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# Ahold

Status Report 2002

**Corporate  
Social  
Responsibility**

## Dear Stakeholder,



*The Ahold 2002 Corporate Social Responsibility Report reflects our commitment to increased transparency. Our aim is to address issues in which we and our stakeholders are interested, while providing a benchmark against which we can continue to improve our performance.*

*In 2001, we revisited our business principles, with the goal of making our company's core values more explicit. The result is that we've articulated our mission, vision and values in a way that our operating companies and joint venture partners can easily use to guide their own local operating principles. These principles are reflected through the content of this report.*

*Ahold's business model is characterized by strong local management within a global network of companies. This means that we address social and environmental issues in ways that meet the needs of local markets while using our influence as a global company to affect positive change in the industry. The responsibility for prioritizing and carrying out practices is kept in the able hands of local leadership. While this decentralized structure makes us respon-*

*sive and agile, it also poses challenges for CSR reporting. Because we manage most issues on a local level, we do not generally have aggregated data to report on our global performance.*

*In the area of corporate social responsibility, we've accomplished a great deal in our local markets this year. We are proud of the work our operating companies have done. A good example is the "low energy super-store" at our Stop & Shop chain in Massachusetts, which was the culmination of nearly three years of cooperation and innovation among Ahold companies.*

*Our companies have given new meaning to corporate citizenship in times of crisis in 2001. Our U.S. companies worked towards a common goal of raising funds to benefit the victims of the September 11th tragedy. Disco's aid to those affected by Argentina's economic downturn is another example you'll find in this report. Ahold has also taken a leadership role in the industry through projects like the Global Food Safety Initiative, advancing the development of global standards. This will ultimately benefit consumers with safer food.*

*We are convinced that we can only be a successful company if we operate in a responsible manner. This report is one of the steps towards becoming the company that we want to be. The principles we set forward here are fundamental to our business strategy and the way in which we plan to measure our success in years to come.*

**Cees van der Hoeven**  
**President and CEO Ahold**

## | What is Corporate Social Responsibility at Ahold?

As a socially and environmentally responsible company, we want to operate in a manner that contributes to the wider goal of sustainable development and to a better quality of life for our stakeholders. We view social responsibility as our ability to respond to societal concerns regarding products, environment and labor. We have only begun to understand and define how social responsibility will change our business; this report is an important step in the process.

## | Our vision on Corporate Social Responsibility

Ahold is committed to being a leading socially and environmentally responsible company in every market it serves.

## | Our roles in society

Ahold's priorities can be best described within the context of the four main roles which characterize our function in society:



### Ahold as a food provider | 9

- Offering the best combination of quality, value for money, product assortment, convenience and service to the local marketplace.
- Offering the safest possible products to our customers and translating their environmental and social concerns to the supply chain.



### Ahold as an employer | 16

- Being the preferred employer in our sector in every market area.
- Operating everywhere according to principles of diversity, equal opportunity and fundamental rights.



### Ahold as an operator | 22

- Working to manage the environmental impact of our businesses.



### Ahold as a citizen in society | 34

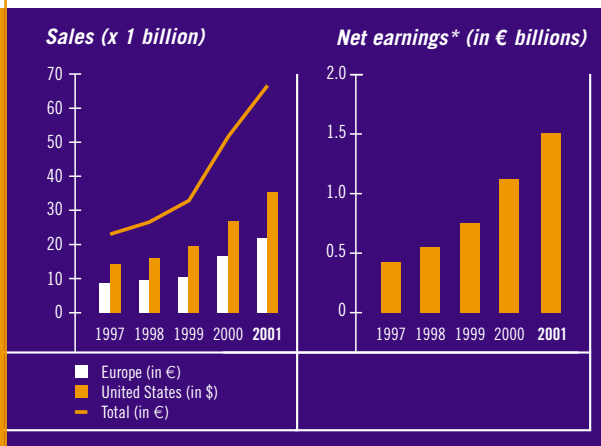
- Supporting local economic development and actively contributing as a member of the communities where we do business.

Ahold is a multi-channel food provider with consolidated net sales in 2001 of € 66.6 billion. Ahold implements a multi-format strategy focused on meeting the needs of 40 million customers every week in currently 28 countries. Ahold companies serve consumers directly through local stores and indirectly through food service operations.

Under their own local brand names, Ahold companies operate approximately 9000 stores in the U.S., Europe, Latin America and Asia. Ahold also has significant food service activities. Worldwide Ahold employs more than 450,000 people.

## Highlights

Ahold's sales and earnings have grown significantly both organically and through acquisitions. Sales increased by 98% to € 66.6 billion in 2001, while net earnings amounted to 1.11 billion. Ahold's moves in the U.S. food service industry, the acquisitions of ICA and Superdiplo in Europe and the acquisition of La Fragua in Central America are main developments in the Ahold world.



\* Net earnings before goodwill amortization and exceptional charges.

## Food Retail

Ahold's brands are grouped under various prominent local banners. We own and operate close to 9,000 supermarkets, hypermarkets and convenience stores that address the diversity of our customers needs and tastes.

## Food Service

Our foodservice operations in the U.S. and three European countries cater to the needs of thousands of accounts. We distribute food and offer services to restaurants and hotels, health-care institutions, government facilities, universities, sports stadiums and caterers.

## Mission

**To be the best and most successful food retailer and foodservice operator in the world.**

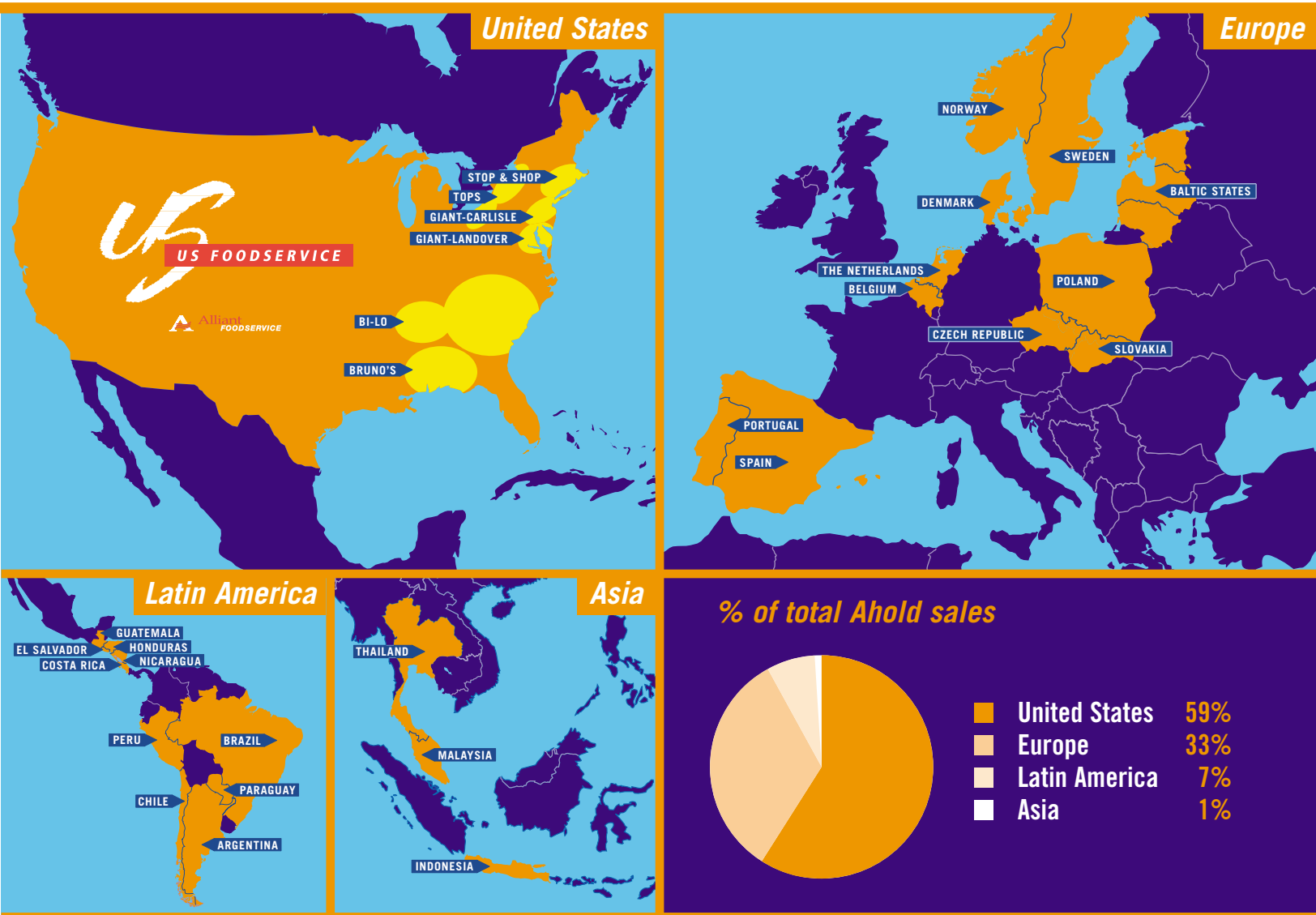
## Vision

**To serve the needs of our customers by integrating a close-knit network of world-class food retail and foodservice operations that make the whole of our company worth more than the sum of its parts.**

## Putting Mission and Vision to work

Ahold's food retail and foodservice companies provide superior shopping and service experience. They lead in their markets in quality and innovation. Ahold companies co-operate by sharing best practice and using economies of scale and synergies to stay highly competitive.

