sven Mathijssen*, Store Construction Manager, to Singapore to supervise the construction of new TOPS stores.

Although the Asia-Pacific region is rapidly modernizing and is technically proficient with air conditioning installations, the specific technical skills for supermarket refrigeration were in short supply. Mathijssen sent his newly-hired team of local engineers and equipment purchasers to the Netherlands for a crash course in Albert Heijn's refrigeration systems.

Then he brought a team of specialists to Singapore: refrigeration

experts from Albert Heijn, their refrigeration equipment, and the subcontractor who installs their refrigeration systems. *Arie Baars*, project manager for the Dutch installation subcontractor: "I think the quality of the installations in the Great World City shopping complex in Singapore is unique to the surroundings. You could be proud to have that same system in Amsterdam." All new TOPS stores in Thailand, Malaysia, Singapore and China are being built to the same standards.

### Elsewhere:

The same model was applied in the Czech Republic and Poland to ensure that new cooling installations there meet our high standards. As of 1997, all 40 Sesam stores in the Czech Republic have been remodeled and CFC's replaced with HCFC's. Anticipating eventual integration into the European Union, Max supermarkets and the new hypermarkets of Ahold & Allkauf in Poland have also been built to EU standards. Local engineers in Krakow were trained in the international cooling installation techniques by engineers from Albert Heijn and its subcontractor. Now installations are conducted entirely by local contractors supervised by Ahold experts.



*Refrigeration in new Ahold Stores around the world meet the same high installation standards, including this TOPS store in Singapore.*



*Before (top of page) and after photos of a Max store in Poland show how white floors and ceilings improve the effectiveness of lighting.*

# case

## Innovation and good maintenance in Brazil result in better performance

Bompreço stores cold water at night for use during the day for air conditioning, says *César Torrão*, Director of Engineering. As a result, Bompreço saves on energy bills by using less energy during the expensive daytime peak hours, thereby lightening the load on the energy companies. Bompreço has also recently acquired locally produced high-efficiency lamps and lighting fixtures which are now standard in new and remodeled stores. Most of the refrigeration installations also meet the same high specifications as those used in Europe and the US, thanks to recent local availability of that equipment in Brazil.



*César Torrão, Director of Engineering at Bompreço, is dwarfed by the 1,200,000 liter cold water storage tank.*

Maintenance of both the new stores and older stores has been given extra priority since Torrão joined Bompreço. By developing indicators of equipment failure, energy consumption and coolant use, Torrão is able to optimize his *predictive* maintenance program, rather than relying on fixed maintenance schedules. The result is better performance, lower operating costs, less energy use and reduced coolant loss. Ahold's US and European companies are examining how they can adapt this approach to their situations.



**Tracking progress**

Until recently, tracking energy data was an inaccurate, manual exercise that provided little real-time management information. Technology is now becoming available to usefully measure energy at the widely dispersed sites in a supermarket company.

In 1997, the US operating companies evaluated their energy consumption and management systems. New opportunities for energy savings were identified and the companies are evaluating collective improvements to their measuring and monitoring systems.

Albert Heijn is also developing measuring systems and energy management indicators to monitor performance and improvement. At Pingo Doce supermarkets, Ahold's joint venture in Portugal, an energy management system was installed in 1997 that controls and monitors energy use in the new and newly renovated supermarkets. Significant savings are expected and experience with the system will be exchanged with the other operating companies.

**Exchanging experience and good practices**

Expertise is shared in a variety of ways. As part of Ahold USA's "Project Compete" initiative to reduce costs through synergy among the four operating companies, Vice Presidents of Construction, Equipment and Maintenance meet regularly under the

leadership of Tony Schiano, Giant's President and CEO. They help define common specifications for purchasing equipment and new store design. They also exchange data on tests of new energy conservation equipment. This means each chain can draw on experience gained from a broader investment base.

