



International
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Case Study

Good Procurement Practices and SMEs in Supply Chains:

Fresh Fruits and Vegetables sourcing at
Albert Heijn (Ahold Group) from SMEs in Africa



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Introduction

After a period of heavy industry consolidation in the last decade, six large retail chains control over 70 per cent of food retail in Europe (SOMO, 2013 and Latitude, 2015). As a result, supermarkets have a strong influence on what consumers purchase, how products are marketed and ultimately, how food is produced. Following the fast proliferation of private standards and growing stakeholder and consumer demand for transparency, retailers are increasingly providing visibility into their fresh produce supply chains. Albert Heijn (owned by the Ahold Group) is a leading food retailer in the Netherlands and one of Europe's strongest retail brands. The Netherlands are of strategic importance when discussing fresh produce, as it is the largest importer of fresh fruits and vegetables into Europe (of which an estimated 60 per cent is re-exported within Europe), hence the strength of Dutch buyers and retailers in shaping how fresh produce is grown and delivered to consumers' tables.

The present study identifies and discusses the procurement practices of the retailer Albert Heijn (AH) in the purchasing of fresh fruits and vegetables (FFVs), and how those promote and contribute to social and economic upgrading and an overall improved performance of its supplying SMEs and growers involved in its supply chain. In addition to Albert Heijn, a number of actors are cited to illustrate the case: **SAFINA**, a Senegalese SME supplying mangoes to AH; **Bakker Barendrecht**, AH's procurement and logistics service provider sourcing on behalf of AH; the **Albert Heijn Foundation**, an investment arm of Albert Heijn to support supplier development in developing economies; and ICCO, a Dutch NGO supporting the implementation of supplier development programs conducted by the Albert Heijn Foundation.

The Market for Fresh Fruits and Vegetables (FFVs)

In 2014, Europe imported an estimated 11 million tons of fresh fruit and 2 million tons of vegetables valued at approximately €13 billion in FFVs (CBI, 2015). Of that amount, fresh fruits imports from outside of Europe represent nearly 80 per cent. The Netherlands is the biggest importer of FFV from outside the EU followed by Germany, the UK and Belgium. The Netherlands re-exports some 60 per cent of fruit and vegetables to Germany, France and other European countries.

In the Netherlands, Dutch supermarkets account for 82 percent (1.35 million tons) in volume and more than 75 per cent (€3.5 billion) in value of all FFVs retail sales. About 80 per cent of all fruit and 11 per cent of all vegetables consumed in the Netherlands are imported. Thus, the importance of retailers in shaping consumer choice through procurement practices.

Incidence of Developing Countries in the global production and supply of FFVs

Developing countries are major suppliers of FFVs. Fresh fruit exports from those markets into the EU account for approximately €10 billion, of which 45 percent of the volume are bananas, pineapples (9 percent), oranges (7 percent), apples, grapes and lemons. Figure 1 shows the largest fresh fruits exporters from developing countries. Costa Rica, Ecuador and Colombia lead on bananas, mango and pineapples, whilst South Africa stands out as a major supplier of fresh grapes, citrus, stone fruits, apples and pears.

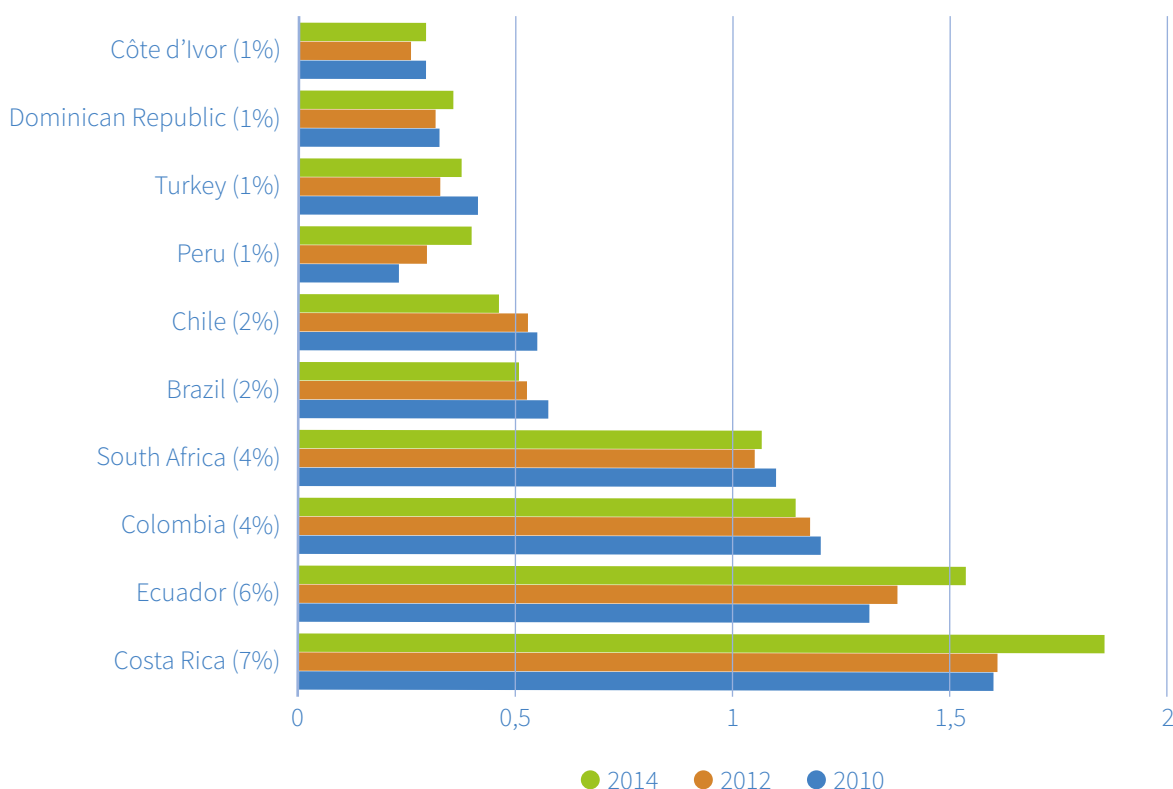


Figure 1: Leading Developing Countries Suppliers of Fresh Fruits (Million tons, CBI, 2014)

Common issues in FFVs Value Chains in Developing Countries

Farm Productivity

In most developing countries, the agricultural sector is characterized by small family-owned farms, which produce at often low productivity levels. While most exotic fruits production often requires vast areas of land to accommodate tree plantations, other fruits (e.g. blueberries) are more intensive, with the capacity to deliver high yields within small parcels. In some regions, large processing groups such as Chiquita and Fyffes have played a role in helping farmers to access international markets, through new supply arrangements and agricultural practices leading to better quality and higher yields.