# THE WORLD OF AHOLD



## Key statistics of Ahold around the world

Region	Sales (x-mln)				Number of stores				Average number of associates			
	2001	2000	1999	Increase (%)	2001	2000	1999	Increase (%)	2001	2000	1999	Increase (%)
U.S. (\$)	35,346	26,901	20,340	73.8	1,615	1,314	1,063	51.9	201,688	172,185	151,257	33.3
EUROPE (€)	21,807	16,625	10,454	108.6	6,516	6,282	2,442	166.8	133,139	137,361	92,574	43.8
LATIN AMERICA (€)	4,900	5,082	3,497	40.1	608	569	408	49.0	60,668	59,488	56,019	8.3
ASIA (€)	400	402	476	-16.0	104	97	80	30.0	8,958	8,451	8,943	0.2
TOTAL (€)	66,593	51,542	33,560	98.4	8,843	8,262	3,993	121.5	404,453	377,485	308,793	31.0

# AHOLD'S VISION ON CORPORATE SOCIAL RESPONSIBILITY

Ahold is a socially and environmentally responsible company in every market it serves, aiming to protect public health and safety, the environment, and to operate in a manner contributing to the wider goal of sustainable development. Ahold strives to not only deliver on its promises to financial stakeholders, but also meet its obligations to associates, customers, suppliers, local communities in which it operates and society at large. Improving the quality of life for many is a key objective.

Ahold's pursuit of earnings growth must occur within the framework of our values and corporate identity. We are convinced that corporate social responsibility is good for our business.

Ahold recognizes the UN Universal Declaration of Human Rights as a common standard for all members of the global community. We strive to realize its ambitions everywhere we do business. Ahold also supports the principles set out in the OECD Guidelines for Multinational Enterprises, including the core conventions of the International Labor Organization.

Leadership in social and environmental responsibility has always been an implicit part of Ahold's philosophy. The focus of our CSR report is to make these commitments as explicit as possible to both internal and external stakeholders.

## Business Principles

We recently published our values, policy guidelines and code of professional conduct in written format. Through this process, we made explicit the business principles shared by our network of companies, and clearly stated the common ambitions regarding how we strive to operate and treat our stakeholders.



The business principles reflect Ahold's commitment to accountability and lead our priority setting on corporate social responsibility topics. They provide a benchmark against which each operating company can align its own local principles and code of conduct.

### Ahold's Common Values

- Long-term value creation
- Best proposition for customers
- Preferred employer for associates
- Honest and challenging business partner
- Local management, global network
- Responsible and involved corporate citizen
- Knowledge transfer and exchange of best practices

## The Framework: Local Priorities Lead

Ahold is a network of prominent local companies, many of which started out as family businesses, with strong ties to the community. This family feeling is still present within the culture of Ahold. Fostering local bonds and keeping this local flavor in our companies is a high priority.

Ahold believes that maintaining a clear measure of autonomy at the local level is essential to best serving the local customer. We maximize behind-the-scenes synergies to create value from our worldwide operations not as a top-down process,

but using structured horizontal exchange of knowledge through Ahold Networking.

Since Ahold is a mosaic of companies in various stages of development, it would be unrealistic to impose a standard CSR blueprint. We recognize that the challenges, priorities and urgency of sustainability and corporate responsibility vary by local market. Local concerns, driven by what is important to our customers and associates, are the first priority.

Ahold operating companies and joint venture partners are expected to exhibit leadership in corporate social responsibility in their local markets by addressing the main environmental and social impacts of their business.

## Ahold Networking

Ahold Networking is the way in which we drive synergies while maintaining local autonomy, ensuring that the whole of Ahold is greater than the sum of its parts. Through Ahold Networking, thousands of key associates throughout the Ahold world connect with each other every day to effectively transfer knowledge, identify and exchange best practices and benchmark performances. This accelerates development within Ahold by capturing the value of our shared pool of knowledge to improve our performance and create national, regional and global synergies.

### Ahold Networking Areas of Expertise

- |                                   |                                      |
|-----------------------------------|--------------------------------------|
| • Business Development            | • Human Resources                    |
| • Category Management             | • Information Technology             |
| • Communication                   | • Logistics and Supply Chain         |
| • Customer Marketing              | • Non-Food / General Merchandise     |
| • eCommerce                       | • Real Estate                        |
| • Finance and Administration      | • Store Operations                   |
| • Foodservice                     | • Technical Development and Sourcing |
| • General Management and Strategy |                                      |

CSR performance is accelerated through networking groups connecting specialists from operating companies worldwide. There are groups that focus on such CSR related topics as Diversity, Food Safety, Energy, Refrigeration and Store

Equipment, Social Responsibility, Environmental Affairs, Community Relations, Store Development and others. We deliver social and environmental 'value' worldwide by exchanging best practices and sharing knowledge, raising the bar for social responsibility in our local markets around the world.

## Management systems

Corporate social responsibility has historically been a topic on the agenda of senior management throughout Ahold. Moving forward, however, it will be more formally integrated into the mid-year management review cycle. This process provides the opportunity for operating company management to make local priorities explicit and report to Ahold's corporate executive board on progress regarding global priorities.

## Measuring performance

Though corporate social responsibility and sustainability are integral to Ahold's business philosophy, systems for measuring the value created to the business in these areas are not nearly as well developed as those for measuring economic value creation. If significant progress is to be made, a comprehensive and broadly accepted system to measure sustainable corporate performance is necessary.

To this end, Ahold has funded a multidisciplinary research project at the University of Groningen in The Netherlands to develop a comprehensive model of Corporate Sustainable Performance for measuring the social and environmental value added by a business. In 2001, the university presented the basics of its model. In 2002, the model will be tested at Ahold. Other leading companies also joined the program at the beginning of 2002.



# REPORTING ON CORPORATE SOCIAL RESPONSIBILITY

Ahold wants to become more transparent in reporting our vision and progress on topics related to corporate social responsibility. We believe it is important to report on the issues that interest our stakeholders.

To learn more about their concerns, Ahold conducted several formal stakeholder surveys in 2001 to help define global priorities and determine topics for CSR reporting.

## Local stakeholders

Qualitative research was conducted among customers, associates and opinion leaders (government officials, NGOs and media), on three of the continents we serve: Latin America (Guatemala), Europe (The Netherlands) and North America (Washington, D.C. area).

Local stakeholders define Corporate Social Responsibility in regionally specific ways. In north-western Europe, CSR is a relatively well-defined concept for our sector, referring primarily to accountability in the supply chain. This is seen as a determinant of a company's license to operate. In the U.S., in addition to a particular emphasis on customer service, CSR is understood more often as 'giving back' to society and the communities in which the company operates. In Latin America the concept tends to be associated with being a good employer and contributing to local economic development.

## Global Stakeholders

Following our 2000 "From Farm to Fork" report, Ahold consulted with global stakeholders on both a formal and informal basis, to determine how Ahold's policies, activities and reporting practices are perceived externally. These "Ahold-watchers" include "green" opinion leaders, non-governmental organizations, responsible investors and suppliers.

These stakeholders demand transparency, and emphasize the need for corporate policies and integrated management systems as well as quantified targets and results on a range of issues. The opinion leaders asked questions about human rights concerns related to product sourcing in countries where these concerns are most relevant. They also want to know, in detail, how we manage the environmental impact of our own operations in the areas of energy, waste refrigeration and distribution.

Ahold is also an active participant in several international organizations addressing topics of social responsibility. Ahold is a member of the Amnesty International Dutch Business Round Table and CSR Europe (as of 2002). We are on the Food Marketing Institute (FMI) and CIES executive boards. Eurocommerce and FMI are our primary lobby organizations. Ahold representatives chair the Global Food Safety Initiative (GFSI), Eurocommerce Food Law Committee and FMI Government Affairs Committee.

## Overview of Stakeholder Priorities

Several issues were perceived as important across all stakeholder audiences. They included food safety, food integrity and origin, energy, labor standards and diversity. These subjects, and others we find important, form the basis of this report.



# ***AHOLD AS A FOOD PROVIDER***



**Ahold's first and foremost role is to provide wholesome food products and related services to our customers. Our retail and foodservice customers are our main focus, their satisfaction is essential to our success. Customers demand safe, high quality food at fair prices.**

Our responsibilities:

- Provide the safest possible products to consumers
- Address the environmental and social concerns in the supply chain

We pride ourselves on maintaining clean stores, offering excellent service in line with local expectations and providing reliable consumer information. Our market and stakeholder research shows that our customers are satisfied with our performance in these areas and that our proposition to the local customer is clearly understood. Ongoing tracking studies keep us highly focused on maintaining this excellent standard. According to our research, stakeholders want information on different topics regarding our role as food provider. We've addressed their questions in this section of the report.

Consumer expectations about food were once implicit: it was expected that food was safe and of good quality. However, in recent years, incidents throughout the world have raised awareness about the importance of food safety. The supply chain by which food travels from producers to retailers has become increasingly complex and global in nature. This means that food safety is consequently a more important issue.

There is also an increasing awareness of the relationship between consumer choices and impacts on human life and environmental conditions all over the world. Concerns, above and beyond the narrow scope of food safety, include such issues as intensive agriculture, fishing and aquaculture, GMOs, labor practices in farming and manufacturing and trade relationships. Increasingly, each of the players in the food chain must explicitly account for the safety and environmental and social quality of its products.

On food safety there is a global consensus based on scientific standards. These food safety standards apply to all of our products. On social, environmental and ethical issues, there is no global

consensus as the issues and importance vary by country and region. Our approach is therefore locally differentiated and focused on specific products where we have influence.

## Assuring Food Safety

### *Principles*

Ahold's top focus is to always provide the safest possible products to consumers. Though priorities differ slightly from region to region, the common objectives for food safety largely transcend regional differences and include supplier screening and auditing, internal training, system development and providing information for consumers.

All Ahold companies maintain a food safety policy based on sound scientific principles, practical operational procedures, state-of-the-art technology, associate training programs and consumer information programs.

With these policies, Ahold companies flexibly and responsibly cope with the complex task of securing food safety in a way that reflects every Ahold associate's commitment to retain the trust of our customers.

### *Practices*

#### **Ahold Global Food Safety Steering Committee**

A steering committee is in place to assist companies in setting priorities and lifting professional knowledge and skills at operating level by enhancing synergy and best practices exchange.

All companies have a dedicated food safety expert or experts with a direct reporting relationship to senior management. Each Ahold region has a local coordinator and a liaison from the Ahold Global Food Safety Steering Committee.