An International Construction and Maintenance Synergy group convenes regularly to exchange good practices on energy management. In addition, experts are assigned to projects in our new markets. Experienced energy managers are moved throughout the company to share know-how. Good practices can also be picked up from our new partners: experience gained in Brazil could be valuable to our operations in humid environments in the US and the Asia Pacific region.

**The future**

Despite increases in efficiency, energy consumption in our stores continues to rise. The trend towards more fresh meal components, in-store bakeries and freshly prepared meals, and larger shopping environments increases demand for energy.

At the same time, however, both cost drivers and technology for reducing energy consumption are emerging. Deregulation of US and European energy markets provide new opportunities for reducing costs if companies are better able to accurately mea-

*The International Construction, Equipment and Supplies Synergy group convenes regularly to exchange good practices on energy management. Vice Presidents from the US, Brazil, the Netherlands and Portugal are shown visiting Pingo Doce's newest facilities in Portugal.*

sure demand. Better measurement technology helps identify energy conservation opportunities. The strength of the collective know-how and buying power and cooperation among the Ahold companies will pave the way for advances in energy management and conservation in the next few years. A number of promising developments in energy management support this:

- Ahold USA is evaluating whether real-time instantaneous energy monitoring can help reduce peak energy demand and target energy conservation measures more precisely. So-called 'smart meters' are being tested in our US stores to accomplish this.
- Experiments are underway at Ahold USA and at Albert Heijn to identify the next generation of energy efficient refrigeration. Formerly non-competitive alternative refrigeration systems are now becoming feasible options.
- Albert Heijn committed to an 11% energy efficiency improvement target over the 10 year period to 2005 (as part of a sector-wide negotiated agreement).

**Terms**

*CFC = Chlorofluorocarbons: refrigerants containing chlorine, fluorine and carbon. When released into the upper atmosphere, they degrade the stratospheric ozone layer. As the ozone layer is depleted, more UV-B radiation reaches the earth, increasing the risk to human health and ecosystems. R12 and R502 are the most commonly used CFC refrigerants.*

*ODP = Ozone depletion potential: the potential to damage the stratospheric ozone layer, relative to CFC R12.*

*HCFC = Hydrochlorofluorocarbons: refrigerants, that like CFC's deplete the ozone layer, although with lower ODP. R22 is the most commonly used HCFC refrigerant.*

*HFC = Hydrofluorocarbons: refrigerant with no ODP, but with global warming potential when released into the atmosphere. R134 and R404a are commonly used HFC refrigerants.*

*GWP = Global warming potential: the potential contribution to global warming relative to one molecule of carbon dioxide. The GWP varies depending upon the length of time the molecules remain active in the atmosphere.*

*TEWI = Total Equivalent Warming Impact: a composite measure of the global warming impact of a refrigerant based on GWP, release rates, and the global warming from actual operating energy use.*



**Refrigeration is essential to preserve product quality en route from farm to customer. Unfortunately, the cooling agents used in commercial refrigeration are known to be harmful to the environment. Refrigerants with chlorine – CFC's and HCFC's – degrade the ozone layer and are targeted for phase-out under the Montreal Protocol. The next most common replacement, HFC, has no ozone depletion potential but is a powerful greenhouse gas with global warming potential several thousand times greater than CO<sub>2</sub>. Neither HCFC's nor HFC's are viable long term solutions.**

**The challenges to the supermarket business are significant:**

- Phase out the use of refrigerants that degrade the ozone layer: first CFC's, and then HCFC's
- Minimize refrigerant leakage
- Develop new refrigeration systems that maximize energy efficiency and reliability.

While uncertainties remain about the precise terms of the phase-out and the alternatives, this is perhaps the one environmental issue where governments have united to define a clear course of action to address a global environmental problem.

Since we have cooling installations around the world, this issue is of strategic importance. Ahold's policy on cooling is to replace CFC's, maintain existing equipment to prevent leakage, and experiment to identify the next generation of refrigeration.

