

AHOLD

Company Profile

**written for FNV Mondiaal by
Food World Research & Consultancy
/Paul Elshof**

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Colofon

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written for FNV Mondiaal by
Food World Research & Consultancy / Paul Elshof
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1. General characteristics

1.1. Communication data:

Corporate headquarters:

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PO Box 3050
1500 HB ZAANDAM
Netherlands
tel.: +31.(0)75.659 57 20
fax.:+31.(0)75.659 83 02
Website : <http://www.ahold.com>

As of October 2004, Ahold is considering to move its corporate headquarters out of Zaandam.¹ The new corporate headquarters will be located in Amsterdam.

1.2. Key figures

In February 2003, Ahold announced that its financial statements of 2000 and 2001 had to be revised after its accountants Deloitte & Touche refused to approve the accounts of 2002. A major problem has been the overestimated earnings of euro 750 million at US Foodservice. The figures below are the revised figures. The previous update of the Ahold company profile still included the old figures, so the 1999-2001 data below are not the same in the previous update.

Turnover, profit (both in mln €) and employees (Full-time Equivalents): 1999-2003

	Turnover	Operating profit	Net profit	Employees (FTEs)
1999	27,986	1,181	738	155,010
2000	40,833	1,635	920	223,194
2001	54,213	1,911	750	247,963
2002	62,683	239	-1,208	278,486
2003	56,068	718	-1	257,140

1.3. Main activities

Ahold developed itself through a string of acquisitions since 1985 into one of the most important food retailers in the world. Up till beginning 2003, it was operating in 28 countries worldwide. It has been operating in a different way compared to its biggest competitors Wal-Mart from the USA and Carrefour from France: these use a uniform concept worldwide. Ahold considers itself more as a federation of strong local supermarket concepts: multiformat, multichannel. However, the company has recently adopted a new strategy to concentrate on fewer store formats by primarily focusing on the supermarket format .

¹ Ahold overweegt vertrek uit Zaandam. De Volkskrant, 06-10-2004.

In 2000 it acquired Foodservice in the USA, one of the major food service companies. Within the time frame of 18 months Ahold bought the numbers 2, 3 and 4 in the US food service market. Foodservice has been considered Ahold's second leg to be expanded in other regions as well. However, the accounting mal-practices at US Foodservice was one of the major problems leading to Ahold's accounting scandal beginning 2003. In Scandinavia and Argentina Ahold built its own operations in food service.

At the same time it developed and bought internet-based home delivery companies, the third leg in its strategy of becoming a multi-channel food provider. Ahold considered itself a leading and one of the best multi-channel food providers in the world: through retail, food service and internet-based home delivery. In 2000 it named itself *Food Specialist of the World* (See the title of their annual report 2000). More than any other company in the branch, Ahold was considered to have the expertise in buying successful national or regional retail companies and in integrating them in its own structure. The accounting scandal that erupted in 2003 made however clear that Ahold lacked the necessary monitoring and supervisory mechanisms of its new acquisitions while it misled every-one about the ownership of some of its acquisitions.

1.4. Market positions

The below figures are for 2002. Newer figures were not yet available. After the accounting scandal, Ahold decided to put many acquisitions and non-core activities on sale, including all its operations in South America and Asia. These sales, which have almost concluded, will have substantially decreased its market positions.

In retail: Ahold had different positions depending on the approach taken. If you take only food sales Ahold was the biggest food retail company in the world and also the most international one. For big competitors like Wal Mart and Carrefour food sales is a less important part of their total sales.

At their peak, market positions in retail were:

- Worldwide nr. 1 as food retailer, nr 3 as general retailer after Wal Mart and Carrefour
- USA nr. 3 after Wal Mart and Kroger, nr.1 on the East Coast
- Europe nr. 9, but nr 1 in the Netherlands, Czech Republic and Scandinavia

In food service: The acquisitions mentioned above made Ahold the nr.2 in the USA food service market after Sysco. FGood service companies have also been bought in the Netherlands and Belgium, where Ahold became marketleader.

In Internet-retail: In the peak-period of the e-commerce hype Ahold had developed some own activities in internet-related home delivery on a small scale. It bought mid 2001 a majority share in Peapod, at that time the biggest internet-grocer in the USA. This third leg of food selling is now under construction in a few more countries (Scandinavia/Benelux.....)

1.5. Ownership positions

Since its start in 1887 the original company Albert Heijn, still the name of the Dutch retail operations, was a family owned grocery business. In 1920 it changed into a venture where first outsiders owned a small part of the outstanding shares.

In 1973 Ahold NV was founded. The share of total share capital owned by the Heijn-family was drastically reduced. In 1989 Albert Heijn, the third generation in the family with the same name as the

stores, retired as president of the Board of Directors and is succeeded by the first non-family CEO at the helm of the company.

The huge number of acquisitions in the 80-ies and 90-ies were partly financed by issuing new shares. The total number of shares was about 921 million at the end of the year 2001. In December 2003, a claim emission brought the total number of normal shares on 1,553 million. The stocks are 100% free floating: in majority in the hands of institutional investors.

As of 2002, the 5 largest of them owned about 34% of all shares and had also 34% of voting rights. These 5 are:

<input type="checkbox"/>	Fortis NV (Belgium/Netherlands)	8 %
<input type="checkbox"/>	ING Group NV (Netherlands)	7,4 %
<input type="checkbox"/>	Achmea (Netherlands)	7,2 %
<input type="checkbox"/>	AEGON NV (Netherlands)	6,1 %
<input type="checkbox"/>	CGNU Plc (U.K.)	5,1 %

The largest pension fund in the Netherlands, ABP, owned about 3,6% of Ahold's shares.

2. Key figures per region and activity

2.1. Turnover, profits and employment by region

When in 2003 Ahold's accountant's Deloitte & Touche refused to approve the accounts of 2002, they also withdrew their approval of the accounts of 2001 and 2000. The figures below are the revised statements.

Regional breakdown of turnover and operating profits (both in € mln)

Year 2003	Turnover		Operating profit	
	In mln €	In %	In mln €	In %
USA	39,662	71	946	132
Europe	13,767	25	194	27
South America	2,218	4,0	-166	-23
Asia	364	0,6	-62	-9
Total	39,382*	100	718**	100

* Includes 57 mln € for 'other activities'.

** Includes -194 mln € for 'other activities'.

Regional breakdown of turnover, profits (both in € mln) and employment: 1999-2003

	United States		Europe	South Am.	Asia	Total
	Retail	FoodServ.	Retail + FoodServ.	Retail	Retail	
Turnover	In mln €					
2003	23,872	15,790	13,767	2,218	364	56,068
2002	27,836	18,508	13,690	2,143	458	62,683
2001	25,918	13,556	13,021	1,274	400	54,213
2000	22,769	6,649	10,155	810	402	40,833
1999	8,390	-	9,083	-	476	27,986
Operat. Profit*	In mln €					
2003	1,159	72	218	-31	-16	1,065
2002	1,551	314	304	-6	-31	2,145
2001	1,442	128	380	56	-20	2,063
2000	1,113	110	320	51	-30	1,640
1999	916	-	288	-2	-41	1,181
Employment						
2001-2003	n/a		n/a	n/a	n/a	n/a
2000	118,114		70,293	52,157	7,282	248,053
1999	101,872		53,613	43,690	9,612	208,983

Source: Ahold Annual Report 2003

* Excluding losses on disinvestments, special value reductions and write-offs.

