

# Ahold

## Overview of controversial business practices in 2010



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**SOMO**

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## Colophon

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## Introduction

This company profile has been drafted by SOMO (Centre for Research on Multinational Corporations) and provides an overview of controversial business practices that occurred or were addressed in 2010. In the context of the upcoming annual general meetings (AGMs) of Ahold's shareholders this overview aims to provide additional information to shareholders and other stakeholders of Ahold regarding outstanding CSR issues. By highlighting such issues, this overview should be used to identify areas of the company's corporate responsibility policies and practices that require improvement and to formulate a more informed assessment of the company's corporate responsibility performance.

The range of sustainability and corporate responsibility issues included in this overview is broadly based on issues and principles that are present in global normative standards for responsible business behaviour, such as the OECD Guidelines for Multinational Enterprises. Rather than an exhaustive analysis of Ahold's corporate responsibility policies, operational aspects of corporate responsibility management, implementation systems, reporting and transparency or total performance on any issue, the overview provides a descriptive portrayal of a limited number of corporate responsibility-related issues and cases that might merit further attention or reflection. Moreover, Ahold's positive sustainability achievements in 2010 are not addressed here. Information on positive achievements can usually be found in the company's annual and/or sustainability report and on the company's website.

The research methodology for this overview primarily involved desk research methods, relying on information from SOMO's global network of civil society organisations, the company's own website and publications, media reports, and company information databases. All sources are cited in footnotes in the text. As per SOMO's standard research methodology, Ahold was informed about the research in advance and was given two weeks to review a draft report and provide comments and corrections of any factual errors in the draft version prior to publication. Ahold made use of this opportunity and provided SOMO with a response which has been incorporated in the final text of this overview.

This company profile is part of a joint project of SOMO and the VBDO (*Vereniging van Beleggers voor Duurzame Ontwikkeling* - Dutch Association of Investors for Sustainable Development).

### **About SOMO**

SOMO is an independent, non-profit research and network organisation working on social, ecological and economic issues related to sustainable development. Since 1973, the organisation has been investigating multinational corporations and the consequences of their activities for people and the environment around the world. SOMO supports social organisations by providing training, coordinating networks and generating and disseminating knowledge on multinational corporations in a context of international production, trade, financing and regulation.

# Albert Heijn's Peruvian Mango Supply Chain

## Summary

Working conditions at a Peruvian mango supplier of Ahold's supermarket Albert Heijn are below par. Research at the mango plantations of Camposol AS in Peru revealed poverty wages, excessive overtime work, restriction of the freedom of association and collective bargaining, poor health and safety conditions and discrimination against pregnant women. Ahold's own code of conduct as well as its international standards, codes and initiatives such as the ILO core conventions and the OECD guidelines, stipulate workers' rights to freely join trade unions, to work under adequate health and safety conditions and not to discriminate on the grounds of gender. These standards are, however, clearly violated by this supplier.

## Context

Peru is an important mango producer, in the past ten years export values have more than tripled and the country currently exports around 300,000 tonnes of mangos annually. Mangos are exported as fresh fruit, frozen, as a canned product or as juice. Fresh mangos represent the biggest share of Peru's mango exports by far, with 80-90% of all export values. Most of Peru's mango production takes place in Piura, a north-western region of the country. The two most important destinations for Peruvian mangos are the United States and the Netherlands. The export market for mangos is fragmented: almost 60% of all the exporting companies have a share smaller than 0.1% of the total market. The simplified export supply chain in Peru consists of production, collection, packaging and export.

Most of the work in this industry involves farm work (harvesting and the maintenance of crops) and factory work (packaging). As mango is a seasonal product, the majority of the workers are only hired for 3-5 months per year, between November and March.