CFC's are eliminated by upgrading our refrigeration systems during planned remodeling. Poorly performing refrigeration is targeted for accelerated replacement. HCFC's and HFC's are used as replacements while better alternatives are developed.

*Refrigerated cases are inspected regularly for leaking refrigerant. If refrigerant is detected, the technician will then locate and repair the leak.*



## Ahold refrigerant guidelines

**Ahold policy on refrigerants is to adhere to the spirit of the Montreal Protocol while experimenting with potential long-term solutions.**

- No new installation of CFC's anywhere.
- Global phase-out of CFC's.
- Recover and recycle refrigerant wherever possible.
- No intentional release of any refrigerants.
- Pressure test all new systems with nitrogen, not with refrigerant.
- Re-supply CFC's refrigerant only via our own stockpile from phased-out units.
- Handling of refrigerants only by legally qualified organizations with appropriate documentation.

### Development of alternative systems

Newer refrigeration systems use about 20% less refrigerant than just a few years ago. This trend will be enhanced greatly when the technology for "secondary cooling" systems matures (see sketch below). Ahold tests of secondary cooling systems have so far resulted in higher energy use and higher investment and operating costs than 'tried-and-true' direct expansion systems. For example, a pilot was conducted in seven Albert Heijn stores using propylene glycol as a secondary refrigerant. Although the system functions well, the total environmental benefits that had been hoped for were not realized (i.e., lower TEWI). The investment and operating costs (due primarily to energy use) were significantly higher than in existing systems. Nonetheless, the experience gained from the pilot project bodes well for ongoing tests of new systems in cooperation with manufacturers.

Innovation is improving larger cooling systems in distribution centers. Secondary systems, using for example ammonia and glycol, have been installed in Ahold distribution centers around the world. This experience is being used to design the next generation of in-store cooling systems.

### Maintenance to prevent leaks

Leakage is inherent to large commercial cooling systems. Leaks occur for primarily three reasons: defective equipment; faulty installation and "wear and tear"; and handling losses. Significant strides have been made since the early 1990's on these three fronts. Standard requirements for leak prevention are included in Ahold refrigeration purchase contracts throughout the world. Refrigeration technicians have learned to make less leak-prone joints in piping as well as to simplify systems to reduce leakage. Handling losses have been reduced through ongoing awareness programs and legally mandated record keeping systems. The leak rates of newer systems are lower than older systems and overall leak rates are declining, indicating success in all three areas.

Ahold's technical input in new operating companies has made leak prevention a high priority. As such, the goal is that new stores meet the same high standards everywhere and include the same leak prevention strategies and detection equipment. For the near future, we will focus on reducing leak rates by raising awareness, sharing expertise and monitoring refrigerant usage.



**Store design and remodeling**  
**Store design and remodeling have implications for both operational effectiveness and construction waste. As remodeling and expansion are crucial to our business, attention to construction waste and material choice is critical.**

Long-term thinking ensures that our investments in facilities anticipate stricter environmental standards for waste disposal and energy conservation. Current buildings are poorly suited to store layout changes or expansion, resulting in costlier renovations, store disruptions, and unnecessary and expensive construction waste.

A cooperative effort by the Ahold USA Construction and Maintenance departments to address these issues by designing highly flexible stores results in less construction waste. The new store design is not intended as a showcase for environmentally advanced building techniques, but

is an ongoing experiment - as environmentally advantageous improvements are identified by the group, they are added to subsequent new stores. Noteworthy examples include:  
*Material choice:* Hard ceramic tile floors are installed to eliminate the operational cost of floor cleaning. Common household floor cleaner is all that is needed.  
*Design to eliminate waste:* Pipes and cables for cooling and lighting run to the ceiling so no pipes are installed in the floor. There is no need to dig up the floor when rearranging the store layout, which eliminates unnecessary construction waste.  
*Insulation:* Buildings are designed with high insulation and, in particularly sunny climates, white roofing material.