Note that recent Ahold reports did not include figures on employment, therefore only data up to 2000 were available. Due to disinvestments, employment has strongly diminished since 2002.

While many employees work not full time contracts but various forms of part time contracts it makes sense to compare the figures expressed in Full Time Equivalents with the real number of employees (expressed as average number of employees at year end). Again, more recent data were not available, but employment will have strongly diminished since 2002.

Total employment expressed in FTE's and in real numbers:

Year	FTE's	Real numbers
2001	n/a	450,000
2000	248,053	377,485
1999	208,983	308,793

2.2. Detailed figures and developments per region

Ahold is different compared to its nearest competitors because it operates a range of formats and brand names, unlike Wal-mart and Carrefour who operate in a more standard format always under their own name. To gain a better insight in what Ahold is in the different continents it is useful to give a full view of the subsidiaries, their names and their sizes in terms of sales, number of stores and employment. However, employment figures for recent years were unavailable.

2.2.1. USA

USA Retail Year 2003

	Sales (in € bln)	Nr. of stores
Stop & Shop	8.9	339
Giant Landover	4.7	197
BI-LO*	3.1	292
Tops**	2.8	365
Giant-Carlisle	2.6	116
Bruno's***	1.6	180
Peapod e-shop	0.1	-
Total	23.9	1,489

* Golden Galleon, part of BI-LO, was sold in October 2003.

** In January 2004, Ahold announced that Tops will be divested.

***In February 2004, Ahold announced that Bruno's will be divested.

USA Food Service: Year 2002

	Nr. of distr.centers	Employment
US Foodservice	40	13,250
PYA / Monarch		
Alliant	48	12,000
Total		> 25,000

2.2.2. Europe

In Europe Ahold has been rapidly growing. It started from its original base in the Netherlands first with operations in Portugal and Spain and since the beginning of the '90-ies in Poland and the Czech Republic. It started a joint venture with ICA in Scandinavia that gave coverage of Sweden, Norway, the Baltic countries and later on Denmark. And at the end of 2001 it started the construction of hypermarkets in Slovakia. The percentage of the ownership of some of these joint ventures by Ahold, e.g. ICA, has also been part of the accounting scandal.

In November 2003 Ahold announced that it would end its operations in Spain. The 2003 Annual Report did not contain disaggregated figures for each country, but grouped all Central European countries together into one category. In November 2003, Ahold announced it had reached agreement to sell two

Hypernova hypermarkets in Poland (located in Sosnowiec and Bydgoszcz) to Carrefour Poland for an undisclosed sum.

Scandinavia is not included in the table below, because the operations of Ahold in Scandinavia were not consolidated as of 2003. In 2004, Ahold took control of ICA, the retail and wholesale joint-venture in Sweden, Norway and the Baltic states, in which Ahold previously had a stake of 50%. Ahold bought an additional 20% of ICA shares for approximately 811 million Euro. In 2003, sales of ICA were 7.9 billion Euro and the chain had 2,793 stores.²

On 24 February 2005, Ahold announced the sale of 12 of its 13 large Hypernova hypermarkets in Poland to the French retail corporation Carrefour. The remaining large hypermarket in Poland will probably be divested later in 2005. Apart from the large Hypernovas, Ahold has 13 compact Hypernovas and 170 Albert stores in Poland.³

Sales, stores, employment figures and chains for Europe, 2003

	Sales (€ bln)	Nr. of stores	Employment	Names of chains
Netherlands	9.3	2,100	n/a	Albert Heijn / Etos/ Gall&Gall / Deli XL
Spain*	2.1	616	n/a	SuperDiplo/Supersol
Central Europe (Czech Rep, Poland, Slovakia)	1.6	428	n/a	Albert/Sesam/Max/Hypernova
Total	12.9	3,144	n/a	

2.2.3. Latin America

Ahold's presence in Latin America dates from 1996 when it started a joint venture in North East Brazil with Bompreço. Since, it expanded its operations in 5 years time to include nearly all Latin American countries. The main exceptions were Mexico and Venezuela. Since 2000 Bompreço in Brazil was fully owned by Ahold. In most other countries Ahold operated with local joint venture partners. This was the case for the Disco supermarket chain in Argentina, the Santa Isabel supermarket chain in Peru, Chile and Paraguay and the La Fragua chain in Guatemala, El Salvador and Honduras.

When the accounting scandal beginning 2003, Ahold put up all its Latin American operations for sale. Ahold's operations in Chile, Paraguay and Peru were divested in July 2003, September 2003 and December 2003, respectively. In March 2004, Ahold announced the sale of its Brazilian operations Bompreço to Wal-Mart and Hipercard to Unibanco. The sale of G. Barbosa, Ahold's remaining operations in Brazil, and of all operations in Argentina to Cencosud, are expected to be completed by end 2004.⁴

Ahold still has a 50% share in CARHCO (Central American Retail Holding Company), which owns the supermarket chains La Fragua and CSU. La Fragua is active in Guatemala, El Salvador and Honduras. CSU has operations in Costa Rica and Nicaragua. The table below shows the operations of Ahold in Central and South America as of October 2004.

² Ahold website – operating companies – ICA AB. <http://www.ahold.com/index.asp?id=478>

³ Ahold website, Ahold rondt verkoop van twaalf grote hypermarkten in Polen af (24-02-2005). <http://www.ahold.com/index.asp?id=816>, accessed on 03-03-2005.

⁴ Ahold operating companies – retail trade – South America. <http://www.ahold.com/index.asp?id=138>.

Sales, stores, employment figures and chains for Latin America, 2003

	Sales (in € mln)	Nr. of stores	Employment	Names of chains
Brazil	228	32		G. Barbosa
Argentina	708	136	14,700	Disco
Central America	1,613	332		La Fragua, CSU
Total	2,549	500		

2.2.4. Asia

In Asia Ahold started in 1995 with a first joint venture in Singapore. Between 1995 and 1999 it acquired full ownership or started joint ventures of supermarkets in different countries: China, Indonesia, Thailand and Malaysia. In 1999 all focus was directed at Thailand, Malaysia and Indonesia. The operations in China and Singapore were sold. In November 2002, Ahold decided to divest all its operations in Asia. This was completed with the sale of Ahold's stake in CRC Thailand in March 2004. Hence, Ahold does currently not have any operations in Asia anymore.

3. Strategy

3.1. History

Ahold started in 1887 as a small grocery-shop in the Netherlands, north of Amsterdam under the name of Albert Heijn. In the first decades of the 20th century Albert Heijn the company exploited about 25 grocery shops and it started the production of a few products like cookies under the Albert Heijn name. Later on, it owned production facilities for various products like coffee, chocolate products, and meat products. In 1955 it changed gradually the format to become a supermarket chain. In the 60-ies it acquired a few other grocery/supermarket chains and it became the number 1 in the Netherlands in this branch.

The actual holding company, Ahold NV, was formed in 1973. Albert Heijn in the Netherlands was still the most important operating company. The formation of the holding company was meant for 2 major operations: as a vehicle to become an exchange listed company, which gave the opportunity to raise extra capital by issuing shares and to start a process of internationalisation. First steps were made in Spain (1976: Cada Dia supermarkets) and in the USA (1977: acquisition of Bi-Lo, in 1981 : Giant Food Stores)

During the years the company changed from a family (Heijn-family) owned company into a listed company with shares spread mostly over institutional investors. The last family member who acted as president of the Board was Albert Heijn, he stepped down in 1989. Since 1993, the actual Chief Operating Officer had been Cees van der Hoeven. He stepped down February 2003 after the accounting problems became public which left the company with many financial and other difficulties. The CEO was first replaced by the chair of the Supervisory Board, Henny de Ruiter and after a few months by Anders Moberg, a former IKEA boss.