## Ahold Model Food Safety Program

A worldwide food safety policy was implemented throughout Ahold in 2000 and 2001, aimed at continuously improving food safety practices at our operating units. Each company conducted self-evaluations and benchmarked local programs against the Ahold Model Food Safety Program. The results were used to define concrete action plans for each company and facilitate the exchange of best practices through Ahold Networking. As a direct result, all companies have stringent food safety programs and procedures and ongoing improvement plans in place. While the overriding objective is prevention, Ahold companies have state-of-the-art recall procedures in place and are capable of responding rapidly to crisis situations.

## Ahold Food Safety Network

Ahold Networking is being used to enable experts around the world to access a common knowledge database, use a collective early warning system, share knowledge, exchange best practices and update each other on their progress in meeting individual food safety plans.

## Supplier Screening and Auditing

Ahold companies increasingly screen suppliers on the basis of their ability to provide the safest possible products. Prospective suppliers to Ahold regional or global sourcing are required to answer a set of food safety related questions on every Request for Proposal. These questions are aimed at assessing the vendor's methods of guaranteeing food safety and product quality, including the governmental guidelines and international standards with which it complies. The trend is towards outsourcing these audits to independent certified audit and inspection companies.



## What Does it Really Mean to Strengthen Food Safety Practices?

In 2001, La Fragua in Guatemala evaluated its stores and distribution centers according to the Ahold Model Food Safety Program. This led to the development of a roadmap for future improvements created with support from the Food Safety Networking Group and the Ahold Latin American Food Safety Committee.

La Fragua improved food safety in the following areas:

- Increased staff training in safe food handling procedures
- Developed in-store procedures for more rigorous temperature control of perishable products.
- Established a microbiological laboratory to monitor the safety and quality of its perishables.

Certification against the Good Manufacturing Standard (CFR 110) of the U.S. FDA is expected to be achieved in all 120 stores and distribution centers in 2002. The next step is HACCP certification.

La Fragua also launched a certification program for perishables suppliers. In 2002, La Fragua will assist 60 of its suppliers in the CFR certification process, with a goal of having 90% certified by the end of 2003.

In one year, significant progress has been realized, evidenced by improved scores on two subsequent food safety audits.





## Global Food Safety Initiative

Food Safety is an industry-wide concern. In 2000, the CEOs of the world's leading food retailers established the Global Food Safety Initiative, with Ahold as the chair. At the end of 2001, this initiative had been endorsed by 36 retailers representing about 80% of organized global food retail sales. A benchmark food safety standard was successfully launched in 2001. For more information, visit [www.ciesnet.com](http://www.ciesnet.com).

## Sustainable Supply Chain

### Principles

Ahold strives to address consumer concerns about environmental and social issues in the supply chain. The key is to know where products come from and how they are made. Where possible we use our influence and work with suppliers to systematically improve the social, environmental and ethical quality of their products and services, particularly those sold under Ahold brand names. The priorities vary from country to country. In the long run, Ahold will favor those suppliers whose values and principles are aligned with our own.

### Practices

#### Integrated Farming

Integrated farming encourages farmers to use fewer chemicals and more natural crop protection systems to improve the health of crops and ani-

## Toward More Sustainable Seafood

The past few years have seen a rise in customer concerns about seafood, mainly about environmental issues like over-fishing, pollution created by fish farming, impacts on the marine habitat, and by-catch or accidental catch. Stop & Shop established the "Ecosound" project to distinguish itself as a thorough, trust-worthy provider of seafood in its market.

Stop & Shop's seafood expert traveled to major farmed sources to assess first-hand how the seafood is grown and harvested. The purpose was to identify the major food safety, environmental and social issues facing the resource and how they were being addressed.

In April 2001, Stop & Shop formed a partnership with the New England Aquarium, a prominent U.S. aquatic research and conservation organization, to gain an independent science-driven perspective on our initiative and commence research on wild harvested species.

At the time of this report, initial surveys of the main wild and farmed species and principal suppliers have been completed and improvements made to some product specifications (ie: shrimp and salmon). Using the results of this initial research as a foundation, Stop & Shop established a long-term sourcing strategy that promotes resource stewardship. This includes giving preference to suppliers from sustainable fisheries, like Icelandic cod, delisting suppliers with inadequate traceability and food safety systems.

### Gregory Stone, Ph.D., Vice President, Global Marine Programs New England Aquarium

"The EcoSound Project has the potential to be a uniquely effective seafood sourcing project by encouraging corporate seafood buyers to look more closely at environmental issues. To save the oceans and get to the heart of the problem, you need to work with the large industries involved with selling fish. Stop & Shop is committed to improving the environment through their wholesale buying decisions. In our view, Stop & Shop is proactive and assuming a leadership role with EcoSound and their partnership with a conservation group like ours. It is significant that Stop & Shop and their parent company are moving step by step towards more sustainable choices for their customers and a more sustainable business."

imals. Ahold has two strategic approaches for promoting integrated farming practices. One is a sector-wide approach where we work with other retailers to set standards for a whole product range, such as EUREPGAP. The other is a project driven approach, in which individual Ahold companies use their influence to improve farming practices for specific products, as in Albert Heijn's "Earth and Values" program.

Environmental concern is just one driver of integrated agri-chain management programs. By working closely with farmers to develop better farming methods, Ahold aims to assure food safety, reduce costs throughout the supply chain and improve product quality.

## EUREPGAP

ICA and Albert Heijn are actively involved in developing a standard for good agricultural practices known as the EUREPGAP. This standard is designed to assure product safety, reduced agro-chemical use, environmental protection and labor safety. EUREPGAP integrates various systems used by European retailers. This translates into simpler, more effective and cheaper certification of growers and avoids unnecessary price increases for consumers. See [www.eurep.org](http://www.eurep.org) for more details.

## Individual Company Initiatives

Individual Ahold companies pursue their own initiatives to improve farming practices with a focus on priorities that are relevant in their markets. Several projects at Ahold companies examine the supply chains of specific agricultural product lines. These projects are focused on farming practices and address environmental issues at the farm level with two different strategies, integrated farming and organic farming, depending on the regional priorities.

Individual company initiatives on integrated farming have been developed by Albert Heijn in The Netherlands, TOPS Thailand, Bomprego in Brazil and ICA in Sweden. Stop & Shop in the U.S. has given preference to suppliers who adopt integrated

## Improving own-brand coffee

The Ahold Coffee Company purchases about 15,000 tons of coffee for the corporate brands of Ahold retailers in The Netherlands, Sweden, Norway and the U.S. Ahold has developed a structural, step-by-step approach to improving the social and environmental performance of these corporate brand coffees using a translation of the EUREPGAP standard called the Utz-Kapeh, or "Good Coffee" standards.

Ahold, together with its suppliers in Guatemala established the Utz Kapeh foundation. This will become an independent non profit organization that promotes the standard to suppliers as well as other retailers and roasters.

In January 2002, a respected local auditing firm, Mayacert, certified that five plantations that supply Ahold Coffee Company in Guatemala met the requirements of the Utz Kapeh standards. This represents about 15% of Ahold Coffee Company's supply, and about 1.5% of Guatemala's total export. The goal is to have 100% certification in 2002.

See [www.utzkapeh.org](http://www.utzkapeh.org) for more details.

## Ing. Noe Rivera, General Manager MAYACERT

"When we read the Utz Kapeh Code of Conduct for the first time, we thought it would be impossible to find farms in Guatemala that would comply with the social requirements. We inspect, for example, payment of minimum salaries, social security, working conditions and the families' access to health care, education for the children, housing, water and sanitary services. We were used to seeing conventional farms where workers are exploited and where the environment is contaminated by soil burning and applications of forbidden chemicals. We see how people put their life, their health in danger. It was a surprise for the MAYACERT team to find farms that do comply with the requirements of Utz Kapeh and we are very satisfied to have certified those farms."

farming strategies like “NutriClean”. This is a commercial initiative to minimize pesticide residues through integrated pest management strategies and other methods.

The aim of these programs is to stimulate suppliers to adopt locally appropriate ways to reduce the environmental impact of farming. This includes the adoption of Integrated Crop and Pest Management programs as well as programs for improving animal health and welfare.

### ICA and social concerns in the supply chain

ICA wants to ensure that the imported products it purchases are manufactured under good working conditions. To accomplish this, ICA has a developed a program to assess its suppliers' performance on labor issues and stimulate them to move towards certification against the SA8000 standard for assuring compliance with international minimum labor requirements.

The program consists of several steps. First, ICA trained its buyers in the ethical and human rights issues that may be associated with manufacturing. This is important for giving buyers the skills and confidence to raise these issues with their suppliers. Next, ICA conducted surveys of its international suppliers on working conditions through questionnaires. Following improvements made by the supplier, the process should ultimately lead to SA8000 certification.

The food suppliers participating in the SA8000 process represent about 0.5 % of ICA's total sales and 10% of private label sales. They represent about 1.0% of Hakon's total sales in Norway and 15% of private label sales.

In 2001 almost all food suppliers completed the ICA questionnaire. Some have performed a pre-assessment with positive results. One supplier was SA8000 certified. For non-food suppliers the process has just started.

### Organic Farming

Organic farming uses no artificial fertilizers or chemical pesticides for crop protection. Most Ahold retail companies now sell organic products. Our companies also cooperate with organic product suppliers to improve product quality and safety and adjust to the fluctuating levels of supply and demand in this emerging sector. Ahold companies assist their traditional suppliers in adding organic product lines. Increasingly some companies market organic product under private labels, such as ICA's “Sunda,” Albert Heijn's “AH Biologisch” and Disco's “Bell's” brand. Everywhere we sell organic, our ambition is to sell only certified organic products to ensure that such claims are legitimate. In recent years the range of organic products available has grown rapidly. This success is driven by health and environmental concerns and consumer taste preferences.

The main bottleneck for further growth of organics is lack of availability rather than lack of demand. In the U.S. as a whole, organics are growing at a rate of about USD 1 billion annually, while organic vegetables are the largest and fastest growing segment.