Camposol AS, a mango supplier for Albert Heijn, is a Peruvian agro-exporting firm listed in the Oslo Stock Exchange (OSE) of Norway and incorporated as a holding (Camposol Holding Plc) in Cyprus. The company is Peru's largest exporter of asparagus and peppers and the second largest exporter of mangos and avocados, controlling a 7% share of the fresh mango export market. Camposol mainly produces mangos in Piura and it is present in all functional stages of the export supply chain, from production and packing to export. The company exports its mangos mainly through the port of Paita to the port of Rotterdam in the Netherlands. Here, Bakker Barendrecht, the Dutch importer and Albert Heijn's exclusive supplier of fresh fruit and vegetables, handles the mangos. Bakker Barendrecht sells and transports the fruit to Albert Heijn's distribution centres across the Netherlands.<sup>1</sup>

In 2010, SOMO carried out a study on the socio-economic conditions in a number of fresh fruit and vegetable supply chains of Dutch retailers. One of the case studies included the analysis of the conditions of workers in the mango supply chain from Peru and how these conditions might be influenced by the procurement policies of EU retailers.<sup>2</sup> In order to do this, three leading Peruvian

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<sup>1</sup> M. van Dinther, 'Albert Heijn's produce section' [*De groenteboer van Albert Heijn*], *Volkskrant* blog, 27 November 2009, <[http://www.vkblog.nl/bericht/288539/Sla\\_%2815%29%3A\\_De\\_Groenteboer\\_van\\_Albert\\_Heijn](http://www.vkblog.nl/bericht/288539/Sla_%2815%29%3A_De_Groenteboer_van_Albert_Heijn)> (11/01/2011)

<sup>2</sup> 'Bitter fruit – Socio-economic Issues in Fresh Fruit and Vegetables Supply Chains of Dutch Supermarkets – The Case of Ahold,' SOMO, published January 2011, [http://somo.nl/publications-nl/Publication\\_3606-nl](http://somo.nl/publications-nl/Publication_3606-nl)

agro-exporting companies were surveyed which operate in Piura. One of these companies was Camposol. The controversies listed below are based on the findings from the 2010 SOMO study.

## Controversies

Field research done for SOMO at Camposol yielded the following results:

- ❑ **Wages** at Camposol are poverty wages based on the inadequate daily minimum wage determined by Peruvian law. To reach a monthly income comparable to the national poverty line level, which represents about 60% of an income that would provide for the basic needs of a family (living wage), two parents would have to work 8 hours per day, 6 days a week or one parent would have to work 12 hours a day 7 days a week (including the higher paid overtime hours). Commenting upon a draft version of this report, Ahold indicated that the monthly wages at Camposol were higher than the Peruvian minimum wage of 550 Peruvian Nuevo Soles (PEN), namely around 900-1000 PEN a month.<sup>3</sup> Whereas we have not indicated that wages are below the abysmally low Peruvian minimum wage levels, this Ahold statement does not address the point just made that such levels can only be achieved by working excessive overtime hours.
- ❑ **Working hours** are long and excessive during peak harvest time. Workers on the fields of Camposol officially have 8-hour working days, but this working day only ends after a specific production target is met. Even if it takes more than 8 hours of work to reach this target, which is almost standard, only 8 hours of work are paid for. Only the work done on top of the production target is considered as overtime with higher pay.
- ❑ Agro-industrial workers are legally allowed to work **overtime** as long as the average working hours during the whole contract period do not exceed 48 hours per week. In practice, working hours are excessive in January and February with workers working more than 11 hours per day, 6 to 7 days a week. With the contracts covering 3 to 5 months, these legal conditions of overtime work are likely to be violated.
- ❑ At Camposol **overtime work** is voluntary, but if workers refuse to work overtime, they will be known as 'problematic workers' which results in an increase in workload and the risk of not being contracted again for the next season. There are practically no known cases of overtime work refusal, as there is little other work available since the agro-industrial sector is the main employer in the region of Piura.
- ❑ Another problem is that the hours worked during overtime are often not registered properly resulting in less pay for workers. The production target at Camposol is twice as high as at the other leading mango exporters in the country.<sup>4</sup>
- ❑ Reports have been made that Camposol only lets its workers sign **contracts** for a part of the actual working period, which means that for certain time periods some workers are employed without a contract. Contrary to national law, none of the interviewees had received a copy of their signed contracts.
- ❑ **Freedom of association** is clearly hampered at Camposol. Notably, the company does not have a trade union in Piura, the most important mango producing region, and it is reported that Camposol prevents the formation of trade unions. Camposol does, however, have a union in its other mango producing region, La Libertad, but the company is still actively opposing its operations: unionised workers are dismissed on the grounds of false allegations, are threatened

<sup>3</sup> Ahold's reponse to a draft version of this document. Email received 5 April 2011.