In 1993 Ahold became listed at Wall Street and since then started to buy itself a stronghold in the USA. In a series of acquisitions in retail (Tops, Red Food Stores, Mayfair, Stop & Shop, Giant Landover and Bruno's) it became the consolidator in the US retail-sector.

In the years 2000 and 2001 it acquired also a leading position in the foodservice sector in the USA with the take-overs of the nr. 2, 3 and 4 in the sector (US Food Service, Alliant and PYA/Monarch.)

Since the mid-90-ies Ahold started also very aggressively buying or entering in joint ventures with supermarket chains in Latin America and South East Asia. After the Asian economic crisis in 1997/98 Ahold reduced its Asian presence to three countries: Thailand, Malaysia and Indonesia. In 2003 and 2004, Ahold divested these activities and completely withdrew from Asia.

In Europe it built its own super- and hypermarkets in Poland and the Czech Republic from 1992 onwards and it entered Scandinavia through a joint venture with the market leader ICA/Hakon. During the last years Ahold sold its production facilities in the Netherlands. During 2000 and 2001 all factories were sold to third parties.

3.2. Most important trends in the period 1997 - 2001

Overriding in importance was the **internationalisation process**. More than any other retail company Ahold wanted to grow through acquisitions. In this strategy Ahold tried to acquire well managed profitable supermarket chains in other countries. When choosing these companies it managed to keep mostly all

existing management on board as well as keep the existing name of the chain. In this way it secured continuity in, what was thought to be, already well managed chains.

The formula was : keep the front that is visible for the consumer as it was and change what the consumer doesn't see when this adds value or reduces costs. In Ahold's own words: "*localise everything the customer sees, globalise the rest*". All kinds of advantages and synergies related to the new scale were exploited and a lot of networking and horizontal exchanges were stimulated to promote world wide best practices. These related to aspects such as:

- ❑ buying arrangements with (major) suppliers
- ❑ real estate / property development
- ❑ development of a private label
- ❑ standardisation of quality
- ❑ savings of energy measures
- ❑ the logistics chain including the design and operations of distribution centres
- ❑ internet based sales and home-delivery

Second in importance was the expansion of food sales to **other channels: food service and internet based home delivery**. The most important arguments to enter this sector were:

- ❑ eating out of home was becoming in the USA and also in Europe nearly as important as eating at home. Food consumption by buying in hyper- and supermarket to prepare food at home would feel the consequences of this trend;
- ❑ the food service sector was still quite scattered. For the first companies that started to consolidate would have a lot of opportunities to acquire existing small or middle-sized companies.

And so Ahold did. It wanted to grow its "share of stomach" regardless where people buy their food. In food service it bought the numbers 2, 3 and 4 in the USA and covered 95% of the USA while in retail it operated mostly in the East. Through food service Ahold sold US \$ billions of food products also in hospitals, schools, office and factory canteens, restaurants and hotels. An other example was Thailand, where Ahold did not want to expand its Tops-retail operations but devoted a lot of energy in optimising the distribution centres, logistics and the whole supply chain to be ready when better times come. At the same time it was negotiating with a number of hospitals, fast food restaurant chains and petrol stations the contracts to become their preferred supplier.

In internet based home delivery Ahold bought Peapod, the leading e-grocer in the USA. And while Peapod could make use of existing Ahold-supermarkets and distribution centres it could reduce costs to minimize losses compared with e-grocers who have to operate their own premises.

Important for alle countries involved was Ahold's role in setting worldwide standards for product-quality, sophisticated logistics and distribution concepts and its policy to look for local fresh supply according to high standards of quality.

Ahold was one of the originating companies that started **World Wide Retail Exchange (WWRE)**: this is an electronic business-to-business platform that serves as an auction for buying produce. More than 50 major retailers from Europe and the USA and a growing number of producing companies participate.

Together with the Unilever chairman Burgmans, the former Ahold chairman Van der Hoeven had been elected by producers and retailers to preside the **Global Commerce Initiative (GCI)** that was created in 2000 by leading retailers and producers to develop, in close cooperation among themselves, international uniform standards for the whole supply chain of food production and distribution. The

initiative involves all major multinational companies and it intends to set standards for food safety and food quality worldwide.

3.3. Characteristics of Ahold's strategy before the accounting problems

The main elements of Ahold's strategy were:

- ❑ After a number of years wherein the emphasis was laid upon building the company through acquisitions, the emphasis changed emphasis to *organic growth*. This implied a slow down of acquisitions but nevertheless seizing of good opportunities to buy.
- ❑ Where acquisitions were made they would be mostly to strengthen local operations or in areas of countries where Ahold has not yet sufficient scale. *Tactical infilling* was the name for this kind of acquisitions. Examples were the West coast of the USA, Spain , food service in Scandinavia and a few other European countries.

Emphasis on more organic growth implied a number of things:

- ❑ Reduction of costs in the stores and distribution operations
- ❑ More efficient use of capital / more selective investments
- ❑ Raise synergy savings: by centralized sourcing, joint development of private label....
- ❑ Although Ahold wanted to continue its policy to be the best in fresh produce (vegetables/ fruit / meat / fish / dairy / prepared meals) it started to remodel the content of its stores to include other items, partly food related such as cooking instruments, cooking books but also other items. It meant a better selection of food and grocery items and replacing part of them by these non-food items (they deliver better margins).

All this had to deliver sales and earnings that would meet clear financial targets:

- ❑ 6-7% organic sales growth every year
- ❑ 12-15% organic operations' earnings growth every year. On top of these figures came the effects of acquisitions.
- ❑ 15% earnings per share growth per year.
- ❑ Between 1999 and 2002 doubling of the size of the company.

In the beginning of 2002, when Ahold released its 2001 figures financial analysts already criticized the company for its presentation of figures. It delivered according to its own figures solid 6% organic growth figures over the last years. But it never said that it included smaller acquisitions to reach this level.

Ahold spent a lot of attention on the know-how exchange between subsidiaries and between continents. **Competence centers** for Europe and the America's have been formed to channel these exchange. The name for this initiative is Ahold Networking: it started in 1998. Expertise is shared worldwide into a variety of knowledge areas relevant to the business, such as category management and sourcing, e-commerce, IT, logistics & supply chain, foodservice, finance and administration, real estate, private label development and so on. About 6,000 specialist employees are involved in this daily exchange work. They bring this knowledge to the local operations. This is one of the strong advantages Ahold has compared to other companies. This exchange pattern is purposely designed to fit in with the strategy to build upon the strengths of well-managed local operations.

There had been permanent speculations that the retail sector would become more consolidated. Walmart had 2001 sales of US \$ 219 bln. Experts predicted that within 3-5 years more companies would operate at sales levels of € 150 - € 200 bln. This would imply mega-take overs or mergers. Ahold was widely

mentioned as a perfect fit with Tesco, Safeway or Sainsbury (UK) or Casino (France). The accounting scandal changed this status of Ahold.