### Number of organic products sold per Ahold company<sup>1</sup>

Company	No. of prod.	Company	No. of prod.
Stop & Shop (U.S.)	535	Ahold Spain	15
Giant-Landover (U.S.)	55 <sup>2</sup>	Ahold Czech Republic	10
Giant-Carlisle (U.S.)	540	Bompreço (Brazil)	45
Tops (U.S.)	350	Disco (Argentina)	38
BI-LO (U.S.)	932 <sup>3</sup>	Santa Isabel (Chile)	6
Peapod (U.S.)	125	MasxMenos (Costa Rica)	49
Albert Heijn (NL)	275	TOPS Thailand	40
ICA (Sweden)	298	TOPS Malaysia	30
Hakon (Norway)	15		

1. Not necessarily available in all stores

2. Includes only fresh produce items

3. Includes total assortment; average number of products available is 375



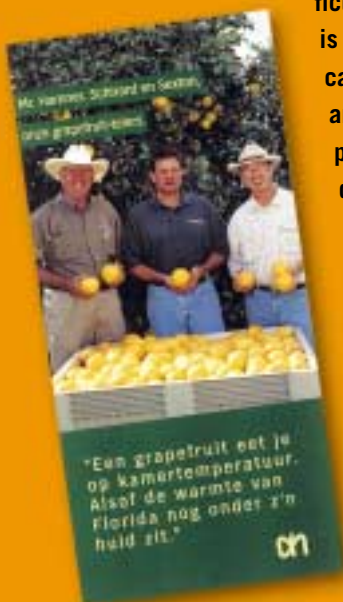
## Albert Heijn's "Earth and Values" program

Albert Heijn's "Earth and Values" program addresses consumer concerns regarding the way people, animals and the environment are treated during the production process of perishable products. The program has accomplished:

- Significant reduction of pesticides used in the cultivation of fruits and vegetables.
- Environmental and animal welfare improvements in pork farming such as the elimination of preventive antibiotics in pig feed, better living conditions, more space and better transport.
- Similar initiatives have been undertaken for poultry, veal and fish.

## Communicating with Customers

Communicating to customers about the complex and technical activities in the supply chain is difficult. One example of best practice is Albert Heijn's in-store communication. This and other posters show and name actual growers who supply Albert Heijn with fresh produce. While of course Albert Heijn cannot introduce every grower, the simple message is "We know where our products come from and how they are made."



## Ahold's policy on GMOs

Ahold has no principle objections to the responsible use of safe biotechnology where there are clear, demonstrable benefits to consumers. Products made with this technology must have the approval of the regulatory authorities, based on their safety and environmental impact. Ahold believes that consumers have a right to know where their food comes from and how it is made, and that they should be offered a free choice in what they buy. We therefore actively promote labeling of products made with the help of biotechnology.

## Ahold Request for Proposal and Contract

When choosing global suppliers, Ahold Global Sourcing utilizes a standard Request for Proposal (RFP), which includes a set of social and environmental questions and our Terms of Engagement. The terms of engagement contractually bind suppliers to compliance not only with the laws of their country in regards to employment, discrimination, the environment, safety and health and other fields, but also with relevant Ahold principles. In the U.S., 80-90% of perishables procurement is now done through this RFP process. In Europe and Latin America we expect percentages to develop in the same direction, reaching 35-40% in the next two years. Suppliers are not yet formally audited for compliance; however, this simple step sends an initial signal, helps weed out undesirable practices and provides a basis for further improvements.



# AHOLD AS AN EMPLOYER



Ahold operating companies in 2001 employed approximately 450,000 associates in 28 countries and paid a total of € 8.2 billion in wages and benefits. Ahold companies are committed to being the preferred employers in our sector in each of the local markets in which we operate. We foster a diverse workplace where innovation, training and personal growth are key priorities.

Our responsibilities:

- Effectively manage our growing workforce
- Promote diversity
- Provide training and development opportunities
- Provide a safe workplace
- Guarantee equal opportunity and fair pay
- Protect fundamental rights

Attracting, developing and retaining qualified and motivated employees is a challenge for any company. Addressing the rising expectations of associates worldwide requires a proactive approach attuned to local needs. Rapidly changing consumer and workforce demographics make diversity an important priority.

Ahold does business in many different countries with different prevailing labor practices. Wherever we operate, we seek to maintain high employment standards and to ensure fundamental labor rights.

## | Managing a Growing Workforce

### | Principles

Ahold companies want to be the preferred employers in our sector. Associates are treated with respect and dignity, individuals are encouraged to perform to the best of their abilities, and there are plentiful opportunities for personal growth.

Ahold does not impose a single set of policies and practices on human resource matters worldwide. Different national and regional legislation makes this impractical. Ahold companies implement human resources policies that meet local needs within the parameters of Ahold's shared business principles.

### | Practices

In 2001, Ahold initiated a global planning and control cycle for the Human Resources discipline. This cycle focuses on synergy between companies and regions, on spreading best practice and monitoring progress on global HR topics and initiatives. Operating units and joint venture partners create HR plans based on their own priorities.

To assist companies with prioritizing and managing HR policies and raise the bar for improvement, Ahold formulated a set of key performance indica-

tors (KPIs). In line with putting the local company first, Ahold companies choose from the corporate "menu card" the KPIs relevant to their local situation. Consolidated Ahold-wide data is not the focus, but rather regional and local plans to address relevant issues and benchmark current performance against past performance.

The KPIs that have been developed fall under the following categories: Organization Development, Staffing, Performance Management and Appraisal, Management Development and Training, Compensation and Benefits, Labor Relations, Employment Branding and Retention, Quality of HR, HR Information Management, Health and Safety and Equal Opportunity/Diversity.

## | Diversity

### | Principles

Ahold companies value diversity in terms of people, ideas and practices. We work to make this an integral part of the corporate culture at our operating companies and joint venture partners; we are convinced that it is crucial to our success. A workforce that reflects our highly diverse customer base enables the company to better anticipate and serve customers' needs. Diversity promotes creativity and innovation through the exchange of viewpoints and contributes to a vibrant local economy.

Ahold's main areas of emphasis regarding diversity are associate recruitment and retention and supplier diversity.

### | Practices

#### Global Diversity Task Force

As diversity is becoming increasingly important in our markets, a global task force was established to address the issue. Ahold companies in the United States, The Netherlands and Sweden have a proactive approach to recruiting and retaining female talent and talent from minority groups. Ahold has

many women in middle management positions, but wants to increase female representation at the most senior level. The Global Diversity Task force, started in October, 2001, brings peers from several operating units together to build action plans for addressing diversity issues.

## Operating Company Initiatives

Many operating companies have developed independent initiatives to support a diverse workforce. Stop & Shop in the U.S. has been conducting an internship program since 1998, to bring training opportunities to college students with an emphasis on female and minority students. Mentoring and networking are available to better integrate and support minority associates. Giant-Landover provides professional networking and mentoring programs to enable associates, linked by common interest, to share information and ideas in both informal and formal settings.

## Supplier Diversity

See "Ahold as Citizen" chapter on page 34.

# Training

## Principles

We are committed to continuous learning and invest in training and development opportunities for our associates. All associates have the opportunity to develop their skills, realize personal goals, and contribute to the success of the company.

We believe that associates who are empowered to achieve personal and professional growth are more motivated, productive and will provide higher quality service to our customers.

## Practices

Ahold operating companies offer a portfolio of development opportunities for their associates. Approximately 85% of associates currently participate in training programs, courses, and additional study.



## Ethnic Diversity at Ahold USA Retail

**The Ahold USA Diversity program takes a holistic approach to diversity based on inclusion. Key focus areas are management development, mentoring, diversity awareness training, creating a level playing field, competency management and dispute resolution.**

### Results:

- Diversity Training has been conducted with over 6,000 associates from CEOs to Department Managers and will eventually be expanded to all associates.
- Mentoring Program for minority associates currently has 127 mentors and 327 participants.
- Ahold Networking Support Groups have been established for women and people of color.
- A program has been initiated to help foster the professional development of high potential associates from minority groups.
- Operating companies are building relationships with historically black colleges and universities in their trade areas to enhance their ability to access top talent in these schools.

## Store Associate Training

Most training activities in Ahold companies focus on store level jobs, since store associates make up by far the largest group in our employment base. Training modules are available for all positions and include courses dealing with specific product groups or with skills such as customer service, coaching, dealing with in-store aggression and safe food handling.

There is an overall trend towards interactive Computer Based Training (CBT) in the stores. Many of our companies have found CBT easier to update than traditional training materials, more effective, more flexible and consistently available. Every associ-

ate that joins an Ahold USA store does 4 to 20 hours of initial training specific to his or her role. In Europe, Albert Heijn is moving away from paper and class-based courses to Internet driven training systems, allowing more individually focused training.

ICA, in Scandinavia, and Etos, in The Netherlands, use a classroom approach to training. In 2001, about 300 associates or 12% of total store associates participated in courses at the "Etos Academy," founded in May of 2001. ICA Skolan, an in-house training institute, trained 2,000 store level employees in vocational programs, while about 100 stores received customized training. In March of 2001, the Tops Retail Training Center was opened in Malaysia. The center has facilities to cater to 150 people and can run five training programs simultaneously, on a wide range of topics.

## Management Training

There are many opportunities for Ahold management associates to obtain personal and career development training. These include Ahold Academy, the company's executive training program, and Centers of Excellence being developed in several market areas, most recently in Asia, Scandinavia and Brazil. Individual operating companies have training programs for upper management, like the BI-LO School of Business and Stop & Shop University.

## Occupational Health and Safety

### Principles

Ahold operating companies strive to provide a safe workplace and monitor compliance with local occupational health and safety laws and regulations. Maintaining a safe working environment is not only our responsibility as an employer, but it makes good business sense. Ahold companies therefore address the prevention of accidents and injuries in a proactive way.

