

AHOLD

Overview of controversial business practices in 2008

Myriam Vander Stichele

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Introduction

This company report has been prepared by SOMO (Centre for Research on Multinational Corporations). It provides an overview of business practices that could be regarded as unsustainable or irresponsible which occurred (or might have been addressed) in 2008.

The overview below describes only controversial practices and not the positive achievements of a company in the same year. Information on positive achievements can usually be found in a company's annual and/or sustainability report and on the company's website. The purpose of this report is to provide additional information to shareholders and other stakeholders of a company on controversies that might or might not be detected and reported by the company itself.

This report does not contain an analysis of a company's corporate responsibility policies, operational aspects of corporate responsibility management, implementation systems, reporting and transparency, or total performance on any issue. For some controversies, it is indicated which standards or policies may have been violated and a brief analysis is presented. Apart from this, the report is mainly descriptive.

The range of sustainability and corporate responsibility issues eligible for inclusion in this overview is relatively broad and mainly based on the OECD Guidelines for Multinational Enterprises. These Guidelines are used as a general frame of reference in addition to the company-specific standards. Sources of information are mentioned in footnotes throughout the report. The main sources were obtained through SOMO's global network of civil society organisations, including reports, other documents, and unpublished information. Media and company information databases and information available via the Internet are used as secondary sources where necessary. Ahold has been informed about the research project in advance and was given two weeks to review the report and provide corrections of any factual errors in the draft version.

The overview of controversial practices in this report is not intended to be exhaustive. Instead, it focuses on a limited number of issues and cases that might merit further attention or reflection. Where information about the latest developments, either positive or negative, was unavailable, it is possible that situations described in the overview have recently changed. Taking into account these limitations, SOMO believes that the report can be used for improvement and for a more informed assessment of a company's corporate responsibility performance.

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Unhealthy grapes found at Albert Heijn in 2008

According to the Corporate Responsibility Report 2008 of Ahold, “healthy living” is a priority theme of its corporate responsibility and is at the heart of Ahold’s commitment to being a responsible company by “providing healthy products at affordable prices”.¹ Ahold wants “to make it easy for customers to choose health products”², with a focus on fresh foods “particularly fruit and vegetables”. Ahold has in the different countries where it has a presence programmes to teach children healthy habits.³ Also, as part of its sustainable trade CSR policy Ahold’s primary goals includes sourcing “safe products. Product safety for all our customers is non-negotiable. It is the starting point for safeguarding our customers’ health and well-being”.⁴

However, in November 2008 non-governmental organizations in The Netherlands, France, Italy and Hungary, published their report⁵ about residues of pesticides on grapes in supermarkets. In the Netherlands, Albert Heijn was identified as having sold grapes with more pesticides residues than other supermarkets except Spar. The amount of different pesticides found on the grapes, on average 7, was the highest at Albert Heijn. One sample of grapes from Greece had up to 15 poisonous substances. These poisonous substances and their levels of residues are not violating Dutch and European laws which set the maximum residue level (MRL⁶). However, at a time that the European Commission had nominated some pesticides to be removed from the food change, one of this pesticide was found on a bunch of grapes sold at Albert Heijn, namely carbendazim which can cause cancer and hormone disorder.

Ahold explained in a response to VBDO on 10 April 2009, that exposure to residues in excess of an MRL does not necessarily imply a risk to health, because “a use of a pesticide would not be allowed if the proposed MRL resulted in long-term and short-term exposure of pesticide residues in the human diet above safety limits, which are calculated before any pesticide approval is given”.

However, the MRL has officially been recognized as not always be a norm that sufficiently protects health, for different reasons:

- ❑ Based on scientific research such as that of the World Health Organisation (WHO) an Acute Reference Dose (ARFD⁷) has been set to protect consumers against peak exposures for a large number of chemical substances, in addition to an Acceptable Daily Intake (ADI).⁸ This norm can be exceeded even if the number of toxic substances are within the legal norms.
- ❑ The legal norms do not take into account the mixture of pesticides on one fruit or vegetable at the same time, while exposure can at the same time happen through other ways (air pollution of pesticide spraying) and pesticides already present in the body.

¹ Ahold, Corporate Responsibility Report 2008, p. 5, <www.ahold.com/reports2008>

² Ibidem.

³ Ahold, Corporate Responsibility Report 2008, p. 7-8, <www.ahold.com/reports2008>

⁴ Ahold, Corporate Responsibility Report 2008, p. 10.

