

## Retailer Policy Booklet for the Dutch Sustainable Trade Initiative.

### **“The drive for sustainable food production, supply and consumption. Retailers and their policies for sustainability.”**

#### **Case study 2 - Product Integrity – Royal Ahold**

The Dutch food retailer, Royal Ahold, has stores in Europe and the United States. You won't see their name on any storefront as they have retained their local brands in each country. For example, in Europe they have the Albert Heijn chain in their home market in the Netherlands while in Sweden, Norway, Estonia, Latvia and Lithuania their stores, in a joint venture, are named ICA or RIMI. Albert / Hypernova are their food retail brands in the Czech Republic and Slovakia, while in the USA there's Stop & Shop, Giant and Peapod. For 2008, there were combined sales of 25.7 billion euros and over 200,000 people are employed.

Their approach to corporate responsibility includes the usual activities that can be expected from any reputable food retailer. However, for sustainable trade, they have added an innovative level to their strategic thinking by including product safety. This shows their consideration for the social impact of failure on their consumers' health and wellbeing.

Royal Ahold has always shown leadership in collaboration with their competitors. They have been involved at the early stages in a number of programmes such as the Global Food Safety Initiative (GFSI), the Global Social Compliance Programme (GSCP), the Business Social Compliance Initiative (BSCI), The Roundtable on Sustainable Palm Oil (RSPO), the Roundtable on Responsible Soy (RTRS) and GLOBALGAP.

Hugo Byrnes is the Director for Product Integrity at Royal Ahold:

*“I've learnt that we all face the same issues and by working together can help each other. I think the best example is the GFSI. At Ahold we used to act alone, sending auditors around the world. It didn't really do us that much good and it was very expensive. We compared our work with other retailers and found best practices together. We went on to share policies and have achieved great things.”*

Ahold was among the first retailers to specify acceptance of any food safety certification endorsed by GFSI for their private label products. Their positive experience with collaboration on food safety policy drove their decisions to tackle the global issue of human rights in their supply chains when they first joined the BSCI and then the GSCP.

Hugo says:

*“In labour standards we are still trying to understand what best practice looks like. We are at an earlier stage than we were in food safety. Our key contribution to the BSCI has been to help drive their code for primary production in the food chain. With GSCP, I believe the*

*progression during 2009 on agreeing best practice across all sectors will provide a genuine foundation for convergence.*

*For the environment, retailers are at an even earlier stage. In March 2009, Ahold published their carbon footprint information for the first time. They report on their own direct impact including that of their supply chain and consumers. This work enabled a new target of 20% reduction per square meter of sales area by 2015 against their 2008 baseline data.”*

Environmental work continues to raise new challenges for Ahold, in particular for seafood.

Hugo says:

*“Last year we implemented a group-wide seafood sustainability policy based on active collaboration, the promotion of sustainable seafood and the avoidance of species that have been over-fished. We introduced new sourcing rules and an assessment tool. The individual retail companies work with local NGOs. For example, in the USA there is a partnership with the New England Aquarium and the Shedd Aquarium, and in Sweden and Holland with the World Wildlife Fund (WWF). They advise us on our range.*

*We notice our consumers do look for the label and read the extra information on our websites. We’ve seen good sales uplifts and believe these are because of our policy. Certification schemes, such as the Marine Stewardship Council, have been a useful solution to get sustainable products onto our shelves, but this does not stop us from working hard to drive standards into the mainstream. For example, we have been active in bringing fairtrade and organic fresh produce from Africa. This trade has helped us finance the Albert Heijn Foundation that has been set up to support projects on education, housing and health in Kenya, Ghana and South Africa. We have also created this year our new private label brand ‘Puur & Eerlijk’ that features products grown with extra care for people or the environment. We’re planning 500 products in the range in due course and have co-operation from the Max Havelaar Foundation (fairtrade) and the WWF.*

*Because of policies like these, our buying teams everywhere work in a quality framework that is quite different to the traditional cost model.*

***I don’t just want to measure our environmental impact. I believe the biggest challenge that we face is to actually change it.”***

***Royal Ahold - Top 3 Policy tips***

- 1. Sustainability policies must be driven from the top – engage the CEO and include corporate responsibility targets in buyers' objectives*
- 2. Inspire suppliers to act by building partnerships based on fair policies, clear expectations and regional support*
- 3. Make sure policy setting is market focused – listen to your customers*

***Royal Ahold sustainable trade policies in summary***

- ✓ Build partnerships with suppliers*
- ✓ Understand the critical commodities*
- ✓ Collaborate with the industry*
- ✓ Work with experts from civil society*