Most studies in this area point to the positive impacts of higher yields in increasing producers' income, which in most cases, are higher than those achieved by certification schemes (e.g. Fair Trade), through which a premium is paid to the producer. These studies find increasing yield to be a more powerful driver of farmer efficiency and prosperity than any quality or category premium, which may not necessarily lead to higher competitiveness.

Value Chain Governance Issues

Traditionally, the FFV supply sector, with the exception of bananas, had shown “relatively low levels of concentration, internationalization and vertical integration” (ILO, 2008)¹ relative to other food sectors. Nonetheless, growing levels of *market concentration*, internationalization and integration across various types and segments of FFV value chains began to occur in the last decade, with market concentration becoming visible within the first tier of suppliers and importers. This trend expanded to product sectors, with consolidation of suppliers in some regions (ILO, 2008).

¹ S. Best and I. Mamic, “Global agri-food chains: Employment and social issues in fresh fruits and vegetables” (Geneva, International Labour Organisation, 2008)

According to research in the field (ILO, 2008), the above trends are closely linked to the rise of retailers and their governance of the FFV value chain. Due to consumer demand and a quest for higher profitability, retailers require higher volumes and greater consistency of quality to ensure sustainability of supply. They also demand product variety at competitive prices, high product and process standards, year round availability where available, on-level logistics and comprehensive monitoring and audit systems (ILO, 2008). Retailers have also streamlined their supply base in order to cut transaction costs, which tend to favor large producers as opposed to small-scale growers.

Influence of MNE procurement policies in SME governance

Supply chain governance is increasingly complex, not only based on different contractual relationships between a supplier and multiple buyers, but also in terms of the numbers of corporate social responsibility (CSR) or voluntary initiatives an enterprise may be required to comply with². Multinational enterprise buyers set production and process parameters with SME producers through procurement policies, in order to mitigate the (perceived) risk of producer failure (Humphrey and Schmitz, 2001). The various types of governance structures under which GPNs operate, with varying levels of complexity and power asymmetries, play an important role in the outcomes for buyers and sellers. (Humphrey and Schmitz, 2001, Gereffi et al, 2005)³.

In the case of Albert Heijn's procurement practices for FFVs, the retailer's **Standards of Engagement** set a number of process parameters that suppliers have to meet in order to ensure a consistent quality of supply, produced through responsible farm management practices. Furthermore, the initiatives promoted by the retailer include detailed guidance on specifications resulting in selection of higher quality, more premium fruits to meet specific taste and appearance requirements (a product upgrade). The standards of engagement set by AH call for supplier (producer) compliance with environmentally and social standards in line with SA8000 and those established by governments, international organizations, and NGOs.

Social issues in the Fresh Fruit and Vegetables Sector (FFVs)

Employment and Working Conditions

Agriculture is a major contributor to GDP in several developing countries in Africa and Latin America, providing a source of employment and revenue to vast portions of the population, particularly in geographies where agricultural practices are most labor intensive. Harvesting periods may require several times the amount of workforce used in other stages of the process. Seasonality is another key determinant of the type of employment available: Peak seasons often leave workers with no stable year-round incomes, nor insurance or social benefits.

Fruit and vegetable harvesting and processing involves hard physical and repetitive work that can cause health problems if executed in an inappropriate manner or under inappropriate circumstances. The ILO estimates almost half of all fatal workplace accidents worldwide occur in the agricultural sector.⁴

Occupational Health and Safety

Earlier ILO research considered agriculture as one of the three most dangerous sectors in terms of work-related fatalities (together with mining and construction), non-fatal accidents and occupational diseases (ILO, 2003)⁵. Agricultural workers are regularly exposed to or working with high levels of agrochemicals, which can lead to health hazards. In the case of pineapple workers in Costa Rica, reports over the past decade have found

2 See World Investment Report 2011, UNCTAD, 2011, pp111-119 (CSR Guidance Document, based on ISO 26000 categories)

3 Gary Gereffi, John Humphrey & Timothy Sturgeon (2005) The governance of global value chains, Review of International Political Economy, 12:1, 78-104

4 Ibid

5 ILO, « Safety in Numbers, Pointers for a global safety culture at work », Geneva 2003. Available at: http://www.ilo.org/legacy/english/protection/safework/worldday/report_eng.pdf

workers suffering from skin problems, eye irritation and damage, respiratory and bronchial disorders, problems associated with the nervous system, birth defects and male sterility and psychological problems⁶.

Migrant workers perform much of the harvest-related tasks, both in developed and developing countries. Migrants are frequently employed as informal or illegal workers and consequently are more vulnerable to producers not respecting their core labour rights.⁷

Child Labour

Child labour is prevalent in fruits and vegetables production, including products traded in high volumes globally, such as bananas, melons and grapes⁸. The ILO estimates that 60 per cent (98 million children) of all child workers in the age group 5-17 years globally work in agriculture (ILO, 2015)⁹ including farming, fishing, aquaculture, forestry, and livestock. Studies also show that 59 per cent of all children doing hazardous work are in agriculture and aged 5-17; and 67.5 per cent of child workers are unpaid family members entering into work at between 5 and 7 years of age (ILO, 2010)¹⁰.

Wages

Wages in agriculture are generally low even when aligned with national minimum wages, which may also be below the minimum cost of living. Yet, in some countries, agricultural wages pay more than other traditional sectors. For example, in Guatemala, women working as day labourers on vegetable farms earn more than they would in artisanal work¹¹. Low income has a marginalising effect on workers, causing hunger, poor health and a lack of appropriate living conditions.

Freedom of Association

Levels of unionisation and collective bargaining in FFV production are typically low. For workers, this creates a significant representational gap and as a result, they lack the space, resources and influence to protect and advance their needs and rights at work. One of the main causes is employer opposition to unionisation, due to the constant pressure on labour costs caused by severe competition in the market. An example is Ecuador's banana industry: only 1 per cent of the country's 120- 140,000 banana workers are unionised.

Market requirements for successfully exporting

European Regulation on Market Access

The European legislation for the import of FFVs is quite extensive and in itself a barrier to entry for many small holders into an international supply chain. Current legislation states provisions for food labelling, marketing standards, use of pesticides and contaminants, traceability and phyto-sanitary requirements. The main market

6 For more details on the case study of pineapples from Costa Rica, see: "The story behind the pineapples sold on our supermarket shelves: A case study of Costa Rica", Banana Link on behalf of Consumers International, 2010. Available at <http://www.consumersinternational.org/media/485589/theper cent20storyper cent20behindper cent20theper cent20pineapplesper cent20soldper cent20onper cent20ourper cent20supermarketper cent20shelvesper cent20final.pdf> (10/12/15)

7 ILO, "International labour migration, a rights-based approach", Geneva, 2010
<http://www.ilo.org/public/english/protection/migrant/download/rights_based_approach.pdf> (10/12/15)

8 "The Department of Labor's list of goods produced by child labour or forced labour", September 2009, U.S. Department of Labor, Bureau of International Labor Affairs, Office of Child Labor, Forced Labor and Human Trafficking, <www.dol.gov/ilab/programs/ocft/pdf/2009tvpra.pdf> (13/01/2011)

ull FFV supplier base was BSCI cCompliance had been achieved. PECE is higher ty, just-in-time supply, storage, requirements for hi

9 ILO, International Program on the Elimination of Child Labour (IPEC), Sectors and Topics, Child Labour in Agriculture (8/12/15)

10 ILO, Accelerating action against child labour – Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work 2010, Geneva, 2010

11 "International labour migration, a rights-based approach" (Geneva: International Labour Organisation, 2010), <http://www.ilo.org/public/english/protection/migrant/download/rights_based_approach.pdf> (13/01/2015)

entry requirements cover food safety, use of pesticides (including a minimum residue level, known as MRL) and contaminants, as well as traceability.