<sup>4</sup> Other companies investigated in the 2010 SOMO report are Sunshine Export SAC and Sociedad Agrícola Saturno.

with non-renewal of their contracts and new workers are not hired at all when it is known that they are union members. In August 2007, Camposol's trade union in La Libertad was created. However, in December of that same year 385 people were unjustly fired by the company, and of these workers 80% were union members.<sup>5</sup>

- ❑ **Health and safety conditions** on the plantations are far from satisfactory; food serving areas are rudimentary and the sanitary services often lack drinking water. The lack of appropriate equipment creates insufficiently safe working conditions for the mango workers. Commenting upon a draft version of this overview, Ahold stated that the company's representatives '*reviewed the health and safety conditions and felt that there were a sufficient number of hygienic restrooms and that the lunch rooms, although basic, were sufficient. Safety regulations were also in place.*'<sup>6</sup>
- ❑ Pregnant women are **discriminated** against as they are dismissed or not even hired whilst pregnant and women are often subjected to a pregnancy test upon being hired.

## Role of Albert Heijn

Albert Heijn, Ahold's founding supermarket, is the leading food retailer in the Netherlands and one of the country's best-known brands. Albert Heijn is also the biggest consumer retail channel for fresh fruits in the Netherlands. Mangos sold in the supermarket come from all over the world: depending on the season, Albert Heijn imports its mangos from various continents. In the months of January and February, the mangos on the shelves come from Peru and South Africa, while the rest of the year mangos are imported from elsewhere.<sup>7</sup> Because information on commercial relations between suppliers, importers and retailers is a delicate issue, evidence of the link between Albert Heijn and Camposol was initially established independently from these companies. However, in reply to a request from SOMO, Albert Heijn later confirmed sourcing mangos from Camposol, making the supplier-retailer relationship between the two companies clear.

## Normative/Legal standards violated

The conditions found at Albert Heijn's supplier Camposol regarding overtime work, freedom of association, health and safety conditions and the discrimination against pregnant women, are in violation of several international standards, some of which Ahold has explicitly endorsed in its code of conduct for suppliers. These specific standards are further described below:

- ❑ All of Albert Heijn's suppliers have to sign Ahold's **Standards of Engagement**, which outline the company's requirements for sustainable trade.<sup>8</sup> The document states that Ahold is committed to 'maintaining a high standard of business ethics and regard for human rights throughout its supply chain.' Moreover, in case of subcontracting, the supplier 'shall cause the subcontractor to comply with these Standards of Engagement as if Ahold entered into an

<sup>5</sup> Bi-regional network Europe, Latin America and Caribbean 'Enlazando Alternativas' Working Group on transnational corporations - 'Permanent Peoples' Tribunal', Tribunal on European transnational corporations in Latin America and on neoliberal policies, 2008, [http://www.foeeurope.org/corporates/Lima/EAdossier\\_EN\\_May08.pdf](http://www.foeeurope.org/corporates/Lima/EAdossier_EN_May08.pdf) (14/11/2010) in Latin America and on neoliberal policies

<sup>6</sup> Ahold's response to a draft version of this document. Email received 5 April 2011.

