

Date: November 7, 2001

For more information: +31 75 659 57 20 / 5665

Ahold President & CEO at European Day of Commerce:

“Retail sector co-responsible for increasing wealth of hundreds of millions of European citizens”

Zaandam, The Netherlands, November 7, 2001 – ‘Our sector has been co-responsible for increasing the wealth of hundreds of millions of European citizens over the last decades. Commerce has been an important contributor to relatively low inflation rates across our continent. Retail growth reflects the benefits of electronic data interchange, bar code developments and improved inventory management. These developments together with ongoing developments in information technology have boosted productivity considerably.’

With these words, Ahold President & CEO Cees van der Hoeven today addressed attendees to the European Day of Commerce in Brussels. Commenting on the increasing role of commerce in today’s economy, Van der Hoeven noted that commerce is responsible for over 13% of the European Union’s gross national product and currently accounts for over 15% of EU jobs. ‘This means that one out of every 7 jobs is created by our sector, making commerce one of the largest employers in the EU,’ the Ahold President said.

He emphasized his commitment to ongoing cooperation between companies in the food retail sector by praising the work of the Global Food Safety Initiative, the alliance between key retailers and manufacturers to maximize food safety. ‘Working together on a non-competitive basis, we have developed a food safety benchmark standard against which existing standards can be checked and validated.’ As the recently-named co-chairman of the Global Commerce Initiative, Van der Hoeven stressed that ‘standardization will not only improve efficiency in the supply chain but will decrease the waste of raw materials and consumer products through better and faster combinations of supply and demand.’

Addressing the challenge of corporate social responsibility in the food retail sector, Van der Hoeven said retailers should take the lead by being more transparent in their reporting on social and environmental policies and practices. ‘We are closest to consumers,’ the Ahold President said. ‘Our sector is a crucial link between producers and consumers.’

Ahold is a multi-local food retailer and foodservice operator serving 35 million customers in 25 countries every week.

Ahold Public Relations: +31.75.659.5720 / 5665

Mobile: Hans Gobes, +31.6.55.82.22.98, Jan Hol: +31.6.22.93.31.37.

Editor's note: the full text of Cees van der Hoeven's speech today is attached for your background information.

Date: November 7, 2001

For more information: +31 75 659 57 20

*Speech by Cees van der Hoeven,
Ahold President and CEO,
during the European Day of Commerce,
Brussels, November 7, 2001*

Ladies and Gentlemen,

It is a pleasure to be here again today. I would like to focus on three important issues. I know from experience that our chairman Paul-Louis Halley will keep a close eye on the clock, so I will not waste a single of my 25 minutes. The three important issues are:

- 1) The increasing role of commerce in today's economy;
- 2) The need for ongoing cooperation among companies in our sector; and
- 3) The challenge of corporate social responsibility.

1) The increasing role of commerce in today's economy.

When I joined Ahold in 1985, commerce was almost totally neglected by politicians and government. This is not meant negatively, but just to recall that we did not do a good job in representing our sector in the public arena. But things have changed for the better. WTO negotiations are a good example of an area in which the role of distribution is now much more recognized. This is of importance for large internationally operating companies as well as for small and medium enterprises. They focus on their national markets while also benefiting from increasing competition and the abolition of discriminatory trade barriers on the global market.

In today's European Union, commerce is perceived as a serious economic activity and an important partner in policy making. Commerce is responsible for over 13% of Gross National Product in the European Union and our sector accounts for over 15% of jobs. This means that 1 out of every 7 jobs is created by our sector, making commerce one of the largest employers in the Union.