Albert Heijn joined with its refrigeration equipment manufacturer to develop a refrigeration unit which maximizes sales space and meets the highest standards for energy efficiency. The unit is unique because it uses standard store shelving, making maintenance and remodeling easier, reducing waste and increasing the "reusability" of store furnishings.

Energy management •

Refrigerant management •

Store design and remodeling •

Waste management •

Transport and distribution •

Production companies •

### Waste management

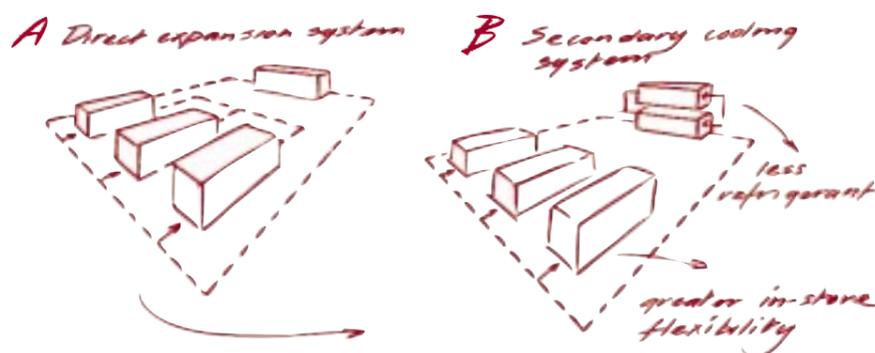
**Waste is a sign of inefficiency. We strive to reduce it in all of our businesses.**

Waste reduction programs usually save money, increase productivity, and lighten the workload on our associates to enable them to focus on the customer. Waste in our operations primarily includes food "trimmings", unsellable food, and packaging. The business focus on eliminating product loss - shrink - and the environmental focus on reducing unnecessary waste go hand-in-hand. The cases in this section illustrate how Ahold companies are tackling these issues.

All of the US operating companies offer incentives to their customers to reuse or recycle their plastic grocery bags. Plastic bags collected from customers are recycled with the plastic shrink wrap recovered from stores and distribution centers. Each chain ensures that the plastic they collect is recycled by a reputable, trustworthy organization so that the plastic is actually recycled (see page 16).

In a traditional direct expansion refrigeration system (fig. A), the refrigerant is pumped through all the refrigerated cases in the store.

A secondary system (B) uses less refrigerant in a small circuit; the cold is transferred to the refrigerated cases using an environmentally benign secondary refrigerant. Because handling of this secondary refrigerant is easier, changes are made more easily to the store layout.



## Stop & Shop uses composting to recycle organic and waxed cardboard waste

At many Stop & Shop stores, local pig farmers are contracted to pick up produce waste. Where this is not possible, Stop & Shop is working with waste haulers, local farms, and the Center for Ecological Technology to turn food waste and waxed cardboard into compost. This saves Stop & Shop money on disposal fees, improves the quality of cardboard collected for recycling, reduces pressure on municipal land fills, and puts nutrients back into the soil.

*Sam Wolman*, Director of Manufacturing at Stop & Shop, reports that while the receptacle for compostable material requires more frequent pickup than the rubbish compactor that is normally used for this waste, the additional cost is more than offset by the lower per ton disposal fees charged by the composting facility.

*Dave Grestini*, Stop & Shop's Recycling and Waste Management Coordinator, also cites an improvement in the quality of the recycled cardboard. Waxed cardboard is used to transport wet products like meat and produce. It is easily mistakenly disposed of by store personnel in the store's cardboard compactors. This reduces the value of the cardboard to the recycler.