## Albert Heijn Ergonomics

**Albert Heijn developed an ergonomic checkout lane to prevent repetitive strain injuries and provide a more comfortable working environment for cashiers. The resulting module is the first one to allow the cashier to work sitting as well as standing, offering greater movement opportunity. It also uses a bioptic scanner which scans around objects instead of a flat scanner, reducing the amount of wrist and elbow movement necessary to scan products, and diminishing the occurrence of repetitive strain injuries.**

**There are no efficiency figures at this point, but cashiers' reactions are positive. The new checkout has been tested and is being rolled out to all new Albert Heijn stores and to replace old checkout lanes in existing stores.**

*Albert Heijn's new ergonomically designed checkouts.*

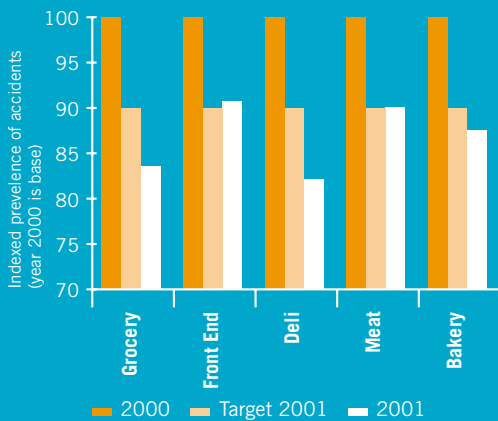


### Practices

Preventing injuries and accidents includes raising awareness through training on how to handle physical tasks and improving the ergonomic layout of the workplace. Occupational health and safety issues are managed at the local level. Our U.S. retail operating companies have a regionally centralized system of registering and preventing accidents on the work floor. The graph on the next page shows the effects of improving safety in the stores.



### Store Accident Reduction\* U.S. Program



\* This graph illustrates a decrease in the total number of accidents in the top five store areas across all Ahold USA retail companies from 2000-2001. The year 2000 is the benchmark and equals 100%. 2001 represents the total accidents in 2001 as a percentage of total accidents in 2000. The sharp reduction in accidents took place despite an increase in the total hours worked (as the number of associates and the total hours worked at Ahold USA increased in 2001).

## Equal Opportunity and Fair Pay

### Principles

Ahold operating companies are equal opportunity employers, prohibiting unlawful discrimination or harassment. This applies to all employment decisions including recruitment, hiring, compensation, benefits, promotion and termination. We strive to provide fair remuneration to our associates aligned with the sector and local market circumstances. Salary structures are based on objective systems and comply with national and international labor standards. Ahold operating companies strive to provide their managers and associates with access to clear information regarding their job and the terms and conditions of their employment.



*Seafood associate, trained in proper ergonomic practices, supports herself while reaching into the case.*

## The High Five program

The Ahold USA “High Five” program is aimed at minimizing the risk of injury in the workplace through safety and ergonomics. The strategy involves associate participation at all levels, department specific safety instruction, and the evaluation of equipment and facilities.

### Objectives:

- Establish management leadership and encourage associate participation in controlling ergonomic and safety exposures at all facilities.
- Incorporate ergonomic principles in the design of processes, machines, equipment, layout and facilities.
- Ensure that all associates receive safety instruction as it applies to their job.
- Implement a medical management plan that will help restore workers to full health whenever possible.

Most of our associates work in stores and distribution centers; consequently this is where most accidents and strain-related incidents take place. The ‘High Five’ program, currently fully rolled out at Stop & Shop and soon to be expanded to the other Ahold USA retail companies, addresses the five main accident areas of our stores: the grocery department, the checkout counter, and the deli, meat and bakery departments.

Safety and/or Ergonomic Committees have been established from executive level to store level in all retail operating companies, for the purpose of allocating resources, guiding implementation, monitoring effectiveness and conducting the day-to-day activities regarding safety and ergonomics.

## | Practices

### Performance Management and Remuneration

Ahold's operating companies aim to formulate clear performance expectations for their associates, in terms of results and behavior, in line with the company's broad ambitions and values. Appraisal criteria and expectations are communicated through a performance management process providing our management associates with continuous insight into their performance.

Ahold operating companies are implementing one methodology for jobs in the "office" organizations to provide an objective and consistent basis for determining remuneration programs. For store and distribution employees, Ahold companies actively work to improve their systems, in order to ensure fair and adequate pay.

## | Fundamental Rights

Ahold strives to ensure the fundamental rights of associates codified in local laws and by the International Labor Organization, such as freedom of association, freedom of choice with respect to organizing and collective bargaining, prevention of child labor and forced labor, non-discrimination, and equal remuneration for men and women workers for work of equal value.

## Paraguay – Addressing Child Labor

When the Ahold-Disco joint venture acquired our Paraguayan Santa Isabel operation in 1998, we discovered that children were engaged in work activity throughout the store. These children were working in the supermarket as baggers but also in other capacities, cleaning and stacking shelves. They were paid solely in tips from customers. This was a common practice at other retailers in the area, as well.

Ahold took immediate action to address the problem. Consultations were held with employment advisers, the Ministry of Labor and advisers from the International Labor Organization and the Dequeni Foundation, a foundation set up to abolish the employment and exploitation of children. The solution was to regulate the employment of children between the ages of 14 and 18 and introduce a system of vocational training, enabling children to be prepared for entry to the labor market at the age of 18.

In December 1999, Santa Isabel Paraguay, together with the Ministry of Labor, signed Resolution 645 to regulate such practices and create a program to be known henceforth as Proela. In the near future, our competitors will also be required to sign this Resolution, thus putting an end to similar practices.

# AHOLD AS AN OPERATOR



**Leadership in environmental management is Ahold's social responsibility and creates economic value as it stimulates efficiency and reduction of waste. Ahold companies are expected to address the significant environmental effects over which they have direct control, ensuring our "license to operate."**

Our responsibilities:

- Reduce energy use in our own operations
- Manage and reduce our waste streams
- Manage and phase out harmful refrigerants
- Reduce the environmental impact of transport and distribution



Our overall priorities are to reduce energy use, manage refrigerants appropriately and manage waste in every form. We are formalizing the internal reporting process on these issues, including integration into annual strategic midyear reviews. Continuing improvements enhance our reputation for quality and service, while providing better cost control.

## | Energy

Energy use - in the context of resource depletion as well as CO<sub>2</sub> emissions - is one of our most important environmental impacts. Volatile energy markets, rising energy costs and increasing environmental awareness about issues such as global warming have made energy efficiency and conservation a priority for the food retail and foodservice industries.

Supermarkets consume significant amounts of energy, compared to non-food retailers, because of the equipment needed for safely preserving and efficiently preparing food. Most energy is utilized for cooling, lighting and in-store equipment such as bakery ovens. Energy is one of our largest variable operating costs, ranging from .75 to 1.5% of sales, depending on the market area.

Recent trends in eating habits, namely the demand for more fresh products and prepared meals, have increased the demand for refrigeration. To meet customers' needs, supermarkets are installing additional cooling systems and additional food preparation equipment. Consequently, effective management and efficient equipment use are the top priorities.

## | Principles

Our companies are expected to reduce energy usage and related CO<sub>2</sub> emissions in their own operations wherever possible. They accomplish this through three strategies for energy efficiency improvement:

- Tracking and benchmarking of energy consumption
- Innovation and investment in energy-efficient equipment
- Training of staff in energy saving practices.

Ahold companies strive for both incremental and more radical innovations to improve energy efficiency.

## | Practices

### Knowledge Sharing

The energy synergy groups, active on a global and regional scale, connect specialists throughout Ahold. The groups jointly develop regional standards for choosing energy efficient equipment, and make purchasing decisions on the basis of full-life cost analyses. These analyses take into account the initial capital investment and the energy and maintenance expenses that will be incurred over the life span of the equipment. This method favors the purchase of energy efficient equipment, since future energy saving can outweigh higher up-front capital costs.

## Energy Efficient Stores

There are many examples of equipment choices and innovations around the Ahold world addressing energy efficiency within the stores on an incremental or more radical scale.

### Advanced Energy Management Systems

State-of-the-art automated energy management systems that monitor and control energy use are installed in new and remodeled stores. For example, 95% of stores at Tops U.S., 90% at Giant Food, 70% at TOPS Malaysia, 37.5% at Albert Heijn and 30% at Bompreço now have systems installed. These percentages will continue to increase as installation of energy management systems is a standard element of store remodeling projects taking place on a continuous basis. These systems regulate lighting, store climate and cooling system temperatures to ensure that equipment is operating efficiently.

Cooling systems, lighting and temperature are monitored through sensors placed around the store and within the systems themselves. When temperatures are inconsistent with a pre-programmed cycle, the system will give a warning signal to trigger appropriate action. For example, if a freezer door is left open the sensor will sound an alarm. Early intervention in this manner prevents energy waste and product loss. The energy management systems are monitored centrally and are remotely accessible to the energy manager and maintenance contractor.

### Equipment Choices for Incremental Change:

Some energy efficiency solutions lead to incremental reduction. Though the impact of these solutions in one store may be minor, when applied over hundreds of stores in a chain or thousands in a region, it becomes significant. Here are a few examples of energy efficient equipment choices at Ahold chains:

- Ahold USA recently purchased low-energy glass doors for its refrigeration cases. Cooler doors normally need to be heated to prevent condensation or frosting. The new doors do not need to be heated and thus save energy.



## The Low Energy Superstore

The Low-Energy Super Store Project (L.E.S.S) at Stop & Shop was aimed at developing a new supermarket design that uses 30% less energy. The project was not just a theoretical exercise: the methods used had to be reproducible, meet normal financial standards, and deliver the usual high level of merchandising performance.

No idea was too outlandish to consider when Ahold energy experts met for the first time in 1999 to discuss the project. Specialists from Stop & Shop, Giant-Landover, Albert Heijn, Bompreço and Disco shared expertise and developed new technology in cooperation with resourceful suppliers and the renowned Rocky Mountain Institute.

The low energy superstore opened in November 2001 in Foxboro, Massachusetts, with many innovative energy-saving features built into the overall design. Skylights maximize the use of natural daylight. Coupled with dimming controls and high efficiency lamps and lighting fixtures, this results in approximately a 50% reduction in energy usage for interior and exterior lighting and creates a pleasant atmosphere for customers and associates. It also reduces the amount of heat produced in lighting the store, which translates into lower air conditioning loads. Efficient refrigeration systems reduce related energy consumption by a projected 26%.