⁵ “Schoonste druiven van Europa te vinden bij Lidl – Albert Heijn en Spar verkopen zwaar vervuilde druiven”, 24 November 2008; Analyse bestrijdingsmiddelen op druiven in Nederlandse en Europese supermarkten”, November 2008, <www.weetwatjeeet.nl>

⁶ MRLs are defined as “the upper legal levels of a concentration for pesticide residues in or on food or feed” according to the European Food Safety Authority (http://www.efsa.europa.eu/EFSA/ScientificPanels/PRAPER/efsa_locale-1178620753812_MaximumResidueLevels.htm). According to the Good Agricultural Practice (GAP: standards set by supermarkets), MRLs are defined as the maximum concentration of pesticide residue (expressed as milligrams of residue per kilogram of food/animal feeding stuff) likely to occur in or on food and feeding stuffs after the use of pesticides.

⁷ Dit is de hoeveelheid van een bepaald bestrijdingsmiddel die de consument gedurende één maaltijd of één dag zonder noemenswaardig risico kan innemen

⁸ See for instance: Health Council of the Netherlands, Pesticides in food: assessing the risk to children. The Hague, Health Council of the Netherlands, 2004. Publication no. 2004/11, p. 22.

- ❑ The legal norms take insufficiently into account that some groups of people are more vulnerable to pesticides such as children whose body weight is lower or whose body is still in different stages of change.
- ❑ According to a study of the Health Council of the Netherlands the “possibility of simultaneous exposure to several pesticides with a common mechanism of toxicity and of simultaneous exposure to the same compounds from various sources (food, water, domestic uses) merits systematic attention in the risk assessment of individual pesticides. However, appropriate methods are still being developed.”⁹ In 2008, hardly any new risk assessments mechanism by those authorities authorizing pesticides was already being implemented.
- ❑ Some long term effects of pesticides are still not sufficiently taken into account during the risk assessments such as the effects on the immunity system and the functioning of the hormone and central nervous system.

Some of the known dangerous effects of too much exposure to pesticides are breathing problems (asthma), cancer, nerve disorders and development disorders.

Ahold has responded on 10 April 2009 to VBDO that Albert Heijn (and ICA) is currently implementing “a strict program in order to secure low levels of residues”. However, the current program is not aiming at limiting the number of residues that can be found on a product. The problems that exist with the simultaneous exposure to different pesticides are therefore not appropriately addressed by Albert Heijn. Several supermarkets in Germany do limit the number of residues to a maximum of three to five, depending on the type of produce.

Ahold explains that the new program to secure low levels of residues “requires heavy investments from the suppliers” who “will be audited by third parties to demonstrate conformity to an internally developed protocol”. A general problem in the supermarket sector has been, not particularly in the case of Ahold, that the additional financial and other burdens to implement new standards are being worn by the producers rather than the supermarkets and consumers. It would be good if Ahold could explain how the additional investment costs are being born by the different parties involved (producers, supermarkets, consumers). Ahold already explains that it faces a challenge if it would track compliance with its quality and labour standards for its private label products up to the level of raw materials because the “costs associated with various forms of auditing could have a significant financial impact on some, particularly smaller, suppliers”¹⁰. Does this mean that the suppliers have to bear the brunt of the compliance costs?

In conclusion, when Albert Heijn teaches children to eat healthy and a lot of fruit¹¹, there should also be information about care that needs to be taken (e.g. by peeling fruit), not in the least when children are eating grapes (which are easy to eat and normally sweet), in order to avoid health hazards. This would fulfill Ahold’s commitment to “healthy living” as a priority theme of its corporate responsibility.

⁹ Health Council of the Netherlands, Pesticides in food: assessing the risk to children. The Hague, Health Council of the Netherlands, 2004. Publication no. 2004/11, p. 17.

¹⁰ Corporate Responsibility Report 2008, p. 12.

¹¹ Corporate Responsibility Report 2008, p. 7-8 : “Many of our efforts are dedicated to teaching children healthy eating habits that will serve them throughout their lives. Every year, Albert Heijn organizes “Class Lunch”, an in-school educational program that explains the benefits of a healthy diet. In 2008, a record 138,000 pupils participated.” Albert/Hypernova is helping to fight diet and weight-related problems in Central Europe with Healthy 5, an in-store program to educate children about the need to consume five portions of fruit and vegetables a day. More than 10,000 children have taken part in the program since it was launched in 2004.”

Some principles of sustainable trade not adhered to

Sustainable trade is one of Ahold's four main corporate responsibility themes according to the Ahold Corporate Responsibility Report 2008¹².