Simultaneously, our sector has strengthened its representation, at both national and European levels. This trend was confirmed just before our coffee break in the speech of EPC's director, Mr. Palmer. We're acting in an increasingly professional manner on the political stage. Large and small companies, food and non-food retailers, EuroCommerce and the European Retail Round Table are working together on consumer-driven issues like the Euro changeover, payment cards and the establishment of an European Food Safety Authority. With the transition to the Euro rapidly approaching, we have made considerable progress in solving critical issues, like shortening the dual phase. The payment cards discussion is opening up and we are well positioned to succeed. Our overall goal is to break up the cartel of the card companies, which will lead to lower costs for retailers and lower prices for consumers.

Over the last decades, commerce has been an important contributor to relatively low inflation rates across our continent. Our sector has been co-responsible for increasing the wealth of hundreds of millions of European citizens. Since the early nineties, economies in Europe and the U.S. have experienced almost a decade of continuous growth. The information technology is said to have impacted economic growth considerably. This is partly right as a recent McKinsey study concludes that the correlation between capital spending on IT and the big jump in productivity is actually very weak. The retail growth reflects much more the benefits from the introduction of electronic data interchange, bar codes developments, radio frequency gun screening and improved inventory management. Such developments, together with IT and of course the quality of our management boosted productivity.

These efficiency gains as well as fierce competition contributed to very low inflation rates in commerce, both in food and non-food. I don't have to explain that low inflation rates are a cornerstone of monetary policy of many governments. In this respect, we are also familiar with the progress achieved worldwide in the movement towards efficient consumer response (ECR). The platform of manufacturers and retailers is fundamental to serving the consumer better, faster and at less cost.

2) The need for ongoing cooperation between companies in our sector.

Our customers today demand value for money. They want safe, high quality food at modest prices. They want ample choice and convenience and they are not prepared to pay for any inefficiencies in the supply chain. This is where industry initiatives are necessary. Non-competitive initiatives that improve the offerings to our customers. I'm very happy with several promising joint initiatives undertaken in our sector. Earlier this year, many food retailers joined forces to take a leadership role in maximizing global food safety. This is known as the Global Food Safety Initiative. Together, these companies have developed a food safety benchmark standard against which existing standards can be checked and validated. Especially for private label and fresh products, the categories which account for the vast majority of the total assortment in most supermarkets, this will lead to a keen focus on critical control points.

Large food manufacturers confirmed the usefulness of such a benchmark model and are teaming up to minimize risks throughout the supply chain. Moreover, retailers and manufacturers and retailers have agreed to the rapid development of an early warning and recall system. Let it be clear that these joint initiatives are not aimed at replacing the role of our European and US trade organizations as representative bodies. On the contrary, they are fully involved. Nor are we interfering with government responsibility for food safety.

We do need globally harmonized food safety legislation based on sound scientific principles, and strong enforcement focusing on the weakest spots in the chain. In this respect we do emphasize the need for the creation of a European food authority with strong powers. But these governmental actions can only have maximum result if governments are going to make use of the fast food safety experience and chain influence of the food industry. I am confident that the cooperation between retailers and manufacturers on food safety will expand into this direction. After all, safety is the most important ingredient of our food.

Last year saw the rise of virtual business-to-business marketplaces, among them CPG Markets, Transora, GlobalNetExchange and the WorldWide Retail Exchange, to name but a few. To maximize the potential of these exchanges, we need to speak one language across our worldwide sector. This, ladies and gentlemen, brings me to the developments within GCI, the Global Commerce Initiative.

Founded in October 1999 by manufacturers and retailers, GCI is a worldwide voluntary body to improve the performance of the international supply chain for consumer goods through the collaborative development and endorsement of voluntary standards. Having uniform standards is of the utmost importance. Just think of the problems that we are still facing when using electronic equipment all over the world: the voltage differs from one country to another, as do the plugs we use. All this could have been avoided by early standardization of electricity. This example illustrates that time has come to emphasize the importance of standardization in commerce. Despite increasing international cooperation in bodies like EAN International and the Uniform Code Council (UCC), there are considerable process barriers between continents and a reluctance to share these Best Business Processes with each other.