Emergence of Voluntary Standards (Buyer requirements)

The agricultural sector is characterized by a wide web of certification schemes, some of them of a sectoral nature, combined with specific standards for each commodity type. Individual buyers such as importers, ripeners and retailers have also launched their own standards, making entry into supply chains more complex and costly.

In the case of FFVs, European buyers require certification under Global Good Agricultural Practices (GLOBAL G.A.P.), a food-safety management system¹². This is a pre-farm-gate standard covering the entire agricultural production process, from planting to harvesting. Gradually over the past decade, GLOBAL G.A.P. has become a pre-competitive standard for most European supermarkets, but other systems with more exhaustive requirements may be required, such as the British Retail Consortium (BRC) global standards, or private schemes set up by retail chains, such as Tesco's "Nurture", or Marks & Spencer's "Farm to Fork".

Quality standards

EU buyers also require compliance with a UNECE or Codex Alimentarius standards. In addition, buyers refer to "quality standards" as specific characteristics of the food such as size, weight, colour and appearance. In trade, these product characteristics are referred to as the buyer specifications. This is highly relevant for two reasons; it provides additional opportunities for the producer to add value through potentially differentiated products commanding a higher price, and it protects both the exporter and the SME of potential claims upon arrival.

Social compliance

While today few buyers require compliance with social standards, these are increasingly incorporating social concerns into their Codes of Practice. Most retailers adhere to two main initiatives: Business Social Compliance Initiative (BSCI) and the Ethical Trading Initiative (ETI).

BSCI is a business-driven initiative for companies committed to improving working conditions within the supply chain, including those of FFVs originating in developing countries. BSCI is predominant in Continental Europe and considers SA8000¹³ (certification) as best practice. ETI is widely used by retailers and buyers in Northern Europe. In Eastern Europe, even fewer buyers require social compliance. Other standards and social consumer labels for FFV are Fair for Life, GSCP, Rainforest Alliance and Fairtrade.

The role of standards in social upgrading in the sector

Globalization and further trade liberalization have provided opportunities for suppliers from developing countries to join global production networks (GPN), and potentially move up to provide higher added value (upgrade), thus capturing increasing shares of the gains of the GPNs in which they participate (Gereffi 1999, Gereffi 2005; Humphrey and Schmitz, 2001). There is a substantial body of literature on economic upgrading, which involves more efficient methods of production, or process upgrading, change in the type of product, or product upgrading, or through changes in the mix of activities performed, known as functional upgrading (Humphrey & Schmitz, 2001). More recently, researchers have sought to learn whether economic upgrading leads to better outcomes for workers, i.e. social upgrading, and under what conditions (Rossi, 2013; Barrientos

¹² Formerly known as EUREPGAP, created in 1997 by retailers belonging to the Euro-Retailer Produce Working Group, in response to consumers' growing concerns regarding product safety, environmental impact and the health, safety and welfare of workers and animals.

¹³ Developed by Social Accountability International, SA8000 is an auditable social certification standard for decent workplaces based on the UN Declaration of Human Rights, conventions of the ILO, UN and national law. It spans industry and corporate codes to create a common language to measure social performance.

et al, 2011; Knorringa & Pegler, 2006; Milberg & Winkler, 2011; Rainnie, Herod & McGrath-Champ, 2011 in Rossi, 2013).

Reviews of the academic literature specific to fruits and vegetables value chains reveal a debate over whether and the extent to which economic and social standards in the sector have contributed to better economic outcomes for SMEs in global production networks (GPN). Several authors agree that “stringent quality and safety standards endanger small farmer participation in global value chains” (ITC, 2011)¹⁴. Other research points to vertical integration as potentially benefitting small producers through higher incomes (due to productivity and quality improvements) and better access to finance. Yet, these benefits might realise under certain conditions only and ultimately, if not realised, may lead to the exclusion of small growers¹⁵. Additional research highlights that hypothetically, in small scale, labour intensive production, the upgrading programs associated with standards can help small producers build capabilities that reduce transaction costs and thus, develop cost advantages¹⁶.

Subsequent research¹⁷ exploring the inclusion of small producers in connection with the adoption of Eurep G.A.P (original denomination for GLOBAL G.A.P) in Kenya suggests that exporters with structured out-grower schemes were more likely to establish long-term relationships with small producers, likely leading to better economic outcomes for both. However, those having arms-lengths relationships with small producers would shift to larger ones in an opportunistic approach resulting in the exclusion of the first. Producers would shift to larger ones resulting in the exclusion of the first more likely in facilities and traceability requirements

In Focus: Procurement Practices of the Dutch Retailer Albert Heijn

Founded in 1887, Albert Heijn (AH) is a leading food retailer in the Netherlands with 34 per cent market share. Albert Heijn’s mission is “to make the ordinary affordable and the extraordinary attainable” for customers. At the end of 2015, the retailer held over 966 stores in three formats ranging from “to go” convenience store to large supermarkets. Its 2014 revenues reached €11.7 billion, accounting for over one third of its parent company total revenue.

AH is fully owned by the Ahold Group, a publicly traded retailing group. Headquartered in the Netherlands, the group operates 3206 stores in five countries (Netherlands, Belgium, Czech, Germany and the US, employing 227,000 associates and generating annual revenues of €32.8 billion.¹⁸ The group recently merged with the Belgian Delhaize Group in a €28 billion deal announced on June 2015¹⁹, potentially becoming one of the largest US retailers.

Ahold has historically led and engaged in sectoral initiatives towards the promotion of responsible practices from their inception. Those include the Global Food Safety Initiative (GFSI), the Global Social Compliance Programme (GSCP), the Business Social Compliance Initiative (BSCI) - which it contributed to extend from garment and textiles to FFVs, The Roundtable on Sustainable Palm Oil (RSPO), the Roundtable on Responsible Soy (RTRS) and GLOBALGAP.

Ahold was among the first retailers to specify acceptance of a food safety certification endorsed by GFSI for their private label products (IDH, 2010). The positive outcomes and collaboration experience on food safety policy drove the company’s decision to address human rights in their supply chains when they first joined the BSCI.