<sup>7</sup> In other months of the year, Albert Heijn imports its mangos from Costa Rica, Puerto Rico, Israel and Brazil. AH website, Webwinkel, [http://webwinkel.ah.nl/index.jsp?menu\\_option=home](http://webwinkel.ah.nl/index.jsp?menu_option=home) (26/11/2010)

<sup>8</sup> Ahold website, Corporate Responsibility, 'Ahold Standards of Engagement', <http://www.ahold.com/en/node/3703#> (07/02/2011)

agreement with the subcontractor directly.’ The document states that ‘the legal rights of personnel to form and join trade unions of their choice and to bargain collectively shall be respected.’ Furthermore, suppliers are required to provide and use personal protective equipment, clean toilets and access to potable water. The Ahold Standards of Engagement also contain a non-discrimination article.<sup>9</sup>

- ❑ The **International Labour Organisation** (ILO) conventions on the freedom of association and collective bargaining, adequate health and safety conditions at workplaces and non-discrimination clauses. Both the Netherlands, the home country of Ahold, and Peru, the home country of Camposol, have ratified these conventions.<sup>10</sup>
- ❑ Ahold requires suppliers in so-called risk countries, such as Peru, to conform to the code of conduct of the **Business Social Compliance Initiative** (BSCI) or an equivalent standard that is based on the core conventions of the ILO. Just like the ILO conventions, the BSCI code of conduct includes a prohibition of discrimination, sets standards for workplace health and safety and grants freedom of unionisation.<sup>11</sup>
- ❑ The **OECD Guidelines for Multinational Enterprises** are applicable to multinational companies from OECD countries (e.g. the Netherlands). The guidelines cover aspects of free unionisation, non-discrimination and satisfactory workplace health and safety conditions.
- ❑ Members of the United Nations **Global Compact** must abide to its standards which refer to fundamental ILO workers rights. As mentioned above, some of these rights are being violated. Camposol and Ahold have signed this initiative.
- ❑ **Peruvian Law No. 27360** for the promotion of the agrarian sector stipulates that workers are entitled to receive a copy of their signed contracts. In addition, the law prohibits employment without an employment contract.

## Response of the company

Commenting upon a draft version of this overview, Ahold stated the following<sup>12</sup>:

*‘In January [2011], Ahold representatives visited Camposol to review the situation. During this visit, several meetings took place with both top- and middle management in charge of the fields, as well as with HR representatives. The Ahold representatives found Camposol to be willing to take responsibility for their business and for treating their employees fairly and respectfully. Camposol had already been informed that the BSCI process is now a requirement to do business with Ahold and they have started the process which begins with a self-assessment. An independent audit will be scheduled, and will lead to the identification of any areas for improvement. Because of the findings of our visit and Camposol’s willingness to commit to the BSCI process we have not suspended them as a supplier which would be likely to have an adverse impact on their workers and have instead chosen to support them in the social compliance process.’*

It is indeed in no one’s interest to end commercial relations altogether or directly, and that is why in case of a supplier’s non-compliance with certain ethical corporate standards SOMO encourages companies to start a process (e.g. dialogue, remedial plan) that will lead to improvements at the supplier. SOMO is sceptical, however, that the planned BSCI audit that Ahold mentions is the right

<sup>9</sup> Ibid.

<sup>10</sup> For the ratified conventions, see the website of the ILO, <http://www.ilo.org/ilolex/english/index.htm>

<sup>11</sup> BSCI website, Our work, ‘The BSCI Code of Conduct’, <http://www.bsci-intl.org/our-work/bsci-code-conduct> (08/03/2011)

<sup>12</sup> Ahold’s response to a draft version of this document. Email received 5 April 2011.

way to start this process. What would be required is a thorough investigation into the issues raised in the SOMO report. This would include unannounced audits and the perspective and involvement of critical and independent local stakeholders such as those that were involved in the SOMO research.

*'Camposol confirmed that they do have trade union representation. In January 2011, 1189 employees were affiliated with trade unions and Camposol clearly states that they respect the right of their workers to join unions.'*

Camposol does indeed have organised workers, however not in the company's most important mango producing region, Piura, where the majority of the mango workers are employed.

*'Camposol also provided information that as the largest producer of agricultural products they were audited by the government (Ministry for Work and Promotion of Employment of the Peruvian Government, as well as regional government) in 2010.'*

Nevertheless, SOMO's research has indicated that these audits are announced in advance and arranged in consultation with the supplier, as a result of which the auditors do not get an adequate understanding of actual working conditions.