*Composting is an innovative way to reduce the municipal waste stream and return valuable nutrients to soil.*



## Many ways to give plastic bags new lives

Ahold companies have found many ways to involve customers in their recycling efforts, with the grocery bag as a highly visible starting point. At Giant, plastic bags returned by customers and shrink wrap collected in stores and the distribution center are combined with sawdust, a by-product of furniture manufacturing, to make park benches which are donated to elementary schools in the communities where Giant operates. On Earth Day last year, store managers donated 77 recycled benches with educational materials to area schools. "It demonstrates that recycling works", says *Tim Reardon*, Vice President Risk Management and Support Services at Giant.

*Rick Warner, Giant store manager, with the principal and students at Letart Elementary School in Carlisle, Pennsylvania, pictured with a Giant recycled plastic bench.*



Stop & Shop was commended by the Massachusetts organization "WasteCap" for its Save-A-Bag program. Customers are encouraged to reuse their grocery bags, for which they receive a cash discount. They can donate that money to the Nature Conservancy, a well-respected non-profit environmental organization.

*A collection box for shrinkwrap in the store.*



Customers can also donate deposits from returned bottles to charity. Tops partners with the Enviro-Bag® School Recycling Program. School children earn money for their schools by collecting and recycling Tops and Finast shopping bags.

At Albert Heijn, the plastic shrinkwrap recovered from stores and distribution centers is recycled into the customer's plastic bags. In 1997, Albert Heijn had 28 million bags made from plastic recycled from its own operations. More plastic is recovered in the stores than is necessary for making shopping bags. The remainder is used to make plastic for other Albert Heijn internal uses or is sold on the open market.

*The currently manufactured shopping bag made from recycled plastic (left) and the old version, made from virgin plastic (right). The recycled bag is cheaper and the quality is the same.*



**Our plastic bags are made from our own recycled plastic**



*A video is used for in-store training*

## Albert Heijn recycles organic store waste

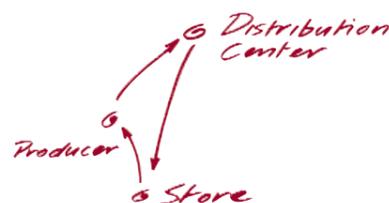
In all Ahold's US and European stores, carton, paper and plastic transport packaging materials are collected in the stores and returned to the distribution centers for recycling. Unique to Albert Heijn, organic waste is also returned to the distribution centers and sold as feed for pigs. A training video was made for all store employees to explain the system. Piet Noom, an Amsterdam store manager who now manages Albert Heijn's waste management program, was part of the team that developed the program. "We've reduced our waste stream from about 27,000 tons per year to about 8,500 tons. New uses have been found for organic material that would fill about 1,850 garbage truck loads per year." In addition to savings on disposal, Albert Heijn has gained insights into the causes of product loss. This ongoing education and awareness building program run by Albert Heijn's Quality department continues to eliminate sources of product loss and waste.



*Produce that no longer meets Albert Heijn's quality standards – as well as over-date dairy, deli and grocery items – are separated and used as animal feed. This ensures that the caloric value of that food is not wasted.*



The fuel tank for the refrigeration unit has been moved back near the rear wheels, reducing the risk of fuel leakage in an accident.



- Energy management
- Refrigerant management
- Store design and remodeling
- Waste management
- Transport and distribution
- Production companies

Truck transport contributes to road congestion, local air pollution, CO<sub>2</sub> emissions and noise. It is also essential to re-supplying our stores. The drive to reduce operating costs by increasing fuel efficiency and truck utilization converges with the drive to reduce the environmental impacts of transport.

Additionally, refrigerated trucks use energy and refrigerants and face the same CFC-conversion issues as our stores. Our policy is to improve truck and trailer utilization and maintenance to obtain the best economic and environmental performance.