*Natural daylight flows into the new Low Energy Superstore.*

**Insulation and reflective roof covering contribute to more efficient heating and cooling. In addition, construction materials were selected for environmental performance and recycled content.**

**The project exceeded the design target of 30% energy savings, and advanced the Ahold objectives of sharing best practices and innovations. The team is currently documenting and distributing the findings to the other Ahold companies, so that the smartest ideas can be widely adopted and adapted. Several findings are already included in standard new store and remodel specifications at Ahold USA.**

### **Nancy Sala, Senior Vice President of Massachusetts Electric**

**"The Low Energy Superstore is a credit to the Stop & Shop and Massachusetts Electric team and to all of the equipment vendors, electricians and installers who carried out the goal of designing and building a supermarket estimated to reduce electricity use by more than 30 percent. Not only has their dedication helped to reduce Stop & Shop's electric bills, but it also provides environmental benefits for all by reducing carbon dioxide, sulfur dioxide and nitrogen oxide emissions."**

- Ahold USA now uses low speed, more energy efficient fans for the 'remote air-cooled condensers' which expel the heat generated by refrigeration equipment.
- Most Ahold companies are experimenting with natural sources for interior store lighting. When combined with dimmers, they can reduce the energy used for electric lighting during daylight hours.
- Most Ahold companies use heat reclaim, recycling heat from refrigeration systems for temperature control in stores.

### **Innovative Store Redesign**

The original supermarket design dates back to a time when energy efficiency was less of a priority. There are tremendous opportunities today for improvement by emphasizing the reduction of energy use and CO<sub>2</sub> emissions in new store design. Stop & Shop's Low Energy Super Store Project is an example of radical innovation (see case at left).

### **Tracking energy efficiency**

Tracking energy use and efficiency provides effective management information to evaluate and steer energy efficiency programs. Measurement of energy consumption and efficiency is done at over 80% of our operating companies but as better systems are developed we plan to move closer to 100% tracking. While aggregated data is interesting to readers of this report, local management data is the first priority. Data on energy usage and CO<sub>2</sub> emissions is not yet aggregated at a corporate level.

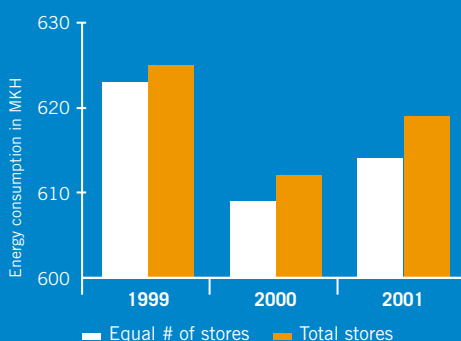
## Associate Training

The human factor plays an important role in reducing energy consumption. Giant Landover has a program to systematically educate store associates in energy-efficient working practices. They are benchmarking stores in order to track progress. Associates are motivated to improve through an internal competition rewarding high levels of reduction. Because of its effectiveness, this practice will be rolled out to other Ahold USA retail companies. We reported on this best practice case in the 2000 "From Farm to Fork" report. While the intention was to roll out this system in 2001 to the other companies, technical delays have pushed this ambition back to 2002.

## Energy Consumption at Giant-Landover

When combined, tracking energy consumption, training associates and choosing energy efficient equipment can have a major impact on energy efficiency. Giant-Landover achieved a 2.25% reduction in energy consumption in 2000 through these methods. Due to the installation of additional cooling equipment in 2001 in response to customer demand for more fresh food products, energy consumption increased in 2001 but is still more than 2% below the 1999 level.

Energy Consumption at Giant-Landover



## Renewable energy use

The use of renewable energy by Ahold companies depends on local availability. Bomprego, ICA and Hakon, Ahold Czech Republic, La Fragua and Ahold Malaysia all operate in countries that rely mainly on hydroelectric power. In The Netherlands, new laws make it possible for Albert Heijn to explicitly purchase renewable energy. Albert Heijn started phasing in the first 10,000 kWh of renewable energy in 2002.

## Energy consumption of different store formats

Ahold companies have different store formats and merchandising needs to meet diverse customer demands in their markets. This translates into varying store equipment requirements, such as the number of cooling and freezing cases installed. Energy consumption per square meter of store space varies enormously as illustrated in the table below:

Country	Store format*	kWh/SqM/Year
Netherlands	Albert Heijn	312
Czech Republic	Albert	340
Sweden	ICA Kvantum	391
Malaysia	Tops	523
Peru	Plaza Vea	639
U.S.	BI-LO	672
U.S.	Giant-Landover	878

\* in a typical store of the format

Our American stores have a higher energy consumption than our European stores because their product assortment contains more refrigerated and frozen products. They also use more air conditioning systems. Stores in hot and humid regions such as Tops Malaysia require more air conditioning and more powerful cooling and freezing systems.

## Waste

Waste generation from packaging, truck fleet maintenance and unsold products is an important environmental impact of the retail and foodservice sectors. Reducing waste streams, through minimization of packaging, recycling and other efficiencies, is therefore a basic environmental responsibility and economic opportunity.

Waste generation is an indicator of inefficiency. Waste reduction programs save money and more efficient transport packaging can lighten workloads. Therefore, good waste management can contribute to cost optimization and productivity gains.

### Principles

Ahold companies comply with local legislation on waste management and aim to reduce the waste streams they generate. Ahold companies separate and recycle materials as much as possible given the facilities available in their operating area. Our companies often create new possibilities themselves when lacking adequate external facilities. Ahold companies engage their customers in recycling activities and packaging reduction initiatives.

### Practices

#### Recycling cardboard and plastic

Recycling takes place at both the stores and distribution centers. In the stores, cardboard boxes and shrink wrap plastic are separated, compressed and sent back to distribution centers to be sold to companies specializing in recycling, generating funds to cover the cost involved. Cardboard is recycled into paper products, while plastic serves as raw material for the production of plastic bags and other products.

#### Recycling organic waste

Recycling of organic waste is more complicated than other types of recycling as it requires special infrastructure, including the right combination of hauling costs, nearby composting sites and efficient store procedures for segregating waste. Depending on the local infrastructure, organic waste is either sold off as animal feed or composted. Stop & Shop has created composting sites for organic waste near its stores where possible.

#### Working together to reduce waste

In some areas, waste reduction is accomplished by working with suppliers to minimize packaging and improve inventory and product ordering systems to reduce the number of unsold items. Our European companies work closely with suppliers to reduce packaging waste in line with the EU Packaging Directive. Albert Heijn has played a leading role for many years in negotiating and implementing a covenant between government and business aimed at reducing packaging waste. Ahold is represented on the board of SVM Pact, the institution that manages compliance with the packaging covenant in the Netherlands. Ahold Supermercados is represented on the board of Ecoembalaje, the institution that manages recycling operations in Spain.

## Working with Suppliers on Packaging Reduction in the Czech Republic

Ahold's Czech packaging specialists utilized their counterparts' experience at Albert Heijn to determine ways of working with suppliers to reduce packaging. The Albert Heijn packaging guidelines, reported on in 2000 and 1998, were translated and modified to fit the needs of the Czech Republic. These adapted guidelines were distributed in April 2001 to all private label suppliers. Three successes are worthy of mention:

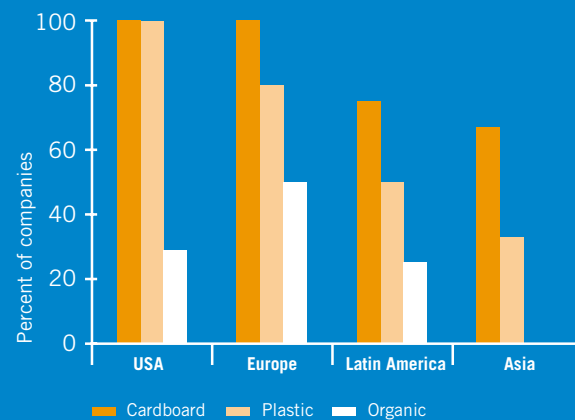
- Private label manufacturers are now using brown packaging boxes with paper closing strips rather than printed white boxes and plastic closing strips, which makes recycling easier.
- Ahold Czech Republic worked with the private label supplier of mineral water to develop a new lighter bottle. This translated into savings of 30 tons of PET plastic as well as other efficiencies in the supply chain.
- Ahold worked with a private label snack food supplier and its packaging material vendor to develop smaller boxes, which make handling easier and translate into supply chain efficiencies and ergonomic gains.

## Tracking waste streams

Tracking waste streams is the best way to provide management information to promote progress and evaluate success. Close to 60% of Ahold companies track waste streams. Data on waste streams is not aggregated at a corporate level.

This graph shows the number of Ahold companies per region recycling cardboard, plastic and organic waste:

*Recycling per region*



## Hakon Potato Chip Packaging Redesign

Hakon-Norway participated in a project with one of its suppliers to redesign potato chip packaging. By using slightly different shaped bags and transport boxes, Hakon experienced significant efficiencies in the distribution chain for this product:

- 20% reduction in pallet use (17,700 pallets eliminated)
- 5.6% reduction in bag material
- 1.3 tons reduction in shrinking foil
- 12 tons reduction in foil
- 83 ton reduction in paper
- Elimination of 250 trailer trips, reducing CO<sub>2</sub> discharge by 38.1 tons



## Refrigeration

Refrigeration is essential in food retail and food-service to preserve product quality and food safety. Growing consumer demand for fresh food products and prepared meals often means that more refrigeration is necessary in the stores. CFCs and HCFCs used in refrigeration damage the ozone layer that protects the earth from harmful UV light. Supermarkets are considered significant contributors to ozone depletion because of the risk of leakage associated with refrigeration systems in their store.

The Montreal Protocol, an international agreement, stipulates a timetable for the phase-out of CFCs and HCFCs worldwide. These refrigerants are to be replaced with gases that are benign to the ozone layer. Ahold is in the late stages of phasing out CFC gases worldwide.

### Principles

Ahold's refrigeration policy has been formulated in the spirit of the Montreal Protocol. Ahold is phasing out refrigerants that are most harmful to the ozone layer, managing refrigerants and refrigeration systems well in order to minimize leakage and developing new refrigeration solutions requiring less refrigerants. No new installation of CFCs is permitted.

### Practices

#### Knowledge Sharing

Ahold synergy groups on refrigeration encourage knowledge sharing and best practice development.