3.4. Strategies after the accounting problems

Since the accounting problems became public in February 2003, Ahold had to use different strategies to face the problems:

- ❑ getting a credit facility of Euro 2.65 billion from the banks conditional on the delivery of audited group accounts by 15th August 2003; Ahold is battling to meet loan deadlines
- ❑ reducing Ahold's Euro 12 billion debt by reducing capital expenditure, control of working capital and asset disposal, including disposal of personnel and executives
- ❑ selling part of its operations abroad such as all of its operations in Latin America, including Bompreço, and in Indonesia in order to repay its debts
- ❑ refocus its operations on the most profitable countries and markets and continue to sell non-core activities
- ❑ regaining investor confidence to stop the dramatic fall of the value of Ahold shares, amongst others by putting its accounts in order and publish new figures by 15th August 2003
- ❑ replacing its two top managers (CEO and chief financial operator) who had resigned over the accounting problems
- ❑ reducing the prices in its Dutch stores to attract enough clients who seek cheaper prices in more difficult economic times
- ❑ reforming Ahold's corporate governance.

In November 2003, Ahold announced a new financing plan and strategy, called the 'Road to Recovery'. This programme is focus on four key areas:

3.4.1. *Reorganizing Ahold's food retail business*

As part of its programme to streamline the company and improve long-term efficiency, Ahold will concentrate on fewer store formats by primarily focusing on the supermarket format. It is bringing together back-office functions and reshaping food retail businesses into business units with similar market characteristics called arenas. Following this strategy, the Ahold U.S. Retail corporate headquarters would be closed in July 2004. Ahold U.S. Retail and Corporate functions will be aligned with those of the new business arena being created, based in the Boston. Administrative and managerial functions of different operating companies are combined and in some cases relocated. The Zaandam-based European Competence Center (ECC), would also be closed by March 2004. Services provided by the ECC will be aligned with the requirements of the Ahold corporate headquarters and the Netherlands arena. The merchandising, back office and administrative operations in Poland, the Ahold Polska and Slovakia are combined into a new entity, Ahold Central Europe, located in the Czech Republic. By 2005, these reforms have resulted in the creation of the following 6 arenas:

- ❑ Albert Heijn/Ahold Netherlands
- ❑ Deli XL in The Netherlands (which will be divested)
- ❑ ICA (joint venture in Northern Europe, in which Ahold now has a majority stake)
- ❑ 2 retail arenas in the US
- ❑ US Foodservice

3.4.2. Recovering the value of U.S. Foodservice

In April 2004 a new team of executive for US Foodservice was appointed. In the reorganization of its field operations, U.S. Foodservice has established seven distinct units: four geographical units, a chain operations unit, a national accounts sales unit and a Specialty Operations unit consisting of the company's specialty distribution businesses (StockYards, Construction & Design, Next Day Gourmet and Sofco).⁵

3.4.3. Reinforcing accountability, controls and corporate governance

In response to the recommendations of the Dutch Tabaksblad Committee on corporate governance, Ahold made far-reaching proposals which were discussed in an Extraordinary General Meeting of Shareholders on 3 March 2004. Highlights of the new corporate governance structure are:

- ❑ More rights for shareholders
- ❑ Agreement on cumulative preferred financing shares
- ❑ Rotation plan for current Supervisory Board members to step down
- ❑ Remuneration policy
- ❑ New corporate governance section on the website

3.4.4. Restoring financial health

The financial position of Ahold will be improved by the divestment of non-core operations and activities that are making a loss, such as Ahold's operations in South America and Asia.

In October 2004, Ahold reached a settlement with the US Securities and Exchange Commission about the accounting affair. At the same time, a court case against four former top-managers started in The Netherlands.⁶ In early 2005, Ahold was ahead of schedule on the Road to Recovery, meaning that many divestments had already been realized. 2005 will still remain a year of transition and recovery, though.

Consequences for employment figures

The string of acquisitions that made Ahold one of the leading food retailers in the world had as a consequence an explosion of total employment figures in the company. Between 1996, the year the internationalisation of Ahold got momentum, and 2002 (forecasts) employment developed from 190,000 to about 500,000. This included acquisitions as Alliant (USA), Barbosa (Brazil) and a few others. The extra emphasis on organic growth of sales and earnings in 2001-2002 resulted in cost reduction policies that have negative effects on employment levels. The selling of many of its operations since beginning 2003 reduced the employment figures to 257,000 FTEs by 2004.

⁵ Ahold website – about Ahold (visited 01-11-2004). <http://www.ahold.com/index.asp?id=2>.

⁶ Ahold treft schikking met SEC. De Volkskrant (14-10-2004).

4. Labour relations

4.1. Relevant aspects of CSR policy before the accounting problems

In April 2002, published its new vision about corporate social responsibility in different publications/statements, after it had issued a brochure in 1997 with the title "Ahold corporate culture". Employees are in both years referred to as "associates", meaning they are partners in business. Ahold's policy towards its employees can be found in its statement about "Mission, vision and common values" (see appendix 1) and worked out in detail in its "Policy Guidelines" (see appendix 3). For business integrity, Ahold also has a "Code of Professional Conduct and Ethics" (see appendix 2). In 2002, Ahold published a first CSR status report (about the year 2001). This report highlighted the new CSR principles of Ahold and made a start with describing practices.

Ahold's "Mission, vision and common values" states its global principles such as its recognition "of the UN Universal Declaration of Human Rights as a common standard of achievement for all members of the global community". It "support[s] the principles set out in the OECD Guidelines for Multinational Enterprises, including the core conventions of the International Labor Organization. These principles are reflected in the Ahold Business Principles and Code of Professional Conduct." Ahold also states that it strives to be the preferred employer in each market by creating an attractive and rewarding workplace. Ahold's Policy Guidelines clear norms on labour relations and working conditions, such as freedom of association, prevention of forced and child labour, non-discrimination and equal remuneration for equal work. Furthermore, they contain a commitment to fair pay:

'We strive to provide fair remuneration to our associates, which is aligned with the sector and local market circumstances. Salary structures are based on objective systems. We strive to provide our associates with access to clear information regarding their jobs and the terms and conditions of their employment.'

4.2. Relevant aspects of CSR policy after the accounting problems

The CSR efforts of Ahold made a sharp downturn after the accounting problems. After the accounting problems came to light in early 2003, efforts for CSR were largely discontinued. This happened shortly after the introduction of Ahold's Policy Guidelines and there has never been a functional implementation structure for them. The Policy Guidelines were even removed from the website. The Ahold director of Labour Affairs for the Dutch 'arena' (region), who took office in early 2004, had never seen the Policy Guidelines at all.⁷ The CSR status report was also discontinued in 2003 and 2004.

Instead, the company has focused more narrowly on corporate governance issues and business integrity. Ahold developed new corporate values and a new, very large code of conduct that replaces the 2002-code and includes the new corporate values (see appendix 4). The code is called the 'Ahold Global Code of Professional Conduct and Ethics' and was officially adopted as of 1 March 2005. Although it focuses strongly on business integrity to prevent new financial problems, it also includes some phrases of the Policy Guidelines. Hence, the new document replaces the 2002 corporate values leaflet, code of conduct and policy guidelines at a time.

⁷ Interview with P Lindenberg, Ahold Netherlands, 22-02-2005.

For labour issues, one of the most relevant passages is the following, which reproduces part of the Policy Guidelines commitments:

'We respect the fundamental rights of associates codified in local laws and by the International Labor Organization. These rights include freedom of association, prevention of forced and child labor, non-discrimination and equal remuneration for equal work.'