GCI is the single most important unifying force bringing manufacturers and retailers together on a worldwide parity basis to simplify global commerce and improve consumer value in the overall retail supply chain. GCI represents the interests of some one million businesses, large and small. Last month, the Board met in Bangkok and discussed the focus and deliverables of the Initiative.

GCI recommends the common worldwide implementation of existing global standards and the elimination of divergences in the implementation of these standards, such as Product and Location Identification and Global Data Synchronization. Defining and implementing these standards, based on the internet-like technologies, demands a worldwide approach. The standards will be set for many years to come, and would therefore be applicable to all kinds of businesses. Even for those companies that are today still operating nationally.

Standardization will not only improve efficiency in the supply chain. It will also decrease the waste of raw materials and consumer products, through better and faster combinations of supply and demand. It will increase the assortment offered to the consumer: a wider variety of fresh and packaged goods will be available. But not only downstream the supply chain: global product identification and location will make upstream trading and tracing reliable. Our food safety initiatives will benefit too from GCI. These developments will turn many logistical dreams into daily reality: having the right product at the right place at the right time.

I'm aware that the prefix 'global' is not popular among some groups. But in commerce, we're often the first to recognize the actual trends among billions of consumers. And we are discovering a worldwide trend of increasingly eating abroad at home. Recipes and food preferences are often international, forcing retailers to source their product around the globe. This issue is even more evident in general merchandise. Therefore, developing and implementing global standards is a clear must for our sector. Experience and history tell us that trade and commerce are the greatest success factors towards eliminating borders and crossing cultures. These days, we have to battle almost invisible and virtual borders that prevent our sector from achieving new levels of customer service, while continuously cutting costs from the supply and demand chain. I'm convinced that the Global Commerce Initiative will be very successful in achieving these results.

3) The challenge of corporate social responsibility for our sector.

Finally, a few remarks on the challenge of corporate social responsibility for our sector. In today's corporate world, specifically in Europe and the United States, companies feel responsible for the communities in which they operate. Over the last few years, we have also seen the emergence of socially responsible investors; that is, investors who screen their investments by selecting companies who are perceived to be front runners on corporate social responsibility.

We see consumers and consumer groups who increasingly make their choices, positively and negatively, based on the social reputations of companies. And, we see governments looking to hold companies accountable for their behavior everywhere in the world. Associates are doing the same as they want their companies to be good corporate citizens. All of this translates into a need for companies to be more transparent and to report on their social and environmental policies and practices.

I believe retailers should take the lead in demonstrating and reporting on corporate social responsibility. Why? We are closest to consumers.

The distribution sector is a crucial link between producers and consumers. And as our supply chains are ever more international, we are increasingly involved in the effects of food consumption on human life everywhere in the world. Surely it is not a challenge for retailers alone. The entire supply chain is challenged to work together to develop meaningful reporting criteria on corporate social responsibility, so that the credibility and transparency of our sector is assured. What do I mean by this? Retailers should be driving their suppliers to anticipate and address environmental and social concerns in the supply chain. Retailers should be working closely together to ensure fair and decent labor conditions in their businesses worldwide.

I'm convinced management attention for corporate social responsibility will deliver value to our businesses and to our sector. This is critical. I am not interested in CSR for mitigating risks, but for building a positive identity for our sector. Our company is focusing on CSR to convey our policies to investors, to make our firm even more attractive to young talent, and—most importantly—to improve our performance for our customers. I challenge the whole commerce sector to do the same.

The most interesting, dynamic and rewarding times for our business still lie ahead. I am convinced we will continue to tackle the thorny issues confronting us with vigor and determination. Eurocommerce is still developing and will certainly contribute in a valuable way to the many challenges ahead, in which respect I would explicitly like to mention the excellent work of Paul-Louis and Xavier. Only by working together as committed partners in a just cause will we be best able to serve the interests of all our stakeholders.

Thank you very much.

Cees van der Hoeven
Ahold President CEO