# Anti-Union Activities at Martin's Supermarkets

## Summary

At Martin's supermarkets, one of Ahold's US subsidiaries, the company is discouraging its employees to join a union. The company's management is doing so by articulating the fact that Martin's is a union-free supermarket, by refusing to allow unionised employees to promote unionisation and by distributing letters to employees stating that joining a trade union could hurt their job security. With these practices Ahold is breaching several fundamental unionisation rights laid down by the ILO conventions, the OECD guidelines and the UN's Global Compact.

## Context

In February 2010 Ahold purchased 25 supermarkets in Richmond, Virginia in the US. These stores, which formerly belonged to Ukrop's supermarkets were merged into Ahold's Giant-Carlisle division and were added to the company's Martin's brand (see Figure 1).

Figure 1: Ahold USA corporate structure



Source: Ahold<sup>13</sup>

## Controversies

The United Food and Commercial Workers Union (UFCW), representing around 70,000 Ahold employees, 65% of the total Ahold US workforce, reported frequent anti-union activities at the Martin's supermarkets since the takeover by Ahold.<sup>14</sup> These activities include the following:

- The new Martin's store managers held orientation meetings with their employees. At those meetings, managers devoted a significant amount of time to articulate that the supermarket desired to remain 'union free' and that joining a trade union would not be in the employees' interest. In April 2011 an Ahold spokesperson stated that *'It's unfortunate that union activities are disrupting the shopping experience for customers. Martin's is a union-free chain committed*

<sup>13</sup> Ahold website, About us, 'Company Structure', <http://www.ahold.com/about/company-structure> (24/02/2011)

<sup>14</sup> Information based on B. Dempsey, 'Ahold at the crossroads', report by UFCW. iHold website, 28 March 2011, <http://www.iholdcampaign.org/?p=112> (08/04/2011)

*to providing the best working environment for our associates — one that allows us to communicate directly without the interference of an outside third party.*<sup>15</sup>

- Managers introduced no-solicitation and no-distribution of literature policies to prevent that other employees from unionised Ahold stores, like Giant-Landover, would convince or even talk to Martin's employees about the benefits of being unionised. For example, there have been reports that when unionised Ahold employees from other stores tried to organise workers in the Richmond stores, company management called the police to escort them off the Martin's premises.
- The company's higher management started sending out letters to Martin's employees highlighting the disadvantages of being unionised, stating that unionisation can hurt the employees' job security and that unionisation could lead to losing customers as Martin's would become less competitive. Signatories of these letters were Rick Haring, Division President of Giant-Carlisle and Jim Scanlon, Regional Vice President of Martin's. The letters included the following statements:
  - *Signing a union card is not in your best interest*
  - *Don't sign a Union Authorization Card!*
  - *As a result of good-faith negotiations between a union and a company, union members could end up with less.*
  - *Can the union hurt job security? Yes, it can. If Martin's becomes uncompetitive due to a contract with the union or if the union calls a strike, we could lose our customers to other companies.*
- At the time of the Ahold takeover of the former Ukrop's stores, Ahold decided to bring the new Martin's stores under the Giant-Carlisle division, despite the fact that the distribution centres of Giant-Landover, Ahold's other division in the region, are geographically closer to the company's new stores in Richmond.<sup>16</sup> The UFCW suspects that the reason for this is that Ahold's Giant-Carlisle division does not have a strong unionised employee base; hence the company can prevent (further) unionisation or the facilitation thereof at the Martin's stores.<sup>17</sup> (see Figure 2)

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<sup>15</sup> Louis Llovio, 'Union trying to organize Martin's workers', *Richmond Times-Dispatch*, 9 February 2011, [http://www2.timesdispatch.com/business/2011/feb/09/TDBIZ01-union-trying-to-organize-martins-workers-ar-829738/\(08/04/2011\)](http://www2.timesdispatch.com/business/2011/feb/09/TDBIZ01-union-trying-to-organize-martins-workers-ar-829738/(08/04/2011))

<sup>16</sup> 'Ahold Completes Ukrop's Purchase; Stores to Take Martin's Banner', Supermarket News website, 8 February 2010, [http://supermarketnews.com/news/ahold\\_ukrops\\_0208/\(24/02/2011\)](http://supermarketnews.com/news/ahold_ukrops_0208/(24/02/2011))

<sup>17</sup> Here it should be mentioned that the way trade unions can effectively reach out to the stores' employees is through the network of (unionised) distribution centres (DCs). This is why stores which belong to un-unionised DCs have more difficulty with unionisation than stores under unionised DCs.