Transparency not available for private labels

Ahold claims that the "aim of our sustainable trade program is to create transparency throughout the supply chain and increase our influence over the way in which our products are produced and sourced."¹³

By increasing the number of private labels in all its affiliates world wide, Ahold increases indeed its influence over the way products are produced. In the Netherlands, the turnover by Albert Heijn of its private labels, including fresh food, is estimated to be 50 to 60% of its total turnover.¹⁴

Ahold mentions that it set conditions on suppliers of its private labels or own "corporate brand products", regarding :

1. Quality and safety¹⁵: Ahold requires its corporate brand suppliers to maintain stringent product safety practices and mentions that 68% of Ahold's corporate brand products are certified according to the Global Food Safety Initiative, a supermarket private standard Ahold helped to develop, or equivalent. In Europe, Ahold implements the Consumer products certification of the British Retail consortium for corporate brand suppliers of high risk non food products while using third party testing for some products in the US.
2. Workers rights and labour conditions¹⁶: Ahold requires its corporate brand suppliers to sign Ahold's 'standards of engagement' which follow ILO conventions and set "minimum standards on issues such as working conditions".
3. Environment: Albert Heijn aims to ensure that environmental aspects are being taking in to account when tracking production of its private labels s but no information¹⁷ is available how this is being applied.

There is, however, little transparency and publicly available information on how these conditions for the production of private labels are being complied with. To start with, producers are not mentioned on the labels. Also, Fairfood International, an organisation that aims to increase the transparency in the food chain in order to promote sustainable and socially responsible production, has been developing a method of annually questioning producers and supermarkets about production methods. According to Fairfood International, Albert Heijn has provided insufficient information in 2008 about the production methods in the food chain of private labels. As a result, private label food products of Albert Heijn have

¹² Ahold, Corporate Responsibility Report 2008, p. 10-16, <www.ahold.com/reports2008>

¹³ Ahold, Corporate Responsibility Report 2008, p. 10.

¹⁴ S. Voormolen, Art. " Met diëtiste Lisa langs de schappen - Hoe Ahold van zijn kwijnende supermarkten in de VS weer winstgevende winkels maakt", 12 March 2009; Art. "A-merken halen eigen innovatievermogen onderuit", article based on information from Het Financieele Dagblad, 25 March 2009, <<http://www.mdweekly.nl/908133/a-merken-halen-eigen-innovatievermogen-onderuit>>

¹⁵ Corporate Responsibility Report 2008 , p. 11.

¹⁶ Corporate Responsibility Report 2008, p. 12.

¹⁷ See for instance: <<http://www.ah.nl/eigenmerken/>> ; and Corporate Responsibility Report 2008, p. 10.

been mentioned in the list of “don’t buy” products, which are the products about which consumers are recommended not to buy them because there is no guarantee that they do not harm the environment or social conditions of workers.

While Fairfood recognizes that products on the don’t buy list do not automatically mean that they are produced in an unsustainable way and that its method to find information from companies to identify the sustainability of products might be elaborate, the discussions between Fairfood and Ahold have not resolved the issue of public transparency about the production methods of Ahold’s private labels. One example of how there is still little clear information about private label production is a news article in the Dutch newspaper NRC Handelsblad on 16 April 2009, which reported on a study that disclosed that in the Netherlands, producers of private labels are being put under harsh pressure to deliver at the lowest prices, at the expense of their profit margins. An Albert Heijn spokesperson was reported to have no comments because the methodology of the research was not clear. However, there is no publicly available information to verify how the conditions for private label suppliers are being complied with, especially in a context where the profitability of private label suppliers of Dutch supermarkets is under pressure.

There seems to be some incoherence between two of Ahold’s policies. On the one hand Ahold aims to increase transparency about the sustainability of its products, while on the other hand Ahold increases the number of private label products on offer in its stores, about which there is little publically available information about the concrete sustainability impacts of the private label production (except for Ahold organic/biological labels). Sustainability of private labels comes after sustainability of other products on offer on the shelves, according to Roland Waardenburg, director sustainable trade development at Ahold, at the end of 2007.¹⁸

Sustainability of soy chain openly challenged

Ahold explains that “sustainable trade is about ensuring responsible behavior at each step of the production process. We balance economic success with social and environmental responsibility. That means helping suppliers create businesses that are commercially, socially and environmentally sustainable.”¹⁹ In relation to making the supply chain more sustainable, Ahold mostly focuses on products sold in its stores but has chosen certain critical commodities that are ingredients for which it is “engaged in initiatives related to social or environmental issues”.²⁰ One of these commodities is soy.

Soy is indeed an important ingredient in the food chain, not only as an additive or main substance in food products e.g. in products that replace meat, but even more as an important part of fodder that is fed to pigs, chicken and other animals whose meat is to a large extent being sold in the supermarkets.