**Optimal truck utilization**  
Our distribution strategy is designed to reduce the number of direct store deliveries and to optimize the use of our trucking fleets. The former is essential for effective inventory management, security, and most importantly, enhancing customer focus

in each store. The latter is driven by cost effectiveness and coincides with lower environmental impact from trucking. In practice, suppliers deliver goods to our central warehouses where orders for each store are consolidated onto trucks for cooled fresh goods and dry grocery items. As a result, fewer truck deliveries are made to urban locations. In the US, we further optimize the use of our trucks returning to distribution centers by picking up goods from suppliers instead of returning half empty.

**Truck fuel efficiency and maintenance**  
Fuel efficiency increases each year as older trucks are replaced with newer equipment. On-board computers also help drivers optimize their driving techniques for fuel efficiency. Tops and Stop & Shop both use fuel economy gauges linked to computerized reporting systems.

**Refrigerated trailers**  
In the US and the Netherlands, CFC's are being replaced in refrigerated

trucks and refrigeration motors are being insulated to reduce noise. Trailers for Stop & Shop are upgraded by moving the refrigeration unit fuel tank towards the back of the truck as a precaution against fuel leaks in an accident. In addition, drivers are trained in quick response techniques to control fuel leaks. This protects the environment and reduces potential clean-up costs and liabilities.

In a pilot project, Albert Heijn in conjunction with its refrigerated trailer supplier has developed a "roll-on/roll-off" trailer. The roll-on/roll-off concept reduces loading and unloading time by about a half, resulting in lower delivery lead times. Because there is no hydraulic lift, the loading and unloading is significantly quieter and safer. In combination with a special noise-damping floor material, rolling carts are quieter and operationally more efficient than pallets. This makes it particularly attractive for distribution to urban locations.



**Production companies**

The Marvelo factory in Zaandam, the Netherlands, is Ahold's largest production facility. Marvelo produces primarily for Albert Heijn's private label. Marvelo is the country's second largest coffee and tea producer and its largest wine bottler.



Environmental management at Marvelo has been embedded in the company's quality program and responsibility for environmental performance delegated to line management. Periodic audits are conducted to identify waste reduction and energy efficiency improvements. Energy, gas, water usage and waste quantities are reported monthly to management. Waste water treatment is a growing cost and is currently a high priority. The strategy is to reduce

waste water generation through preventive action in each production line.

It is standard practice at Marvelo to assess the environmental implications of packaging changes and new packaging. Since 1990, transport packaging for Marvelo products has been reduced from 1,600 tons to less than 500 tons today, nearly all of which is then recycled by Albert Heijn.

- Energy management
- Refrigerant management
- Store design and remodeling
- Waste management
- Transport and distribution
- Production companies

**Elsewhere:**  
Meester, Albert Heijn's deli packer, and Albert Heijn's three meat packing centers, have all integrated environmental care into their quality and food safety (HACCP) programs. At Meester, packaging and noise were top priorities in the early 1990's. Significant reductions have been made in both areas; energy efficiency improvements have been moved to the top priority.

Albert Heijn's meat packing centers have implemented an environmental management system. As a result, the Groenlo center received a simplified operating permit. The environmental management system is modeled on ISO 14000 standards\*. It improves information management, spurs ongoing process improvement, and helps to ensure the confidence of the government and local community in the plant's environmental care program.

\* The International Organization for Standardization (ISO) has developed an internationally recognized protocol for environmental management systems

# THE COMMUNITIES WHERE WE OPERATE

- New store development
- Community involvement
- Locally grown produce

Good environmental performance means care for the local environment where we operate.

By building and maintaining a reputation as a good neighbor and a source of vitality in our

14 communities, we earn our “license to operate”. This improves our ability to obtain the best locations for new stores.

In this section we describe how good practices in new store development, our support of local farmers, and our community involvement contribute to the vitality of our communities.



- New store development
- Community involvement
- Locally grown produce

## New store development: serving the unserved consumer

Developing new stores is crucial to realizing our growth targets and to meeting the needs of local consumers. Our policy is to anticipate and mitigate potential environmental impacts and ensure our stores are assets to their communities.