However, compared to other issues, labour rights receive little attention in the code. Unlike the previous Policy Guidelines, it does not include anything about fair remuneration, for example. It does not contain any norms about responsible divestment either. Although it is said to be corporate policy of Ahold to timely inform work councils and trade unions, it is not clear whether this is also a written policy.

On the positive side, the new code comes with a complaints procedure. Violations of the code can be reported at a direct supervisor, but also at:

- The supervisor's supervisor.
- The head of department.
- The (local/national) company's Compliance Officer.
- The (local/national) company's Legal or Human Resources Department.
- The Chief Corporate Governance Counsel for the Ahold Group, or his Assistant.

Furthermore, Ahold has a telephone number that can be called to report violations 24 hours a day (called In Line, Signaallijn or Fair Play Line, depending on the country). This line was first implemented in October 2004. Calls can be made anonymously and are handled by an external 'gatekeeper'-organization, which makes a first assessment of the case at hand. Each Ahold arena has its own gatekeeper, which is not part of Ahold. The case is then referred to an Ahold case manager. Each Arena has various case managers, for different types of cases. These have to respond within a certain time limit. This time limit also depends on the nature of the case and ranges from 24 hours for emergencies to 45 days. The reports or enquiries and the answers to them are stored in a system and marked by a unique code. The person who made an anonymous call can request information about the handling of his/her case using this code. Internally, all cases are reported to Peter Wakkie, member of the Board. There is no external reporting about the cases.⁸

In 2005, Ahold will publish a new CSR status report.

4.3. Relations with trade unions

In general trade unions have a weak organizational base amongst the employees in retail companies. It results in situations where Ahold in practice obeys to national laws but in many cases in a minimalist attitude. In some countries this results in Ahold behaving at levels lower than other retailers are prepared to negotiate with local unions. This refers to salaries and other work related items.

There is no open attitude in the way Ahold's corporate principles are translated by corporate management into clear operational guidance for national and local management groups in their relations with employees and unions. Formally this field is completely left to the wisdom of local management. Labour affairs are largely decentralized, there are relatively little management instructions from the corporate level on labour relations. Managers in each country or arena are free to decide on labour

⁸ Interview with P Lindenberg, Ahold Netherlands, 22-02-2005.

policies themselves. Labour conflicts are also solved at the arena level or below, not at the corporate level.⁹

All this implies that Ahold doesn't want to sit down to discuss with unions on an international level. In any case not yet by April 2002. Partly the very recent broad international exposure, it's just a 5 year snow balling history, is to blame for this very meagre attitude. Partly it is the weak position of trade unions in this branch that plays a role. But one thing is sure, also when comparing Ahold with other multinational companies, it is inevitable that some day also labour relation and labour issues form a matter of such a great importance that they have to be discussed and regulated based upon negotiated international agreements.

Research in 2002-2003 shows that employee wastage (fluctuation) at Ahold was as high as 40% in Poland and 60% in the Czech Republic. For The Netherlands, this figure is 30-35%. High figures like those in the Netherlands are common in the retail sector and include temporary workers (e.g. during summer holidays only) and school children or students who usually do not stay for more than a couple of years. Ahold has no intentions to reduce these high figures. In the case of The Netherlands, it aims to keep them at the current level instead.¹⁰

4.4. Employment practices

Similar to trade union relations, there are very few corporate instructions for Ahold arenas on employment conditions. Every Ahold arena completely has its own employment conditions, except for the higher level employees.¹¹ In day to day practice the decentralized way in which supermarkets are operated gives plenty of space and opportunities for things to go wrong and sometimes in fact opposite to what the principles state. This is what a number of occasions really occurs. It is striking that on the one hand Ahold operates its competence centres to cross-fertilise best practices on many items world wide, but that on the other hand labour relations and personnel policies are left out of this cross-fertilising practice. Personnel policies pay a lot of attention to middle and higher management. Maybe this is necessary to build a company with a clear international culture.

Experience in the Netherlands shows that the normal practice is that Ahold (Albert Heijn supermarkets) pays according to the norm in the sector and is slightly better as employer related to training opportunities and a few more secondary items. A long way distanced from the leading role that Ahold claims to play in food quality and safety and in customer satisfaction and the preferred employer it strives to be. Ahold recognizes that its CSR performance and employment conditions are better in the Netherlands than in other countries; Ahold Netherlands is simply ahead of the rest. The only international policy on wages is that Ahold should not be *'unnecessarily far above the average of the branch'*.¹²

4.5. European Works Council (EWC)

For a long time, there was no direct need to install an EWC. Employment in Ahold Europe was structured in such a way that Ahold didn't meet the formal criteria for the installment of an EWC. In the European Union Ahold had apart from the Netherlands no other country where it employed more than 500 employees directly. In Portugal and Sweden employees were officially employed by the local partners in the 50/50 joint ventures Jeronimo Martins in Portugal and ICA in Sweden. And the employees in Poland

⁹ Interview with P Lindenbergh, Ahold Netherlands, 22-02-2005.

¹⁰ Interview with P Lindenbergh, Ahold Netherlands, 22-02-2005.

¹¹ Interview with P Lindenbergh, Ahold Netherlands, 22-02-2005.

¹² Interview with P Lindenbergh, Ahold Netherlands, 22-02-2005.

and Czech Republic were formally not yet entitled to be represented in the EWC. It is by the acquisition of Superdiplo in Spain that Ahold fell under the criteria for the creation of an EWC.

It makes little sense to build an EWC representing only employees from these countries. When during the coming years an EWC will be created, it should be based on the inclusion of all countries in the actual EU and the new entrants to the EU (Poland, Czech Republic, Slovakia, Baltic Countries) and also a fair representation of the employees in the joint venture operations. This is by the way growing standing practice in many other multinational companies.

4.6. Labour conflicts

In the recent history of Ahold one major labour conflict stands out. It was the conflict that provoked an open clash in the USA between the International Brotherhood of Teamsters (shortly The Teamsters) and Ahold management in the USA. The conflict started in 1995 when Ahold started to change its logistics and distribution structure in certain areas of the East coast of the USA. Before, in 1994, it constructed an \$ 80 million central distribution centre for all of its US supermarkets at that time. By the introduction of cross docking Ahold wanted to eliminate unnecessary warehousing time and handling and raise efficiency in the logistics chain. The social costs would be job losses for about 5,000 workers. A lot of relatively well paid jobs would be replaced by lower paid more customised jobs. The loss would be partly offset by a number of extra jobs in the supermarkets themselves.

This conflict was brought to the public attention in the USA and the Netherlands by the Teamsters with the support of the international trade union secretariat of the IUF (International Union of Food Workers) and the FNV Union in the Netherlands. The Teamsters learned that in general Ahold had a much better record of treating workers with dignity and respect in the Netherlands. And they wanted that the company extended this treatment also to the workers in the USA.

Basically the demand was for a "corporate code of conduct" including a basic set of rights for workers touched by restructuring measures and always the imperative to negotiate changes with local unions. One of the results of this conflict was the agreement that Ahold USA would meet annually with the Teamsters to discuss strategic initiatives and issues facing both organizations.

4.7. Training

The majority of the employees work in the stores and distribution centres. They constitute about 90-95% of all employees: Half of them women; in full time and various forms of part-time contracts.

Notwithstanding statements about equal opportunity in annual reports (see 2000) and in its "Mission, vision and common values" and "Policy Guidelines", the practice shows that actually a lot of emphasis is laid upon training managers whereas the vast majority of employees doesn't have yet the opportunity for training. Approximately 25% of the total workforce was involved in a kind of training. The bulk of this training had to do with on the job courses very necessary for the normal operations like hygienic standard courses.