14 The Impacts of Private Standards on Global Value Chains. Geneva: ITC, 2011. Literature Review Series on the Impacts of Private Standards; Part I

15 Ibid and Maertens, Miet and Johan Swinnen. 'Standards as barriers and catalysts for trade, growth, and poverty reduction'. Journal of International Agricultural Trade and Development, 4, 1, 2008.

16 Ibid

17 Ibid

18 Ahold, Fact Sheet : Ahold At a Glance 2014. Available at <https://www.ahold.com/About-us/Company-profile.htm>

19 Bartunek, R.J and Sterling, T., Ahold, Delhaize in \$28 billion merger focused on U.S. east coast, Reuters, June 24 2015. Available at <http://www.reuters.com/article/us-ahold-delhaize-group-merger-idUSKBN0P40GO20150624>

The company is also a signatory of the Dutch Ethical Trade Initiative (IDH) and as such, had committed to have 100 per cent of its fresh produce sustainably sourced by 2020.

Albert Heijn also has a number of sustainability-labeled products on the shelves including Rainforest Alliance, Fairtrade and Organic. Compared to its Dutch retail competitors, Albert Heijn ranks fourth in terms of number of Organic products, and third in terms of Fairtrade products²⁰.

Albeit its efforts to practice responsible retailing, there have been past allegations that suppliers of mangos from Peru, pineapples from Costa Rica, bananas from Ecuador, grapes from South Africa, beans, potatoes and grapes from Egypt and tangerines from the Israeli Settlements were non-compliant with core labour standards (SOMO, 2011)²¹. More recently, the Dutch Research Institute SOMO in a study of procurement practices and working conditions in the supply chain of 25 leading retailers recognized Albert Heijn as the second most responsible retailer in Europe (SOMO, 2014)²².

Through the **Ahold Standards of Engagement**, AH has set standards for suppliers that stipulate compliance with ILO Core Conventions and set minimum standards on issues such as legal compliance, employment matters (i.e. wages) and workers' rights. AH has implemented the Business Social Compliance Initiative (BSCI) program with own-brand suppliers in non-risk and high-risk countries. Furthermore, the group committed to having 100 per cent of their last-stage suppliers in high-risk countries audited on social compliance by 2015. In 2014, the European business had audited 80 per cent of suppliers on BSCI and 96 per cent including those by other standards²³, from high-risk countries. By the end of 2015, AH had audited the full FFV supplier base and implemented corrective measures towards becoming BSCI compliant.

Albert Heijn's Procurement Practices for FFVs

AH's procurement model for FFVs is based on four main principles:

- **Direct sourcing (no intermediaries).** AH sources FFVs directly from the growers and exporters, avoiding intermediaries that do not add any value²⁴. The company has built an active supply base over the last 55 years with a number of long lasting relationships. It works closely with suppliers to ensure strength of those relationships and reduce turnover to a minimum. The direct sourcing model provides more efficiency for the grower and buyer and enables sustainability of supply and quality. The model has allowed the buyer and its suppliers to grow together, by anticipating demand on existing and new products, and offering supplier the opportunity to supply new products where demand is growing.
- **Programmed procurement** for all categories of fruits and vegetables: This reduces spot buying only to necessary items as for each product category; there is a year-round calendar of different origins and suppliers – often driven by seasonality - to ensure a continued supply at a consistent quality level. For the supplier, this translates to “forward planning”, as it knows ahead of the season how much to plant, at which quality, and by when to deliver. According to AH's procurement team, this makes a difference for suppliers and AH equally as “we can prevent a lot of waste and unnecessary investments in products that will not make it to the market”²⁵. For new products, the advance-planning model may apply beyond an annual framework. In these cases, the buyer would check the interest of the supplier in planting the product to supply to AH over a longer timeframe, as some crops (e.g. growing on trees) may take years to provide fruits that meet specifications.

20 IDH website, Portfolio Action Plan Sustainable Trade June, <<http://www.dutchsustainabletrade.com/site/getfile.php?id=91>> (December 2015)

21 SOMO, Bitter Fruit, Socio-economic Issues in Fresh Fruit and Vegetables Supply Chains of Dutch Supermarkets – The Case of Ahold, January 2011.

22 SOMO, EU Action Needed for Fair Supermarket Supply Chains, June 2014

23 Ahold, Responsible Retailing Report 2014 & 2013

24 Intermediaries are defined as middlemen or traders, actors that buy from producers to sell to importers

25 Interview with Leon Mol, AH's Procurement, held on January 6th 2016

- **Local sourcing** as much as available in the mainstream categories, with imports used as a fall back resource. In the case of oranges, these are “sourced from Spain in the winter, and when the season is over, they are imported from South Africa or Uruguay”²⁶. In line with this principle, the distribution of the supplier base is 50 per cent from Dutch origin, 30 per cent from other European countries, 10 per cent from South and Central America, and the remaining 10 per cent from Africa.
- **Outsourced purchasing and logistics:** While the retailer considers its sourcing direct, for the past 50 years, AH has outsourced its FFV procurement to a procurement specialist, Bakker Barendrecht (Bakker).²⁷ Bakker purchases on behalf of AH all fresh produce sourced and their role is two-fold: They work together to strengthen the supplier base by jointly identifying, selecting and developing suppliers; and they add value to the products by handling a number of processes such as quality checks, sorting, ripening and packing, and managing transport and logistics (including replenishing and warehousing).

Working towards the goal of BSCI Certification in the supply chain

In 2008, Albert Heijn committed to map all its suppliers in high-risk countries, which resulted in two-thirds of its higher volume suppliers audited on social compliance within six months after joining the BSCI. The task began in 2011 and by the end of that year 20 per cent of the identified suppliers in high-risk countries were subjected to first audits²⁸.

In order to understand and better manage their supplier base, AH mapped and clustered suppliers using the BSCI-suggested list of high-risk countries. Based on the UN’s Human Development Index and the Corruption Perceptions Index of Transparency International, almost every country in Africa is on the high-risk list. The retailer maps suppliers based on countries of origin yet considers that in every country it can choose to establish business relationships with growers and exporters that behave responsibly, despite the risk profile of the country. In those cases where the retailer engages with a new supplier in a high-risk country, it can source from the supplier if the latter is already involved in a recognized social program. If not, the retailer must wait until the crop starts in order to complete the social audit first.

In order to manage the process, the company employed a full time Agronomist with specialized knowledge of social issues in farming and BSCI standards. The agronomist worked over four years with individual AH suppliers to assist them in the process of becoming socially compliant and in developing responsible labour practices. The process involved site visits and individual consultations with the suppliers including the establishment of individual goals, timelines and milestones.