### New Store Location

We build stores where people live.

To be successful retailers, we need store locations situated near population centers with good access for both supply and customers. Preferred locations are on major thoroughfares or in urban centers where a variety of options are available for customers to reach our stores.

Where weekly shopping is the norm and where cars are the dominant mode of transport, it is crucial to the

14 success of our business to have good car access.

In these locations we help to improve the flow of traffic and the safety of pedestrians nearby our stores. In both our mature markets and new markets, public transportation and non-motorized transportation can play an important role. For example, at the South Bay Super Stop & Shop in Dorchester, Massachusetts, Stop & Shop arranged to have public buses rerouted through the store parking lot.



Various formats of Albert Heijn stores serve the heart of historic Amsterdam.

## Developing supermarkets in Poland and the Czech Republic



*A Sesam store in between apartment blocks in Poland.*

The Ahold & Allkauf Polska joint venture is building new Max supermarkets in the plazas between apartment blocks in Krakow. Sesam stores are also located in these densely populated areas. Customers in Poland still shop several times a week, so being very close to the customer is crucial. The stores are located on the ground floor of apartment blocks. Other stores, like our hypermarkets, are intended to reach a larger customer base. These stores are built on urban sites or on major arterial roads with access by car as well as public transportation. The first hypermarket in the Czech capital Prague is planned on the edge of the city as part of a shopping center. Access to the store is by car, tram and bus.



*A variety of store formats in Central Europe serves different customer needs, from everyday shopping nearby home, to larger formats for less frequent visits.*



*Stop & Shop Superstore in  
Dorchester, Massachusetts.*

## Urban redevelopment

When Stop & Shop opened a superstore in Dorchester, Massachusetts, it was a significant event. Built on the site of abandoned warehouses, the project revitalized an economically disadvantaged part of the city. The project was supported by the City of Boston and is the result of intensive cooperation between local groups and Stop & Shop.

The shopping center includes other retailers and is accessible by subway, bus and car. Stop & Shop has since opened new stores in other poorly served parts of the city, bringing better quality food at lower prices to more of Boston's citizens.

In 1997, Tops started a project with the office of the Mayor of Rochester, NY, and the Rochester Economic Development Corporation to build four food stores in economically disadvantaged parts of the city poorly served by supermarkets. The developments were described by the Mayor's office as models for urban revitalization. In one particularly depressed area, a 25,000 square foot B-Kwik Market (a smaller format of the Tops chain) will provide local jobs and access to quality food at reasonable prices. It will turn an urban blight into a vibrant full-service neighborhood shopping center. Partnering with local community groups and other urgently needed local service providers supports the success of the projects.

Finast was commended in 1995 for its contributions to the revitalization of disadvantaged areas of Cleveland, Ohio.

In Hadley, Massachusetts, Stop & Shop stores are integrated into the extensive public transport network. Albert Heijn's location strategy in Amsterdam and other Dutch cities illustrates how a range of store formats can provide a network of shopping possibilities to meet the varied needs of a community.

**Urban revitalization**

A supermarket can be a source of economic vitality to a community. Economically disadvantaged areas get an economic lift when retailers and communities team up to revital-ize communities and upgrade the areas where people live. New store development by Ahold companies in Cleveland, Rochester and South Boston in the US, are models for urban redevelopment.

**Maintaining quality of life for our neighbors**

Being close to our customers means being close to their homes. Ahold policy is, where possible, to minimize the noise nuisance of our activities on neighbors. Staying in business and being welcomed in new neighborhoods is dependent on our reputation as a good neighbor. Open and constructive dialogue with community groups and local government is essential.

An example illustrates a site-specific way to reduce noise impact. At Stop & Shop, noise deflectors have been built around rooftop condensers for cooling at some stores to deflect noise away from adjacent homes.