For middle and higher management Ahold started the Ahold Retail Academy in 1999. Twice a year two week courses are offered to young promising Ahold managers in all fields of businesses relevant to Ahold. This Academy is run in cooperation with Cornell University of the USA and Nyenrode University in the Netherlands. In 2000 a food service component had to be established along side the food retail part of the Academy.

4.8. Supply chain policy

Ahold strives to address consumer concerns about environmental and social issues in the supply chain. It is actively managing its supply chain to guarantee product safety. This is a set of standards that have a binding status for all farmers and companies who play a role in the supply chain to retail companies in fresh produce, fruits, vegetables and so on. Eurepgap is developed by a group of important retail companies and mainly contains food safety norms. It stands for European Retail Platform Good Agricultural Practice and has been implemented by Ahold from 2002-2003. It is a minimum standard for all suppliers of fresh food products. Eurepgap contains weak norms about labour conditions that in fact repeat the norm that national laws have to be obeyed.

In its 2002 Policy Guidelines, Ahold writes:

'We screen suppliers on the basis of their ability to provide the safest possible products and to live up to the spirit and letter of Ahold's business principles as set out in this Code and to other accepted standards of business conduct reflected in the Ahold companies' policies.'

'We work with suppliers to systematically improve the social, environmental and ethical quality of their products and production (...) In the long run we will favour those suppliers whose values and principles are aligned with our own.'

These texts have also been included in the 2005 Global Code of Ethics and Professional Conduct. The company has an initiative to improve labour conditions in the supply chain of own-brand coffee, for example. However, apart from case-studies, little public information is available about the implementation of Ahold's supply chain policy.

5. Other issues

5.1. Environmental standards

One aspect that is considered as such important for the public image of the company that separate reports are made to inform the wider society about Ahold's progress in this field: it is about the environment. In the spring of 1998 Ahold released its first status report 'Royal Ahold and the environment'. (on the title page it said: 'We aspire to be an environmentally responsible company in every market where we operate'.) In 2000 a second status report on Ahold and the environment was released entitled: "From farm to fork". This title expressed what the company wants to achieve: better environmental practices in the production of products (farming and factory production), in Ahold's own distribution and operations and last but not least on the consumer side (the downstream indirect impact). This attitude shows that Ahold extends its responsibility to the supply side and to the indirect impacts after products have been bought and eaten.

These policies have been incorporated in Ahold's Policy guidelines in April 2002. Regarding its suppliers it states a "step-by-step social and environmental improvement: We work with suppliers to systematically improve the social, environmental and ethical quality of their products and production, in particular those sold under Ahold corporate brand names. In the long run we will favour those suppliers whose values and principles are aligned with our own".

Regarding the environment, Ahold's aims are according to its Policy guidelines :

- ❑ Responsible company: Ahold strives to protect public health and safety and the environment, and to operate in a manner contributing to the wider goal of sustainable development.
- ❑ Reduce own impacts: We strive to reduce energy use, waste and the most significant impacts of our own operations on the environment.
- ❑ Measuring and monitoring: Ahold companies strive to drive improvement that creates value for the company and our stakeholders by:
 - Collecting data on environmental impact and performance,
 - Establishing measurable objectives,
 - Regular monitoring and verification.
- ❑ Information: Ahold companies provide the public and their associates with relevant and timely information on potential environmental, health and safety impacts of their activities.
- ❑ Continuous improvement: We work to improve environmental performance by encouraging:
 - Transfer of knowledge, technologies and best practices;
 - Supply chain innovation to address consumer and ethical concerns related to products;
 - Communication and information to promote consumer and associate awareness of environmental and sustain-ability issues;
 - Research on ways of improving Ahold's environmental performance.

Ahold is also very pro-active in formulating environmental targets and setting standards internationally, the latter most by cross-fertilisation. But local management is really stimulated/urged to improve existing practices into the direction of accepted best practice. The examples of EurepGAP and the Global Commerce Initiative indicate how much Ahold is involved in stimulating international standards on items like food safety, food quality, environmental sustainability. The environment status reports show that the process approach of setting targets and measuring achievements against accepted aims is a helpful way forward.

Annex 1

Mission, Vision and Common Values

Our ambitions

April 2002

Ahold
Albert Heijnweg 1
1507 EH Zaandam
The Netherlands
www.ahold.com

Ahold's Common Values

- Long-term value creation
- Best proposition for customers
- Preferred employer for associates
- Honest and challenging business partner
- Local management, global network
- Responsible and involved corporate citizen
- Knowledge transfer and exchange of best practices

Mission

To be the best and most successful food retailer and foodservice operator in the world.

Vision

To serve the needs of our customers by integrating a close-knit family of world-class food retail and foodservice operations that make the whole of our company worth more than the sum of its parts.

Customers

Our goal is to exceed the expectations of our customers. We aim to provide a superior shopping experience by offering the best combination of quality, value for money, product assortment, convenience and service to the local marketplace. Ahold's multi-channel, multi-brand and multi-format approach is intended to serve our customers, whatever they need, whenever and wherever they are. We want to be the preferred provider for our customers and earn their trust. With every decision, we should ask ourselves if it is in the best interest of our customers.

Associates

Our associates are key to our success. We strive to be the preferred employer in our sector in each market by creating an attractive and rewarding workplace. We set high performance standards and accountability for achieving corporate objectives. We expect high standards of professional conduct from our associates and trust their judgement.

Within Ahold, all associates have an equal opportunity to develop their skills, realize personal goals, and contribute to the success of the company. In our culture, associates are treated with respect and dignity, free from harassment and discrimination. We value diversity in terms of people, ideas and practices. Our culture is innovative and entrepreneurial, focused on learning and sharing, to the benefit of our customers.

A close-knit family of local companies

Ahold companies are leaders in quality and innovation in their local markets. We respect local cultures and preferences. Our people have the mandate to differentiate and cater as much as possible to local needs.

In support of this local customer-centered approach, Ahold companies work together to realize economies of scale, benchmark best practice, and exchange knowledge. This strengthens the competitiveness of our local brands. Ahold Networking is key to ensuring that our whole company is worth more than the sum of its parts.

An honest and challenging business partner

Through our joint ventures and supply chain relationships, we create added value for Ahold, our customers and our partners. In doing so, we are a challenging business partner. To be successful today and tomorrow, all business must be conducted on the basis of principles of good faith and integrity. We expect

the same high standards of conduct from our partners and relationships as we expect from our own people. We strive to be a business partner that is honest, straightforward, creative, and driven to create mutual long-term value.

Responsible and involved

Ahold is a socially and environmentally responsible company everywhere we do business. In conducting our business we aim to protect public health, safety and the environment, and to operate in a manner contributing to the wider goal of sustainable development. We want to be involved and contribute to the communities where our customers and associates live. We are convinced this adds value to the company and to our diverse stakeholders.

Long-term value creation

By living up to our values and ambitions, Ahold creates value for its stakeholders. We invest for growth and balance short-term and long-term interests to ensure the long-term continuity and profitability of the business. We set ambitious targets, and are driven to deliver on our promises. We provide comprehensive, accurate and timely corporate information to all our stakeholders.

Global principles

Ahold recognizes the UN Universal Declaration of Human Rights as a common standard of achievement for all members of the global community. We support the principles set out in the OECD Guidelines for Multinational Enterprises, including the core conventions of the International Labor Organization. These principles are reflected in the Ahold Business Principles and Code of Professional Conduct.