Early in the process, the buyer decided to strive for 100 per cent transparency in the pre-assessment phase, and reports that one of the main challenges was that some traders in the supply chain were not willing to share the supply base. AH decided it could not work with anonymous suppliers without location data, leading the company to conclude that it needed to purchase directly. Until then, there was a direct sourcing scheme for part of the supply base, but not for all of it. The process allowed establishing direct contacts and understanding each supplier and growers’ current situation.

Mechanisms for supplier non-compliance with BSCI standards

Following the BSCI guidelines, suppliers whose self-assessment results are satisfactory can proceed to the audit phase. Three types of results are possible: First, “show stoppers,” such as cases of slavery, child labour, forced

²⁶ Ahold, interview with company executive, December 16 2015

²⁷ Bakker Barendrecht (Univeg Group) is one of the largest FFVs importers in the Netherlands. It employs nearly 400 people and handles close to 70 million crates of FFVs per year. For more information please visit Bakker Barendrecht’s website at <http://www.bakkerbarendrecht.nl/show/en/page/1,21/Who-we-are> (14/12/15)

²⁸ Ahold, Responsible Retailing Annual Report, 2011. Available at: <http://2011yearreview.ahold.com/downloads/Ahold-Full-CR-2011.pdf>

labour or any form of abuse; second, major non-conformities (for which a supplier has a couple of months to respond); and finally, minor non-conformities, for which a supplier is invited to present a plan for improvement (to be resolved within a year). AH's intention was to continue to support the development of their suppliers and sustain the business relationships and thought about ways to work with them towards that end as the process revealed cases of non-compliance.

The Albert Heijn Foundation

Albert Heijn sources 10 per cent of its fresh produce from Africa. This share is growing with the success of exotic fruits such as mangoes, avocados and pineapples in Europe, as well as with new exotics becoming widely adopted by consumers. To develop a sustainable supply base for the long term while contributing to the development of its suppliers and their communities, Albert Heijn established the Albert Heijn Foundation. The latter has become an investment arm with funds dedicated to improving the capacity of its FFVs suppliers, and as of the end of 2015, managed a portfolio of 21 projects in Africa and South America. The foundation channels funds to suppliers and their communities only and is not intended to be a charitable vehicle for other kind of corporate projects. The financing model for each project is on a shared-cost basis, where AH provides approximately 80 percent of the funds required by a project and the supplier provides up to the remaining 20 percent, which is estimated as a percentage of the supplier revenue. This model intends to create a framework of "shared responsibility" and accountability for upgrading, ultimately leading to an improved competitiveness sustained over time, as opposed to being dependent on support from the buyer only.

The governance model of the Foundation when implementing projects includes suppliers and workers, represented by a Workers' Organization. Each project establishes a Representative Body (RB) that receives the funds and manages the project, consisting of workers (including seasonal ones) and management representatives from the supplier and the foundation. The foundation ensures that the RB workers are allocated sufficient time, space and the necessary facilities and resources to perform their duties. The RB and Workers' Organization (WO) have different roles; the RB administers and manages the funds, while the WO defends the rights and interests of the workers vis-à-vis management. For the implementation of the projects, Albert Heijn works closely with the Dutch NGOs ICCO and Fair Match, who act as advisors on the selection of projects, and conduct program administration and monitoring.

The management structure of the foundation is also unique in that the day-to-day management is carried out by AH board members on a voluntary, non-remunerated basis. There is only one full-time staff member based in South Africa.

SAFINA, a Senegalese producer and exporter of mangoes to AH

A family-owned and operated business founded in 1956, SAFINA has been supplying mangoes and green beans from Senegal to AH for 25 years. The company produces each season nearly 3,000 tons of green beans and 4,000 tons of mangoes, all exported to various clients in Europe. SAFINA estimates that 40 per cent of its total mango production, and 55 per cent of its total green bean production is sold to AH, a strategic client for the SME²⁹.

The company prides itself in producing high quality fruit, which it supplies to some of the most demanding retail chains in England and Germany, in addition to AH. It has obtained Global GAP, Tesco's "Nurture" and Marks & Spencer's "Field to Fork" certifications. The company produces conventional mangoes, and for the moment, it does not intend to pursue the organic or Fair Trade certification, but may reconsider if there is customer interest for this kind of production.

SAFINA is one of the few remaining fully independent SMEs in the agricultural sector in Senegal of its size and

29 Interview with Mr. Mounir Filfili, Owner and General Manager of SAFINA, held on January 13th, 2016

type, as most comparable operations have been absorbed by multinational groups of importers and ripeners which have started purchasing land and begun planting in the country. The company sees itself as playing a key role in the economic and social development of the communities where it operates, largely in the Niayes region, expressing a strong sense of social responsibility towards the people that have contributed to developing the business throughout three generations of family management.

The company employs 75 full time employees, whose functions cover the administration and operations in the field including agronomists and technical staff. SAFINA hires additional workers on a seasonal basis for the harvesting of mangoes (up to 400 workers in June and July) and other produce³⁰. Traditionally, the vast majority of the personnel working on the mango harvest, sorting, weighing and packing the product are women, considered skilled in their attention to detail.

SAFINA and Albert Heijn (including its procurement and logistics partner Bakker) work closely on the preparation of each mango season, particularly on forward planning associated with the “Supply Program”. The program combines the previous year’s volumes with growth estimates. According to SAFINA, volumes sold to Albert Heijn have been reviewed upwards (by 10-15 per cent) year-on-year. The agreement of the supply program is scheduled early enough to leave sufficient time for the supplier to make the necessary adjustments in agricultural practices to meet the specifications.

SAFINA’s relationship with AH is based on trust, open and direct dialogue, which according to management, has resulted in a successful commercial relationship where each party benefits from the other’s expertise and capabilities. As such, the buyer visits (together with Bakker) the producer and its farms during the season to jointly assess the evolution of the trees and early signs of quality of fruits, discuss issues potentially impacting the quality of the produce (e.g. particular climate conditions in season), agricultural practices, use of pesticides and chemicals, processing, logistics and other specific issues requiring attention. On an as needed basis, technicians (agronomists or other experts) from Bakker would visit the producer on behalf of AH in order to inform and train workers on technical issues pertaining to good agricultural practices, harvesting or yield management. (e.g. Over the last season the focus was on practices leading to minimum residue level.)

The supply program is formalized by a contract containing the terms, conditions and product specifications. The specifications outline the buyer requirements in terms of the product, such as appearance, color, brix (level of sugar), packaging and labeling, among others. While prices are set according to the market during the season, SAFINA’s management³¹ stated that Albert Heijn pays “generously” and that historically the buyer has paid above average market prices. In the case of mangoes, as with other seasonal fresh produce, price is subject to some degree of volatility and may vary on a weekly basis, depending on demand and supply. As per payment terms, the producer has expressed that while it is regular practice in the industry to pay within 5-6 weeks of acceptance of shipment, Albert Heijn pays within 3-4 weeks.