**Inherited contamination**

In the northeastern United States and in the Netherlands, new sites may have some kind of existing 'inherited' environmental contamination. When the sites for our stores are contaminated, being a good neighbor may mean cleaning them. It often requires cooperation with local governments to facilitate the site improvement and to protect us from future liability claims.

**Sensitive natural areas**

When the preferred site is adjacent to sensitive natural areas, we recognize the importance of identifying and mitigating the environmental impacts of developments and of discussing development with local groups. This is part of our commitment to being a good neighbor.

*Sound barriers above a Stop & Shop store deflect the noise from roof-top condensers away from neighboring houses.*

*“New store development by Ahold companies in Cleveland, Rochester and South Boston are models for urban redevelopment.”*



*In 1997, Stop & Shop donated turkeys on Thanksgiving to local shelters.*

New store development •

Community involvement •

Locally grown produce •

**Community involvement**

**Ahold companies are involved in their communities. This creates a positive spiral of economic vitality.**

All US companies have programs to involve the customer and associates in voluntary community activities and charitable giving. Themes such as fighting hunger and helping children in need are chosen that reflect our core business and our involvement in the well-being of our customers and associates. The cases in this review touch on only a few of the examples of how Ahold companies are involved in their communities.

All of the Ahold USA companies have extensive food donation programs. Despite our efforts to minimize product waste, we generate volumes of edible food we can not sell, like day-old bread, bruised produce and dented cans and boxes. Unsellable but edible food in the US is donated to local food distribution organizations. Ahold operating companies participate in food bank programs, not as a convenient source of waste disposal, but as part of a commitment to community revitalization. The donations are not only unsellable items. Stop & Shop and the other Ahold USA companies donated turkeys on Thanksgiving to local shelters. They donate to other charities at other moments throughout the year.

**Locally grown produce**

**Ahold companies support local farmers because this helps to maintain the social and economic fabric of our communities.**

The benefits of locally grown produce are important to our customers. The customers like the fresh, tasty products and want to support the local rural economy. Locally grown products travel shorter distances, so they may be fresher in season. However, local growing seasons in temperate climates may not accommodate all of the needs of customers throughout the year. In the US, working with small local suppliers requires a commitment from the produce department. Quality can vary considerably compared to the larger farms in year-round agricultural states like California and Florida. Selling local produce requires building relationships with local farmers to exchange knowledge on scheduling and forecasting, crop selection, pest management techniques and quality standards.

## AHOLD AND SUSTAINABLE DEVELOPMENT

**Sustainable development in simplest terms means meeting the needs of the present without compromising the ability of future generations to meet their own needs. This means finding ways to create value and grow our business by meeting the needs of our customers today in a manner which is sustainable tomorrow.**

Sustainable development is more than environmental protection. It is the simultaneous focus on economic prosperity, environmental protection and social vitality. Ahold is working on sustainable development with our focus on product choices, operating efficiency and community care.

reduce packaging and develop new cooling systems are models for our future development. We are proud of these incremental improvements, and plan to accelerate the pace of advancement to match the pace of our corporate growth. This report is part of an open dialogue with our associates, customers, investors, suppliers and others to facilitate that progress.

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The partnerships our companies form with suppliers to improve products,



*In November 1997, Ahold trainees in the Netherlands held a two-day conference on environment and socially responsible business.*

## FEEDBACK AND INFORMATION

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## INVOLVING ASSOCIATES

**Associates are the key to realizing our business and environmental objectives. The contributions from our associates and management teams to our environmental objectives are indispensable.**

### Training

Examples of training and ongoing awareness building activities are presented throughout this report. Noteworthy examples include store energy conservation programs at BI-LO and Giant, and a training program over in-store waste handling at Albert Heijn.

### Earth Day

Ahold companies use Earth Day as one special moment in the year to pay extra attention to our environmental progress and to discuss new challenges for the future. Operating companies and Ahold at the corporate level use their internal media to reach associates. At the store level, various operating companies engage customers with publications over environmental issues and activities.