Annex 2

Ahold Code of Professional Conduct and Ethics¹³

1. Introduction

Trust, respect and high standards

High standards of professional conduct and ethics are essential for Ahold to achieve its ambitions. We rely

on the good judgement of our associates to comply with the law, act with integrity and safeguard the company's reputation in every situation. Our culture is based on trust, mutual respect and high standards of professional conduct and ethics. This Code of Professional Conduct and Ethics makes explicit our basic

expectations of associates and those with whom we do business, including our joint venture partners.

Honest and Ethical Practices

We conduct our business honestly and ethically, based on principles of fairness, good faith and integrity. We expect the same of all with whom we conduct business.

Global scope

This Code of Professional Conduct and Ethics refers to Ahold and applies to Ahold, its companies and all associates working at Ahold and its companies, regardless of the contractual basis of their employment.

This also applies to independent third parties hired by or acting on behalf of Ahold, in cases where Ahold could be held responsible for their actions. All Ahold associates have an obligation to apply the same high

standards of business and personal ethics everywhere in the world.

Benchmark

This Code of Professional Conduct and Ethics is intended to serve the basic needs of all Ahold companies,

including our joint venture partners. Each Ahold company benchmarks – to the extent in place- its own code of conduct against this Code of Professional Conduct and Ethics and, where necessary, expands upon

these basic guidelines to address specific local needs. Codes of conduct of each Ahold company are reviewed by the local general counsel and/or chief compliance officer, as applicable.

A copy of this Code of Professional Conduct and Ethics is filed as an exhibit to Ahold's annual report on Form 20-F and is also posted on Ahold's website www.ahold.com. Ahold reserves the right to amend or waive these principles at any time for any reason. Any such amendment will be posted on Ahold's website

www.ahold.com. Any waiver of any of the principles contained in this Code of Professional Conduct and Ethics with respect to Ahold's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer or

¹³ Code of Professional Conduct and Ethics within the meaning of (i) Section 406 of the Sarbanes-Oxley Act of 2002 and (ii) the Securities and Exchange Commission Proposed Rules under Section 406.

Controller or persons performing similar functions either will be disclosed in a Form 6-K report filed with the U.S. Securities and Exchange Commission or will be posted on Ahold's website www.ahold.com.

Accountability

Ahold is dedicated to maintaining the highest standards for honest, ethical business conduct. To this end, every associate is required to diligently follow the principles set forth in this Code of Professional Conduct and Ethics in all of their business dealings on behalf of Ahold.

Violations of this Code of Professional Conduct and Ethics could have serious consequences to Ahold and

its reputation. As a result, failure by an associate to comply with this Code of Professional Conduct and Ethics will subject the associate to disciplinary action, including possible termination of employment.

2. Compliance with applicable law

We are committed to conducting its business in accordance with all applicable laws, rules, regulations and

administrative practices of the countries and communities where we operate. Associates are to comply with the letter and the spirit of all applicable laws, rules, regulations and administrative practices. No one has the authority to direct or authorize anyone to violate any applicable law, rule, regulation or administrative practice.

3. Preventing corruption

Bribing and corrupting public officials are serious crimes and punishable in many countries. They are counter to the free and fair competition to which Ahold is committed. Ahold is seated in the Netherlands. Dutch law regarding the corruption of public officials anywhere in the world has extraterritorial effect. It therefore applies to all Ahold companies and associates world-wide. In addition, as a result of Ahold being a public company in the United States, all Ahold companies and associates world-wide must comply with

United States law that prohibits the bribing of public officials. Ahold associates, either directly or indirectly, may not offer, promise, give, demand or accept bribes or other undue advantage to obtain or retain business or other improper advantage to or from anyone for any reason. Ahold associates may not make use of third parties to use subcontracts, purchase orders or consulting agreements as a means of paying bribes to public officials, business relations, or their relatives.

Implementation

To ensure the effectiveness of this anti-corruption policy, we have:

- Promoted associate awareness of and compliance with company policies against bribery;
- Adopted management control systems that address bribery and corrupt practices.

Giving or receiving gifts, gratuities and entertainment

Gifts are often part of doing business. Ahold associates should decline any gifts whose acceptance could raise suspicion of improper influence or conduct. Ahold associates may not give or receive gifts that exceed customary courtesies common under accepted ethical business practice. Gifts or entertainment in exchange for favors or undue consideration must always be rejected.

As a guideline, gifts of more than EUR 50 are inappropriate and should be declined, handled according to local company policy, or referred to the local Compliance Officer. If politely refusing a gift would offend or jeopardize a business relationship, the direct supervisor or local Compliance Officer should be consulted.

Ahold associates must follow conventional Ahold expense practices when entertaining a public official. The local standards are set in accordance with the national laws and customs and in the letter and spirit of this Ahold Code of Professional Conduct and Ethics.

When offered or requested to offer entertainment that exceeds the standard local guideline on entertainment or when any doubt exists as to the appearance of impropriety, the direct supervisor or local Compliance Officer must be consulted.

Preventing conflicts of interest

We depend on the continued trust of our customers, suppliers and other stakeholders. Conflicts of interest, or the appearance of such conflicts, undermine Ahold's good name. A conflict of interest arises in any situation in which Ahold associates use their contacts or position in the company to advance their personal, private business or financial interests, whether or not at the expense of the company.

Ahold associates must avoid any situation that would create a conflict, or appearance of conflict, between their private interests and the interests of Ahold.

Conflicts of interest can take many forms; this Code of Professional Conduct and Ethics cannot specifically address all of them. It is the responsibility of each associate to use his or her judgement, integrity and own ethical standards to prevent conflicts of interest. It is also their responsibility to disclose situations that might be entirely proper but could be potentially perceived as a conflict of interest.

An associate's direct supervisor or the local Compliance Officer are the appropriate resources for assessing potential conflicts of interest. Each Ahold company implements a management system to address conflicts of interest.

Any associate that becomes aware of any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest should disclose the transaction or relationship to such associate's direct supervisor or local Compliance Officer.

4. Avoiding terrorism-related businesses

To ensure the remuneration of its agents is appropriate and is only for legitimate services, in light of UN Security Council Resolution 1373 (28 September 2001), we will endeavor to avoid entering into business relationships with parties directly or indirectly related to terrorism.

5. Political contributions

We support participation by our associates in open and transparent political processes. Ahold associates who participate in local political activities must clearly separate their professional and political interests. Ahold and its associates may not make any improper contribution to candidates for public office, to political parties or other political interests which are not in accordance with the law or which would otherwise have the appearance of being improper. Any decision by Ahold associates to make political contributions will be made freely and voluntarily. Ahold companies may not reimburse associates in any way for political campaign contributions.

6. Improperly Influencing Audits

No associate of Ahold shall take any action, or cause any other person acting under the direction of such associate, including, without limitation, customers, vendors, creditors or advisors of Ahold, to take any action, to, directly or indirectly, fraudulently influence, coerce, manipulate, or mislead any accountant engaged in the performance of an audit or review of the financial statements of Ahold that are required to be publicly disclosed if it is reasonable to believe that such action would result in Ahold's financial statements being materially misleading. Such action would include offering or paying bribes, providing an auditor with misleading legal analysis or threatening to cancel or cancelling existing audit or non-audit engagements.