#### Store Remodeling

In the U.S. and Europe CFCs are only present in older stores that have not yet been re-equipped and when leakage in these older systems is under control. As store remodeling is a capital intensive process, it is carried out gradually and systematically. Ahold companies in Central Europe, Thailand and Indonesia have zero CFCs installed.

## Tracking Refrigerants

Tracking installations and leakage levels of old equipment is the best way to provide management information to promote progress and evaluate success. Over 80% of our stores measure and aggregate the quantity of refrigerants installed and leakage data at the corporate level. At the rest of our companies, data is measured and evaluated by local maintenance contractors. While aggregated data is interesting to readers of this report, local management data is the first priority. We are not currently in a position to provide an overview of our total performance in this area.

## Refrigerant Leakage

Leakage in large commercial cooling systems occurs for four primary reasons: defective equipment, faulty installation, normal 'wear and tear,' and improper handling. These potential leakage causes are being addressed. Ahold USA, Albert Heijn, our operations in the Czech Republic and ICA in Scandinavia increasingly install highly sensitive leakage detection systems. They contract maintenance of refrigeration systems to certified external parties who are incentivized to focus on preventative maintenance.

## Innovative Equipment

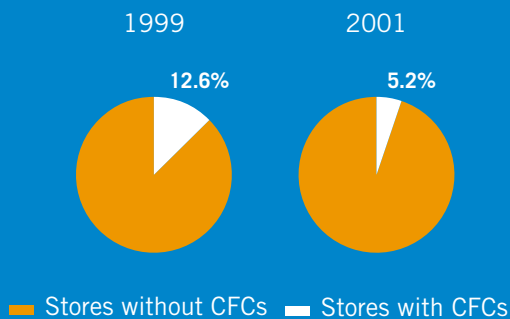
Ahold companies are experimenting with innovative cooling systems and refrigerants benign to the ozone layer. Albert Heijn is working with indirect cooling systems that use a mixture of alcohol and water as a benign refrigerant. ICA is experimenting with CO<sub>2</sub> as a benign refrigerant in an indirect cooling system. In the U.S., Ahold companies are testing a combination of direct and indirect cooling systems with the aim to reduce both energy consumption and use of refrigerants. So far, these systems have yet to deliver the reliability, energy efficiency and cost competitiveness needed to replace HCFC and HFC systems. Research and development on promising systems continues.



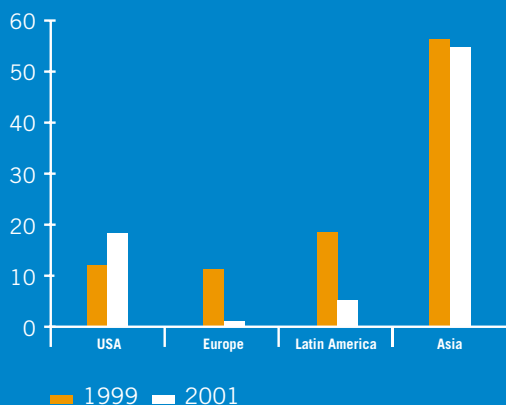
## Phasing out CFCs

Ahold companies are phasing out CFCs. Between 1999 and 2001 the percentage of our companies with some CFCs decreased from 12.6% to 5.2%. Due to acquisitions of stores in the U.S., the percentage of stores with CFCs in that region has increased. Store remodeling in coming years will bring these stores in line with the Ahold standard and reduce the number of stores with CFCs. The number of stores in Asia with CFCs will also reduce gradually. For example all new refrigeration systems installed in Malaysia are CFC-free.

Percentage of stores with CFCs



Regional breakdown of percentage of stores with CFCs



The actual volume of CFCs is even lower than the percentage indicated by the graph, because it includes mainly the older and smaller stores, with relatively limited refrigeration capacity.

## Transport & Distribution

Distribution is an essential element of food retail and foodservice. Transport has environmental impacts related to fuel use, CO<sub>2</sub> emissions, air pollution, noise and ozone depleting refrigerants.

The cost of transportation is substantial, making efficiency improvements highly desirable, independent of environmental concerns. Efficiencies can be gained throughout the whole distribution process, from the moment goods are ordered, until the time they are delivered to our stores. Constant innovation translates into better customer service, cost reduction and less environmental impact.

### Principles

Our companies aim to reduce the environmental impact of transportation and distribution through increased efficiencies in the ordering and distribution process, optimal truck utilization and efficient route planning.

### Practices

#### Efficient ordering and distribution systems

If stores, distribution centers and suppliers are well aligned, distribution and transport of unwanted goods is minimized, thus reducing fuel consumption and waste. Continuous replenishment of stores necessitates the seamless integration of store ordering systems with those of DCs and suppliers. All of our companies now use continuous replenishment systems.



## Model Distribution Centers

Albert Heijn has developed a model distribution center that brings together best practices in logistics, environmental and occupational safety. The first model was opened in the Netherlands in 1997 and has since been rolled out to Spain, Poland, Brazil, the Czech Republic and Argentina.

A streamlined layout of the DC lessens the distance driven by order pickers. Logical product streams enhance safety and translate into reduction in energy used by electric picking cars.

The model DC uses 15-20% less energy for existing functions. Although the number of cooled products has increased, more efficient cooling systems and faster handling leads to related energy use reductions of 7-8%. Only ozone friendly refrigerants are installed.

The DC was also built using 30% less building material than traditional DCs, mainly due to construction which required less steel and concrete. In addition, environmentally friendly materials were used where possible.

## Dynamic distribution centers

Continuous replenishment requires centralization of product streams as increasingly all goods sold in a particular store pass through one distribution center. It also changes the role of distribution centers, which are much more dynamic: no longer storage facilities but transit centers where products stay for the shortest possible time. As about 50% of goods require refrigeration, faster handling in and out of the distribution center lowers the need for (re) cooling. This reduces the environmental impact of the DC, as less cooling capacity is needed for perishable products, translating into lower energy use.

Ahold has developed a model distribution center that meets the requirements of the continuous replenishment system.

## Today For Tomorrow

**“Today for Tomorrow” means that products ordered from Albert Heijn suppliers are delivered to the stores within 18 hours. This time frame guarantees the best possible match with actual customer demand, reducing the transport of unwanted goods and potential waste.**

**The roughly 800 Albert Heijn stores are supplied by 4 regional distribution centers. Stores receive all products within two deliveries, one fresh and one dry grocery. On return journeys, trucks take used packaging material back to the distribution center.**

**The Today for Tomorrow system has reduced transport movements to stores by 75% and number of kilometers driven in urban areas by 50%. This produces important economic benefits, while reducing impact on the environment and on urban communities.**

**This system fits the unique characteristics of the Dutch market: The Netherlands is a densely populated country with smaller stores and high frequency of deliveries. All Ahold companies have their own version of continuous replenishment best tuned to their local situation, but supply chains are optimized in each case.**



## Fewer truck deliveries

Centralizing the movement of product through one distribution center and decreasing the number of direct store deliveries helps us to optimize the use of our trucking fleets. As a result, fewer deliveries are made to the urban areas where our stores are located.

## Efficient trips: Route planning systems

Ahold companies are using advanced route planning software that schedules the most efficient distribution routes. Albert Heijn and Wharton University in the United States developed a state-of-the-art route planning system particularly suited to the European situation where trucks deliver to multiple stores. A Wharton doctoral student involved in the project received an academic prize for his research. Albert Heijn has been using this system since the fall of 2000. It has reduced kilometers driven by 4% and led to cost savings of about 6%. From further fine-tuning, an additional 5% reduction in kilometers driven is expected.

The system is currently being used at our companies in The Netherlands, Sweden and Spain. Other Ahold companies in Europe will follow soon. Ahold Networking played a key role in creating support for the European roll-out.

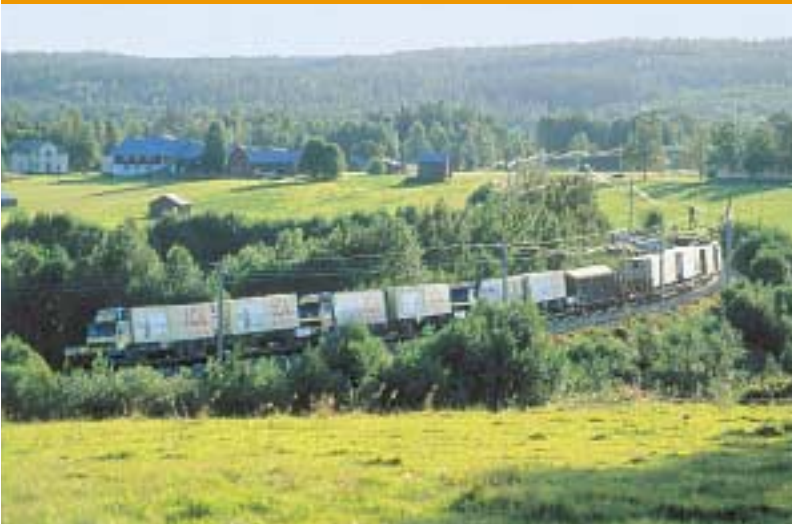


## ICA: Reducing Harmful Effects of Transportation

Because its market area is widespread, ICA's transportation fleet must travel exceptionally long distances between stores and distribution centers. Therefore, ICA is highly motivated to actively address transport efficiency and related emissions harmful to the environment. Road, rail and sea transport are strategically coordinated. ICA ensures that its trucks are loaded to the maximum possible capacity and uses back hauling. Transport efficiency is further improved by using double-decker trucks on long routes where railway transport is not available, reducing emissions by up to 50%.

ICA also aims to eliminate the use of fossil fuels in its vehicles by 2001. ICA has about 22 out of 166 trucks running on alternative fuels. See [www.ica.se](http://www.ica.se) for more details.

*Transporting ICA trucks and their contents by train is an environmentally friendly solution.*



# ***AHOLD AS A CITIZEN IN SOCIETY***



**Our companies are involved in the communities where our customers and associates live. We are convinced that this contributes to the success of the company and to the satisfaction of our stakeholders.**

**Our responsibilities:**

- Promote an active dialog with citizens and customers
- Support local economic development
- Provide opportunities for local, minority and women-owned business
- Participate in and support our communities

The presence of an Ahold store has a positive impact on a community both in furthering urban and economic development and providing jobs for local residents. Ahold's locally focused structure gives our operating companies maximum flexibility to respond to the needs of their communities.