Figure 2: Ahold distribution centers and stores in Virginia, Maryland and Pennsylvania



Yellow: Newly purchased Martin's stores  
 Blue: Giant-Carlisle distribution centres (less unionised)  
 Green: Giant-Landover division in Maryland (UFCW unionised)  
 Red: Stop&Shop chain  
 Source: UFCW<sup>18</sup>

## Normative/Legal standards violated

Ahold's subsidiary Martin's is violating some fundamental workers rights by emphasising the company's wish to stay union-free, by preventing unionised employees from other stores to access Martins' grounds and by distributing letters encouraging employees not to join trade unions. The workers' rights on the freedom of association are laid down in the following international conventions and guidelines:

- ❑ The **OECD Guidelines for Multinational Enterprises** state that companies should 'respect the right of their employees to be represented by trade unions and other *bona fide* representatives of employees, and engage in constructive negotiations, either individually or through employer associations.' Moreover, that these companies should 'enable authorised representatives of their employees to negotiate on collective bargaining or labour-management relations issues.'<sup>19</sup>
- ❑ Several **ILO Core Conventions** establish workers' rights to freely form a trade union, join an already existing one or engage in collective bargaining agreements with their employer.<sup>20</sup>
- ❑ Ahold's own **Global Code of Professional Conduct and Ethics** respects and commits to the ILO core conventions.<sup>21</sup>

<sup>18</sup> B. Dempsey, 'Ahold at the crossroads', p. 18, report by UFCW. iHold website, 28 March 2011, <http://www.iholdcampaign.org/?p=112> (08/04/2011)

<sup>19</sup> OECD Guidelines, chapter IV, 1 a) and 8.

<sup>20</sup> ILO conventions C87 and C98.

- Principle 3 of the UN's **Global Compact** states that 'businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining'.

As Martin's is a US subsidiary of a Dutch company there are some specific issues to bear in mind when talking about the normative standards which are being violated. The US did not ratify the ILO conventions on the freedom of association and collective bargaining, but the Netherlands did. Furthermore, Ahold in the Netherlands does not have anti-union practices; all the employees are free to join a union. By pursuing an inconsistent unionisation policy, Ahold discriminates against the Richmond Martin's employees by not granting them the same unionisation opportunities as their colleagues in the Netherlands and elsewhere in the United States.

## Response of the company

Commenting upon a draft version of this profile, Ahold commented the following:<sup>22</sup>

*'When the Ukrop's stores were acquired, they were fully staffed by Associates who were non-union. To date, no union has filed an election petition asserting it has a majority of employees at Martin's interested in representation by the union. Regardless of which Ahold USA division had acquired Ukrop's, it would not have been appropriate for the division to make a decision on unionization of its non-union employees.'*

The reason that no union has filed an election petition for representation is that Martin's management, with its no-solicitation policy, is obstructing the organising efforts at the Martin's stores by any union.

*'We reject any suggestion that Martin's or Giant Carlisle is anti-union. Martin's which is part of the Giant Carlisle division operates two unionized stores in Pennsylvania. Martin's understands and respects its associates' right to decide whether or not to join a union. Martin's has provided Associates with accurate factual information about unionization, including the possibility that a union contract may make the company less competitive.'*

By publicly stating that Martin's is a union-free chain and by pointing out that being organised could make the company less competitive and hurt the employees' job security, SOMO believes that Martin's is pursuing anti-union policies.

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<sup>21</sup> Ahold Global Code of Professional Conduct and Ethics, p. 20,  
<http://www.ahold.com/files/Ahold%20Global%20Code%20of%20Professional%20Conduct%20and%20Ethics.pdf>

<sup>22</sup> Ahold's response to a draft version of this document. Email received 5 April 2011.