SAFINA describes the relationship with AH as a solid one based on “trust and professionalism”³², established over 25 years. Those strong foundations were fundamental in effectively managing the BSCI audit process and implementation plan, when requested by Ahold about four years ago. According to SAFINA, the process presented a number of challenges stemming from the local regulation, culture, views, habits and traditions of Senegal and their people, with regards to labour practices, such as:

- *Workers’ minimum age.* While in Senegal the minimum legal age for employment is 15 years old, BSCI auditors considered 18 years old as minimum age. Therefore, there was an observation in this regard, and the producer stopped employing workers under 18 years old. Yet, this came at the cost of a number

³⁰ Please note that the analysis of the case focuses on the supply of mangoes only by SAFINA to Albert Heijn; other produce by the SME to the retailer are not part of the study.

³¹ Interview with Mr. Mounir Filfili, Owner and General Manager of SAFINA, held on January 13th, 2016

³² Ibid

of families losing the income of one family member. The producer paid the same salary regardless of age.

- *Working hours and weekly rest:* While the system establishes the working week as 6 days with Sundays free and no more than 2 supplementary hours per day, the season only lasts two to three months. For the families working in the harvest those few months account for an annual income (a majority of the seasonal workers return every year), thus there was reluctance from workers to adopt the new guidelines.
- *Work on Sundays:* Senegal has a tradition of working on Sundays, and workers receive a remuneration premium of 50 per cent over weekdays. A majority of the workers in the mango sector are women (relieved from the care of children on Sundays), who report to enjoy going to work together with other village women while getting an extra income.

With a number of adjustments required to adapt to the BSCI requirements, all of the above-mentioned limitations combined, seemed to penalize rather than improve the workers' opportunity to increase their income. In response to the reaction of workers, managers, auditors and workers held several discussions, resulting in a call for a referendum for workers to vote on whether to eliminate work on Sundays and supplementary hours. The referendum resulted in 86 per cent of votes supporting work on Sundays and further supplementary hours if accepted by the worker over the harvest period. All these issues were addressed as recommended and corrective action taken over the course of two years.

Key Success Factors in the commercial relationship between SAFINA and Albert Heijn

With a relationship built over 25 years, SAFINA reported that Albert Heijn has significantly contributed to the supplier growth over that period. The producer cites a number of drivers for the relationship's success:

- *Transparency.* SAFINA's management perceives full transparency and accountability in their dealings with Albert Heijn and Bakker. There is involvement from both entities at different steps of the process with Bakker acting as a direct contact point for operational execution. With three actors interacting in the commercial relationship, which could risk generating additional complexity; the producer stated that both Bakker and AH act in an aligned way as one voice towards the customer.
- *Open dialogue.* The producer expressed, "this remains a people business", suggesting that healthy relationships are fundamental. He also noted, "Particularly when there is geographic and cultural distance, regular and open communication is important". According to the SME, whenever there have been issues negatively affecting production, these are discussed and a solution is sought jointly. He also mentioned that Albert Heijn's procurement team and senior management visit the producer every year and take interest in the overall development of their community. Recently, Albert Heijn has visited the producer together with the AH Foundation's Director, with a view to discussing opportunities to work together with the Niayes population.
- *Trust and Respect.* According to SAFINA, "Albert Heijn respects suppliers and takes care of their good business health", suggesting that AH would make best efforts to ensure that the supplier does not carry the risk alone. For example, when there have been potential problems with quality, there have been alternative solutions proposed in order to diminish risk for the supplier. The producer states that these two elements make a big difference, and that it has a positive effect on the company and workers' attitude towards the client as one that provides a sense of security and stability.
- *Professionalism and Rigour.* SAFINA believes that Albert Heijn's and Bakker's work ethic and way of working with suppliers, which respects commitments and deadlines, establishes systematic processes and values quality makes them a reliable business partner and contributes to improve the suppliers' own management practices and systems.

Impact of AH's Procurement Practices

SME Perspective

Although the SME did not conduct a detailed assessment of impact, according to SAFINA's management, the SME has grown revenues by a minimum of 10-15 per cent year-on-year over the past 10 years during which it has supplied AH with mangoes and green beans. Furthermore, SAFINA has acquired more land and planted new mango trees – at the request of AH - that would in the next season, enable the exporter to grow mango sales to the company by another 20 per cent of the total volume supplied last season. The increase in revenue and profitability has allowed the SME to upgrade facilities and product quality, but more importantly, has secured new jobs for its community. It estimated that every year the number of workers in the field has also risen by 12-15 per cent in line with growth of production and exports. Beyond the financial security for the company, SAFINA highlights the job security provided for the workers and their families. The SME's management also pointed out that through the commercial relationship and given the client's specifications, the supplier has substantially improved product quality and a number of processes in the field and post-harvest phase.

MNE Perspective

According to AH's executives, building solid relationships through a long-standing business history with suppliers has provided opportunities for both sides to grow and improve performance across a number of dimensions. More recently, through the work of the foundation under the shared-responsibility model, there are examples of entire supplier communities positively impacted through increased employment, job security and improved shared facilities for the supplier's community. Furthermore, one of the buyer's projects with a supplier of avocados in Ghana has resulted into a one percent contribution to the country's GDP. A key component of the buyer strategy and its work with suppliers through the AH Foundation, is based on the buyer's perspective on how to best "support" the supplier. In this regard, AH favours an entrepreneurial approach, where both parts have a vested interest in upgrading, and jointly work towards that goal. AH believes that there can only be sustainable, long-term gains for the supplier if both adopt an entrepreneurial approach, as opposed to the buyer supporting the supplier with funds for certifications or infrastructure upgrading, which in turn, may create a vicious circle of dependency and prevent the supplier from improving its long-term competitiveness.

Lessons Learned

Albert Heijn executives believe a number of elements in their sourcing model have contributed to the positive performance of their suppliers:

- *Alignment with suppliers:* There are several risks in the business as it is a "fresh" one, thus vulnerable to several factors. This calls for continued communication and alignment between suppliers and buyers in order to anticipate and manage external and internal risks.
- *Consistent and coherent systems:* Suppliers to AH are familiar with an AH "way of working" that is stable and consistent, providing security to the supplier. The board of AH has a clear vision on where the company is heading with regards to its sustainable sourcing strategy and this is clearly communicated to suppliers, building trust and credibility through consistent buyer behavior.
- *Full support and clear guidelines:* The retailer believes that it is important to support suppliers at every step of the relationship as it understands the health of suppliers ensures the health of its business. Thus, it strives to provide clear guidelines for suppliers and promote an open dialogue and frequent communication. Yet, AH's management expresses that in terms of training and advice, they remain within their sphere of expertise, which is getting the right product to the consumer, not production. Hence, they see a role in supporting supplier to successfully meet specifications but acknowledge the expertise

in production lies with the grower, hence there is a cycle of consultations during the season and both contribute to the goal of quality and availability.