## | **Principles**

We strive to be a socially responsible company in every market we serve, and work to positively impact the development of the communities where we do business.

Ahold supports projects and organizations that best address the needs of the community and where possible leverage the strengths of the company itself. We encourage involvement by our associates that contributes positively to the development of the communities we serve.

Ahold promotes an active dialog with citizens and customers as well as organizations representing communities and society at large in order to create a mutually beneficial exchange of information.

## | **Practices**

### **Community Dialog**

Our companies consult with local communities near their operations before a store is built and on an ongoing basis as they continue to serve the area. Their continuing objective is to find ways to contribute to the community and reduce negative environmental or social impacts of their operations.

## **La Fragua: Community Consultation**

**Before opening a store in a new location, La Fragua in Guatemala holds a formal session to present the new store project to local opinion leaders such as governmental delegates, local school directors, religious leaders and fire chiefs. These sessions give community representatives an opportunity to voice concerns, to be addressed by the company, and allow La Fragua to explain the nature of the planned supermarket, what products will be sold (including those from local suppliers) and how many associates hired from the local community.**

**This consultation process is especially important as La Fragua is opening stores in medium-sized communities of 20 to 40 thousand people which have never before been served by a supermarket.**

## **Supporting Local Economic Development**

Ahold works to positively impact the economic development of the communities where we operate. We help to develop local businesses in ways that leverage Ahold's strengths, benefit the local economy and make sound business sense. This, in turn, helps to ensure a solid, sustainable economic base by creating more jobs, increasing tax revenues and supporting better community infrastructure.

### **Global Opportunities For Local Suppliers**

Increasingly Ahold companies participate in global or regional sourcing. Due to its international presence, Ahold is in a position to introduce local vendors to a larger network of customers around the world by identifying them as global or regional suppliers. Ahold works proactively with our operating companies to find viable new international vendors from among our local supplier group. Companies supplying mangos to Bompreço, asparagus to Santa Isabel and shrimp to TOPS Thailand, for example, were once local suppliers that were able to expand their business through Ahold regional and global sourcing.

In 2002, for the first time, Ahold will organize Supplier Summits where current local suppliers to Ahold companies are invited to present their products to buyers from Ahold regional and global sourcing. The first summits were held in early 2002 in Costa Rica and Guatemala.

By supporting our local suppliers in this way, Ahold helps them to succeed on the world market, thus creating local jobs and indirectly enhancing local economic development. Ahold in turn expands its supplier base and is able to purchase quality products at competitive prices for its customers.

### **Supplier Diversity**

Ahold USA is committed to developing mutually beneficial and successful partnerships with Minority and Women Business Enterprises (M/WBEs) by incorporating them into the everyday process of category reviews and product or service bids. The supplier diversity initiative aims to enhance the procurement process by developing strong business relationships with a talented group of M/WBEs that offer quality products and services, excellent customer service and competitive costs.

Internally, we address supplier diversity mainly through education of associates, identification of opportunities for minority and women business enterprises, and tapping into the knowledge of Ahold USA's senior management.

Externally, we have several initiatives aimed at building awareness and promoting opportunities for minority and women business enterprises, including involvement in trade shows, business opportunity fairs, conferences and conventions to meet W/MBEs and providing assistance to W/MBEs regarding the product presentation and bidding process.

Our 2001 goal was 8% growth for all of Ahold USA. Though 2001 was the first year in which supplier diversity was a formal initiative within Ahold USA, we were able to reach USD 71.4 million, or 111% of that goal.

### **Charitable Support**

Ahold's operating companies demonstrate their commitment to the areas in which they operate through direct participation in local community events and by sponsoring charitable causes. Sometimes this happens in small ways: by providing educational tours for schoolchildren, sending transportation to help elderly people do their weekly shopping or making bulletin boards available for community postings. At other times it happens in the form of major charity sponsorships and drives to benefit the residents of the communities we serve.

When natural disasters strike, like floods in 2001 in the U.S., Poland, Czech Republic and Guatemala, Ahold companies provide food, water, information, manpower and other resources. In Argentina, amidst a devastating economic downturn in 2001, managers and associates at Disco organized a campaign to provide one million meals to children in need. Customers, associates and suppliers joined in this effort on the basis of the resources provided by Disco. These are moments in which corporate citizenship is perhaps most valuable to local communities.

Following the September 11th tragedy in the U.S., Ahold companies supported the immediate needs of rescue workers by providing food for tens of thousands of meals and donating a refrigerated truck. The companies also raised more than USD 6 million, through the generosity of associates and customers, for the "American Heroes Fund" to benefit affected families. This amount included Ahold USA matching funds of USD 1 million.

Ahold USA retail companies target various non-profit groups in their charitable giving plans. 80% of companies give to groups that help children, 25% to health projects and 15% of companies support the environment, community development, education and/or the homeless.



# AHOLD AS A CITIZEN IN SOCIETY

## Leveraging our brands to benefit charitable organizations\*

Company			2000	2001
Stop & Shop	USD	1,341,000		3,200,000
Giant-Landover	USD	4,650,000		4,730,000
Giant-Carlisle	USD	7,930,000		9,720,000
Tops	USD	2,081,000		2,383,000
BI-LO	USD	5,315,000		4,815,000
Bruno's	USD	325,000		325,000
Total			USD 21,317,000	25,173,000

\* This table does not include products donated to food banks and other institutions by our retail companies. These donations amount to thousands of tons of food products worth millions of USD each year. For example, Stop & Shop alone gave approximately USD 10 million in product donations last year. These amounts include contributions by associates, suppliers and customers.

## Ahold USA Food Banks

All of our operating companies in the United States work directly with food banks that are a part of America's Second Harvest network. These networks of food banks in the United States serve an estimated 23.3 million low-income people each year.

Assistance to food banks is provided in a number of ways. Company management sometimes participates on the boards of directors of food banks. For example, Giant-Landover helped to create their Washington, D.C. Capital Area Food Bank 23 years ago and has served on their board ever since. Companies also provide equipment, volunteers, warehousing and technical assistance. However, the vast majority of aid provided to food banks is through the donation of food. For example, Stop & Shop donates more than \$13 million dollars in products, cash and services to local food banks each year. Food Banks received approximately 2,326,000 pounds of food from BI-LO in 2001.

All of the donated food that the Ahold USA companies collect is donated directly to food banks. These organizations then provide the food to local soup kitchens, food pantries, youth programs, homeless shelters, and other charitable groups whose purpose is to provide prepared meals to needy individuals and families.



## Addressing Security as a Community Concern

Security and crime prevention are prime concerns for our companies. Though measures are taken at store level to provide a safe and pleasant shopping experience, Albert Heijn has taken this one step further by actively engaging the neighborhood and public authorities to develop joint partnerships aimed at reducing crime. Albert Heijn has initiated the development of a model "security network" bringing store-owners, community public authorities, housing corporations and local police together regularly to address shared concerns.

In the Dutch City of Enschede a pilot project was started. Albert Heijn and the city government started a program for drug addicts, who had been found to be responsible for the bulk of the crime in the local Albert Heijn store and other area stores. The program, which aimed to help drug addicts recover and integrate into society, resulted in a significant reduction in store crime. The same model was used in a neighborhood in Rotterdam, also resulting in crime reduction.

Through the Ahold European synergy group on security, the model has now been introduced to Ahold companies in Poland and the Czech Republic.

## ICA Helping Immigrants To Become Entrepreneurs

ICA is assisting recent immigrants to become franchisees. Since mid-2001, ten immigrants from various backgrounds (lawyers, salesmen, MBA's, etc...) have been part of a management development program studying marketing, leadership, economics, service and labor laws with the aim of becoming ICA retailers. They are receiving hands-on experience in an ICA store, mentored by the owner/manager. At the beginning of June 2002 the first group will be ready for the challenge of their lifetime - to become ICA franchisees with stores of their own.

Certain statements in this Corporate Social Responsibility Report are “forward-looking statements” within the meaning of U.S. federal securities laws and are intended to be covered by the safe harbors created thereby. Those forward-looking statements include, but are not limited to, statements as to expected increases in net sales, operating results and market shares, estimates in respect of net earnings growth and net earnings per share, expectations as to improved productivity levels and savings from new programs, expectations with respect to opportunities for expansion and growth, expectations as to the completion of announced acquisitions and the synergies to be realized from both contemplated and announced acquisitions, and statements as to the expected outcome of legal proceedings. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed in these forward-looking statements. Such factors include, but are not limited to, the effect of general economic conditions and changes in interest rates in the countries in which the company operates, increased competition in the markets in which the company operates, changes in marketing methods utilized by competitors, difficulties encountered in the integration of new acquisitions, the behavior of other market participants and the actions of government regulators. Fluctuation in exchange rates between the Euro and the other currencies in which the company’s assets, liabilities or results are denominated, in particular the U.S. dollar, can also influence the actual results as can other factors discussed in the company’s public filings. Many of these factors are beyond the company’s ability to control or estimate precisely. Readers are cautioned not to place undue reliance on such forward-looking statements, which only speak as of the date of this Corporate Social Responsibility Report. For a more detailed discussion of such risks and other factors, see Royal Ahold’s Annual Report on Form 20-F for its most recent fiscal year. The company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this Corporate Social Responsibility Report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Outside The Netherlands the company presents itself under the name of “Royal Ahold” or simply “Ahold”. For reader convenience, “Ahold” is used throughout this Corporate Social Responsibility Report. The registered name of the company is Koninklijke Ahold N.V.”

## The brands of Ahold

### U.S.



### Europe



### Latin America



### Asia



**Design & realization:**

**Dart Design, Amsterdam**

**Printed by:**

**Hollandia Equipage, Heerhugowaard**

This report was printed in waterless offset. Waterless printing has 70 to 80% less environmental impact than conventional printing (this includes energy, water and toxic chemical use). The report is printed on Reviva Mega matte machine-coated paper made of 50% recycled material and 50% chlorine-free cellulose.



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