The production of soy has become problematic²¹ because the growing demand for soy has led to enormous soy plantations in Latin America for which tropical forests and unique parts of savanna are being destroyed. The expansion of plantations goes hand in hand with forced land expropriation and violation of human rights. The soy production results in pollution, soil erosion and health problems for

¹⁸ “Roland Waardenburg van Ahold – ‘In 2011 kennen we de sociale dimensie van alle leveranciers’ “. [November 2007] , <<http://www.handelenduurzaamheid.nl/web/index.php?page=roland-waardenburg-van-ahold>>: “Wij zijn al vijftig jaar bezig met het verduurzamen supply chains. Je begint met de producten die rechtstreeks in het schap komen. Vervolgens met huismerken. Het is een matrixbenadering

¹⁹ Ahold, Corporate Responsibility Report 2008, p. 10.

²⁰ Ahold, Corporate Responsibility Report 2008, p. 13.

²¹ For more information see amongst others: <www.stopfoutveevoer.nl>;

<<http://www.milieudefensie.nl/landbouw/nieuws/overleg-albert-heijn-en-milieudefensie-in-beslissende-fase>>

the local population. Soy that is being produced in problematic areas in Latin America is being imported to Rotterdam, and 90% of these imports are used as feed for meat production in the Netherlands. Since 56% of meat is sold through supermarkets, Albert Heijn is considered to be the largest Dutch purchaser of meat that is being produced with soy from problematic areas. However, Albert Heijn considers it has little impact on the Latin American production by arguing²² that only 3% of soy produced in Brazil and Argentina is used as cattle feed in the Netherlands and “less than 1% of the soy produced in South-America ends up in products sold by Albert Heijn”.

Starting in 2003, Ahold was asked by the Dutch Soy Coalition, a joint initiative of Dutch non-governmental organizations (NGOs), to address the problems associated with the production of soy. Ahold now is a member of the Roundtable on Responsible Soy (RTRS) that aims at promoting responsible production and trading of soy by creating a third party certification program for suppliers. Ahold is also member of the RTRS criteria development group.²³ However, NGOs, some of which are also part of the RTRS, are very dissatisfied about the RTRS process and Ahold’s role in the process to develop RTRS criteria. In November 2008, the draft RTRS principles and criteria have been presented. Seven NGOs (Both Ends, Cordaid, Fairfood, IUCN- Nederlands Comité, Milieudefensie, Oxfam Novib and Stichting Natuur en Milieu) wrote a letter in February 2009 to Ministers Verburg, Koenders en Cramer and to the Parliament in which they explain that, after having studied the draft RTRS criteria, they have no confidence that the criteria will provide enough in order to guarantee that soy production and trade will become sustainable. Together with local peasant, environmental and developmental groups, they deem the draft criteria that do exist to be incomplete, unclear and immeasurable while some had already provided many inputs to develop the criteria. For example, as of yet there are no criteria about conversion of forest to land, while deforestation is a major problem related to large soy production. Also, genetically modified soy will be considered as sustainable while it has encouraged mass and intensive production methods of soy.

Because of the lack of confidence in the RTRS process, stakeholders in the countries of the problematic production have hardly been participating in the RTRS process. They were not involved in the development and will not have a role in control of the RTRS criteria.²⁴

The RTRS criteria are currently awaiting the official approval of the RTRS board, which is due in May 2009, while it is not clear how substantive NGO criticisms will be taken into account.

Already in March 2008, the NGOs who are member of a coalition for sustainable soy had written to the Dutch corporate members of the Round Table on Responsible Soy, and had asked whether they wanted to make concrete steps to make soy production and trade sustainable. Ahold, answered that it did not want to search for marginal solutions but chose to participate in the development of RTRS criteria.

Again in July 2008²⁵ NGOs had written to Ahold requesting it to immediately switch to meat that is produced without the use of unsustainable soy.²⁶ In 2009, because Albert Heijn refused to switch to meat that is produced more sustainably²⁷, Milieudefensie started a campaign²⁸ against Albert Heijn exposing the unsustainable production of meat on sale at Albert Heijn stores. On 23 March 2009,

²² Ahold letter to VBDO, 10 April 2009.

²³ Ahold, Corporate Responsibility Report 2008, p. 13.

²⁴ Letter dated 20 February 2009, referenced “De Round Table on Responsible Soy (RTRS)”

²⁵

<<http://www.milieudefensie.nl/landbouw/publicaties/brieven/080709%20Brief%20Nederlandse%20Soja%20Coalitie%20retail.pdf>>

²⁶ <<http://www.fairfood.org/campagne/sojacampagne/>>

²⁷ Letter from Milieudefensie to Ahold, Amsterdam, 19 March 2009,

<http://www.milieudefensie.nl/landbouw/publicaties/brieven/20090319_brief_MD_AH_final.pdf>

²⁸ See for instance: <www.stopfoutveevoer.nl>.

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Milieudefensie agreed to stop the campaign for a month during which Albert Heijn promised to seek a solution.