- *Choosing reliable stakeholders acting as one:* According to management, Bakker plays a fundamental role and it is a valuable partner for AH, as they are working one step ahead of the chain. Working with a provider like Bakker instead of other intermediaries, allows direct contact with suppliers speaking with one voice. According to management, “We know each other well and they know how we operate. If you take Bakker and AH as one party, we are talking straight to farmers in most countries”.

Good Practices

Value chain diagnostics (UNIDO, 2011) are applied in the analysis of this case to examine the potential of AH’s procurement practices to lead to economic and social upgrading for the African SME. This research has examined the governance approach of Albert Heijn’s procurement practices for SME suppliers, and the parameters it has set for its supply chain. The relationship between Albert Heijn and its SME mango supplier in Senegal (which meets the AH’s supply model for the procurement of all FFVs) can be categorized as semi-hierarchal with strong hierarchal tendencies due to the direct sourcing relationship and intervention of a dedicated procurement “arm” and the detailed specifications provided by the buyer (Gereffi et al, 2005)³³. However, Albert Heijn and SMEs alike recognize this approach as a means to strengthen competitiveness, which has resulted into additional supplier-buyer relationships from which the supplier has benefit, largely due to the product quality and process upgrading developed through its dealings with AH over time.

In analysing the procurement practices of AH, the research finds the following features as indicators of good practice:

- **An eco-systemic approach.** AH’s sourcing strategy is closely aligned to its ‘responsible retailing’ principles, which outline sustainable practices from the farm to the consumer’s household in a systemic way. The buyer believes that procurement strategies in developing countries can have a stronger impact when deployed in a manner that can benefit the entire community of the supplier. In doing so, it works on projects agreed with the supplier community in priority areas that will support social and economic growth of the supplier’s ecosystem and enabling environment.
- **Focus on local context and tailor to local needs.** The buyer acknowledges that in a sector where regulation and standards are leaning towards generic models, they stay away from one-size-fits-all approaches that tend to mislead suppliers in their route to sustainable competitiveness, by tackling the wrong priorities and putting unnecessary pressure, which in turn, may cause a diversion of management’s time and resources.
- **Entrepreneurial approach and shared-responsibility model.** As described previously, for Albert Heijn and for the AH Foundation, a key principle in the supplier-buyer relationship, is maintaining the entrepreneurial vibrancy of its suppliers. AH deploys a shared-responsibility model in the financing of programs, with the supplier contributing financially with an amount based on a small percentage of revenues, towards community and supplier programs.
- **Supplier management strategy and supplier administration.** The AH’s relationship with suppliers are governed by transparent guidelines and processes which are communicated to the supplier upfront.

³³ See indicators in UNIDO, 2011, p 55, based on Humphrey and Schmitz, 2000; Gereffi et al, 2005 and Bazan and Navas-Aleman 2004.

- **Technical support.** While the buyer acknowledges that the attainment of certifications should be part of the business strategy of the buyer, it provides technical support through Bakker experts in those areas where it can support the capacity development of the supplier.
- **Quality assurance & traceability.** Through its verification processes for quality assurance through check points during the production phase, sampling and phyto-sanitary tests upon arrival, there is a strict verification of quality ahead of product distribution. While food safety, including at origin are two key areas addressed in the GLOBAL GAP certification, the client specifications adapt this requirements in order to ensure quality, while diminishing risk for the supplier.
- **Verification of compliance:** The adoption of the BSCI certification and having completed the audits for all suppliers in high-risk countries has enabled the buyer to improve visibility and ensure a supply network compliant with labour standards, including child labour.
- **Pricing:** The results obtained in terms of product and process upgrades by the supplier in Senegal have led to higher prices, which added to the buyer's policy of paying prices above market average. Higher purchase prices have contributed to a sustainable economic impact on the supplier.
- **Purchase planning.** A critical component of AH's supply model, developing advance purchase schedules results in better anticipation of demand by the supplier and an implicit stability in terms of performance, which also leads to lower financial risk through more accurate planning of inputs and resources needed, including seasonal employment.

Potential Role for the ILO

The Ahold case identifies potential areas where the ILO may have a role to play:

- **Labour practices.** There is a need for customized training tools for buyers, SME suppliers, and other stakeholders in the FFV sector on ILO core labour standards, working times and wages, and occupational health and safety.
- **Share of best practices and successful models.** There is interest in the markets to learn about other buyers' procurement practices and understand what can be considered as "best practice". Working on the development of research and tools on best practices could act as valuable tools for companies looking to improve transparency and visibility into their supply chain practices.
- **Impact measurement.** Monitoring a growing supply chain procurement program will demand effective metrics, to include economic, social and environmental aspects. ILO is in a unique position to work with SMEs and buyers on the identification of relevant metrics.
- **Gender and diversity.** In order to strengthen the inclusive profile of supplier relationships, there is a need to develop tools for buyers to facilitate the integration of more isolated social communities and women into SME development, both as managers and workers.
- **Market access.** SMEs could benefit from advice and training on meeting minimum social compliance required to access new markets, such as GLOBAL GAP and other social compliance models such as BSCI. Furthermore, there is a need to work with suppliers (and buyers) on how to maintain compliance over time in developing countries, where exporters are likely to fail to maintain compliance after the first year of certification, leading to a loss of business.
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Conclusions

The analysis of the case has shown that from a buyer perspective, procurement practices fresh fruits and vegetables are not effective when taking a one-size-fits-all approach, but require customization in order to create relevant impact for the supplier. Therefore, there is a need for strengthening of supplier development program provisions in specific areas and topics on a sector or product basis, that also reflect local realities. At the same time, common themes related to social and environmental conditions may be universal, but may also require local adaptation for communication purposes.

In that respect, the research has shown that standards are increasingly leading to generic approaches that may dilute efforts by trying to achieve compliance as opposed to focusing on the necessary product and process upgrades that will lead to increased competitiveness. Furthermore, following a decade of flourishing standards with which suppliers strive to comply with (at a high economic and management time opportunity cost), the retailer acknowledges that standards have not necessarily had an immediate positive effect as it takes time to change, especially in areas where culture has a strong incidence. In this regard, the case also shows the need for local adaptation and more specific approaches to address long-standing cultural norms impacting social issues.

There is a growing interest in understanding what is considered to be “best practices” in procurement. The buyer acknowledges there are a number of tensions and that there is a need to focus on suppliers’ needs at a more specific level. The question lies on what basic requirements are needed to have a mainstream improvement of labour conditions that in turn, demonstrate considerable social impact overall.

While AH acknowledged the importance of impact measurement, the buyer reported to be at a very early stages of understanding how to reach a basic level of measurement, for which metrics may vary according to players.

The above raises the issue of monitoring and impact measurement, which seems to be – according to our research – of increasing concern for buyers as existing frameworks focus on standard metrics rather than specific outcomes and attribution. Furthermore, the measurement of social impact today and the metrics used by widely accepted frameworks from the Global Reporting Initiative to BSCI, do not address qualitative measures such as “sense of security” and “stability” provided by some buyers as this case shows. Therefore, one area of future research relevant for advancing the agenda on responsible procurement to understand whether social and financial return go hand in hand for SMEs in developing countries would call for identifying new metrics that measure results beyond numbers and which are also more tailored to different types of SMEs according to size and operations.

Methodology Statement

A case study methodology is adopted in this study to illustrate how the procurement practices of large companies from small and medium enterprises (SMEs) can support the development and growth of these enterprises (SMEs) by improving their market access and increasing their overall business, economic and social performance. The case was selected for its capacity to meet a significant number of the criteria sought by the ILO, including that the practice is intended for mainstream application (a regular procurement practice), and on the basis that the practice has been positive in areas of key interest. Data collection was conducted between December 2016 and January 2016 using multiple methods: Secondary sources, company reports, email exchanges and interviews with executives of Albert Heijn, SAFINA, Bakker and ICCO, as detailed below:

- Ge Happe, Strategic Sourcing and Procurement Director at Albert Heijn, interviewed on December 15th 2015 and January 4th 2016.
- Leon Mol, Senior Manager Product Integrity at Royal Ahold, interview conducted on January 6th, 2016.

- Else Hofland, Head of Communications, Strategy and Fundraising at ICCO Cooperation, interviewed on January 7th, 2016.
- Mounir Filfili, Chief Executive Officer of SAFINA, interviewed on January 11th, 2016
- Frank Brinkman, Sourcing Director at Bakker Barendrecht, various e-mail and document exchanges.

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ANNEX I: Ahold Standards of Engagement

The **AH Standards of Engagement** (Ahold, 2015)³⁴ state the overarching principles governing the company's sourcing and procurement practices and relationships with all suppliers, including indirect ones. These Standards of Engagement set minimum standards for suppliers designed to ensure that Ahold has visibility into all aspects of its supply chain and meets these objectives. As part of its Responsible Retailing Program, Ahold is also committed to:

- Respecting all applicable laws and regulations in each of the countries in which it operates, including laws relating to
- Ensuring that all entities supplying Ahold with goods and services do the same,
- Validating the origin of goods offered for sale by Ahold, and
- Maintaining a high standard of business ethics and regard for human rights throughout its supply chain.

Provisions to promote decent work amongst suppliers

The AH SOE are comprehensive and include most core labour standards. The main points addressed through the document set the following expectations from suppliers³⁵:

- **Observing all applicable laws and regulations in each country**, including laws relating to employment, discrimination, the environment, safety and health, and other fields. Suppliers are also expected to comply with applicable national laws relative to the import of products, such as origin, product labeling and testing, phyto-sanitary requirements, in addition to all contractual requirements.
- **Observing and conforming to BSCI Code of Conduct**. Suppliers from non-risk countries (countries where suppliers are believed to be socially-compliant) are expected to observe and conform to the BSCI Code of Conduct or an equivalent standard acceptable to Ahold. They may be required to demonstrate compliance with BSCI in the form of a valid audit report or certificate.

Suppliers from countries defined at a “high risk”, work directly with Ahold with the purpose of assisting them become socially compliant. In this regard, Ahold has set the goal of having all of its suppliers from high-risk countries audited by 2015. This goal has been met at the end of the year.

- **Employment Matters** Suppliers are expected to treat all employees fairly and with dignity, observing specifically:
 - **Legal Right to Collective Bargaining**, stating respect for the legal rights of personnel to form and join trade unions and to collectively bargain.
 - **Prohibition of Discrimination**, including hiring process, remuneration, access to training, promotion, termination or retirement based on gender, age, religion, race, caste, social background, disability, ethnic and national origin, nationality, membership in workers' organizations including unions, political affiliation, sexual orientation, or any other personal characteristic protected by law. It is also expected that no employee shall be subjected to any physical, sexual, psychological or verbal harassment. This clause also sets the expectation from suppliers to establish adequate complaint

³⁴ Ahold, Ahold Standards of Engagement, March 2015. Available at <https://www.ahold.com/Responsible-retailing-5/Stakeholder-engagement.htm>

³⁵ Ibid

mechanisms for employees who believe they have been mistreated, and to ensure no retaliation against employees who raise complaints in good faith.

- **Compensation.** The SOE state that all employees should be paid for all time worked, including regular working hours and overtime and that the remuneration in all cases should meet or exceed legal minimums. It also condemns illegal deductions from wages or those applied for disciplinary. It also expresses that supplier companies must ensure that wage and benefits composition are detailed clearly and regularly for workers and rendered according to the law and in a manner convenient to workers.
- **Working Hours,** setting an expectation of compliance with all applicable laws on working hours, including maximum work hours and overtime payment at a premium rate.
- **Workplace Health and Safety.** In adherence to applicable law, suppliers are expected to establish clear procedures in this area, especially the provision and use of personal protective equipment, clean toilets, access to drinkable water and, if appropriate, sanitary facilities for food storage. Training to employees to perform their duties in a safe manner is expected. Any practices that violate basic human rights are forbidden.
- **Prohibition of Child Labour.** Child labour is forbidden - as defined by ILO and United Nations Conventions and/or by applicable law. Any forms of exploitation of children and working conditions resembling slavery or harmful to children's health are forbidden. In this regard, the SOE establish that the rights of young workers must be protected and that they shall not be exposed to hazardous conditions. As per this provision, the supplier company is allowed to employ children only under conditions that allow them to attend and remain in school until no longer a child.
- **Prohibition of Forced Labour, Exploitation and Excessive Disciplinary Measures.** It is stated that all forms of forced labour, such as lodging deposits or the retention of identity documents from personnel upon initiation of employment, are forbidden as is prisoner labour that violates basic human rights. Suppliers shall not exploit vulnerable populations. The use of corporal punishment, mental or physical coercion and verbal abuse is forbidden.
- **Environment and Safety Issues,** stating suppliers must meet or exceed legal requirements relative to waste management, handling and disposal of chemicals and other hazardous materials, emissions, and effluent treatment.
- **Cooperation, providing information and access.** Ahold states that suppliers must collaborate in order for AH to establish effective oversight of their business practices employed by its Suppliers and to monitor compliance against these Standards of Engagement.
- **Subcontracting.** If a Supplier hires a subcontractor in connection with providing goods or services to Ahold, the Supplier shall cause the subcontractor to comply with these Standards of Engagement as if Ahold entered into an agreement with the subcontractor directly.
- **Consequence of termination.** If Ahold terminates its relationship (including one or more of its contracts) with a Supplier due to the fact that such Supplier fails to meet the requirements of these Ahold Standards of Engagement (including, as applicable, the BSCI Code of Conduct or an equivalent standard acceptable to Ahold), no damages shall be payable by Ahold in connection with such termination.