7. Government investigations

It is Ahold's policy to fully co-operate with any government investigation. If an associate learns about a possible government investigation or inquiry, inform such associate's direct supervisor or local Compliance

Officer immediately. Ahold prohibits any associate from altering, destroying, mutilating or concealing a record, document or other object, or attempting to do so, with the intent to impair the object's integrity or availability for use in an official proceeding. Furthermore, Ahold prohibits any associate from otherwise obstructing, influencing or impeding any official proceeding or any attempts to do so.

8. Preventing insider trading

The use of information not generally known to the public is unethical and illegal. Ahold associates and their family members may not execute transactions in Ahold securities, directly or indirectly, on the basis of material non-public information, nor disclose such information to others. Ahold has implemented a separate set of rules concerning inside information which are applicable to all Ahold associates worldwide working for Ahold, its companies and its joint venture partners. Trading on the basis of non-public information on other companies obtained by working at Ahold or based on (potential) transactions with Ahold is also prohibited.

Specific guidance on times when trading in Ahold securities is not permitted is provided to associates with information whose publication could reasonably be expected to be of potential influence on the price of Ahold securities.

9. Protecting confidential information

Information on the company's activities, strategies and business data is proprietary. Unauthorized disclosure could damage the company or give unfair advantage to others. Ahold expects its associates to respect and actively protect the confidentiality of business information.

10. Ensuring open competition

Antitrust laws are aimed at preserving free and fair competition. Ahold companies comply strictly with the legal requirements of antitrust laws. This reflects our conviction that free and fair competition is essential to the welfare of the company, its customers and suppliers. Ahold supports appropriate legislation prohibiting restraints of trade, unfair practices or abuse of economic power. Ahold avoids such practices

everywhere, including areas of the world where laws do not prohibit them. Ahold associates will not exchange information with competitors regarding prices or market share, and will refrain from exchanging other information that could be construed as a violation of antitrust laws.

11. Keeping accurate records

The integrity and completeness of record keeping is not only Ahold policy but also law. Records should be maintained to comply with applicable statutory, regulatory or contractual requirements, as well as pursuant to prudent business practices. All of our financial transactions must be properly, accurately and fairly recorded. Management takes responsibility for the integrity of the records and uses internal and external auditors to assist in fulfilling that responsibility.

Preventing fraud is an important priority at Ahold, both to protect Ahold's reputation and to prevent losses.

Fraud is defined as committing illicit or illegal acts involving money and/or goods to achieve financial benefit, to benefit oneself or others, at a disadvantage to the company or others.

12. Full and fair disclosure

Ahold is committed to full, fair, accurate, timely and understandable disclosure in reports and documents that Ahold files with, or submits to, the U.S. Securities and Exchange Commission and other regulatory authorities and in other public communications made by Ahold. Moreover, Ahold is committed to maintaining disclosure controls and procedures and internal financial controls and procedures that gather accurate information (financial and other) for public disclosure. This necessitates that the information that is supplied to Ahold's management by associates be accurate, complete and not misleading. Therefore, each associate has a duty to comply with Ahold's disclosure controls and procedures and financial controls and procedures so that complete and accurate information (financial and other) is reported to the Disclosure Committee to ensure full, fair, accurate, timely and understandable disclosure in Ahold's public filings and other public communications.

All fraud should be reported immediately to management. In addition, all fraud involving senior executives, irrespective of the amount involved, or fraud in excess of EUR 25,000 should be reported to the responsible Liaison Officer in the Ahold Corporate Executive Board and the Senior Vice President Internal Audit.

13. Reporting violations

We strive to create a culture based on trust and individual responsibility. Associates may, however, encounter unethical or illegal behavior within Ahold. We are committed to providing an anonymous and fair way for associates to report such behavior and any actual or suspected violations of applicable law, rules and regulations or of this Code of Professional Conduct and Ethics to the appropriate parties, as discussed below.

Associates should promptly report violations to their direct supervisor or a senior executive or, if necessary, anonymously. Many Ahold companies have already procedures in place to enable anonymous opportunities to report inappropriate behavior as well as procedures to effectively investigate the claim and, where necessary, take corrective action. In addition Ahold is developing a uniform

whistleblower procedure that will be implemented and apply to all Ahold companies in the United States and Europe in the course of 2004.

Ahold prohibits retaliation, or knowingly taking any action with the intent to retaliate, against any associate who makes a report in good faith of the type described above or participates in an investigation of any such reports. All such reports by associates will be kept confidential and no associate making such a report in good faith will be discriminated against, in the terms and conditions of employment, as a result of having made the report. Retaliation against an individual for reporting in good faith any such actual or suspected violation or for participating in any such investigation is a serious violation of this Code of Professional Conduct and Ethics that will subject the violator to appropriate disciplinary action, including possible termination of employment.

14. Frauds and Thefts

It is Ahold's policy to ensure that incidents of fraud and theft relating to Ahold are promptly investigated, reported and, where appropriate, prosecuted. Any suspected incident should be immediately reported to an associate's direct supervisor or local Compliance Officer. The direct supervisor or local Compliance Officer will review the incident and advise regarding prosecution, if appropriate. No one may sign a criminal complaint on behalf of Ahold without prior written approval of the associate's direct supervisor or local Compliance Officer. The direct supervisor or local Compliance Officer also has jurisdiction over related personnel actions and civil litigation.

15. Sexual and Other Forms of Unlawful Harassment

Ahold will not tolerate sexual harassment, which involves the solicitation of sexual favors or the initiation of any unwelcome sexual advance by one associate toward another. Sexual harassment may also involve

other sexually-related physical or verbal conduct, or the creation of a work environment that is hostile, intimidating or offensive to an individual or group because of gender. Ahold's managers, supervisors and executives must be alert to the possible presence of sexual harassment in the workplace. Appropriate steps must be taken to prevent sexual harassment. Complaints about sexual harassment can be made to an

associate's direct supervisor or local Compliance Officer. Any complaints will be promptly, fairly and thoroughly investigated. Harassment, including threats, threatening behavior, intimidation, assaults and similar conduct, will not be tolerated by Ahold. Any threats or concerns about safety or the safety of others should be immediately reported to the associate's supervisor or manager. Firearms are not permitted on any Ahold facility without prior written approval from the associate's direct supervisor or local Compliance Officer.

16. Outside Employment and Other Activities

Ahold recognizes that associates have many activities outside of work and it encourages the involvement of associates in their local communities. This Code of Professional Conduct and Ethics permits associates to engage in legitimate and lawful activities outside of Ahold, including outside employment, provided that the following conditions are satisfied:

- the activity will not adversely affect the associate's performance of his or her duties and responsibilities at work and will be conducted outside of regular work hours;
- if the activity is of a nature that could present the potential for a conflict of interest, as described

- ❑ above, approval of the associate's direct supervisor or local Compliance Officer must be obtained;
- ❑ if the activity involves outside employment, the employment cannot be with or for the benefit of any
- ❑ organization, or any entity that is part of an organization, that competes with Ahold;
- ❑ if the activity involves outside employment, it must be disclosed to Ahold; and
- ❑ if the outside activity is membership on the Board of Directors of a for-profit organization, prior authorization must be obtained from the local Compliance Officer.

17. Interests in Other Firms or Companies

Conflicts of interest may arise when associates or their family members have a financial or management interest in a firm or company that supplies products or services to Ahold. Ahold must be made aware of any situation in which associates or their family members have a financial or other interest in businesses that do business with Ahold. If associates or their family members serve as an associate or have an investment in such a business, these relationships must be reported to the local Compliance Officer. With respect to publicly-held companies that provide products or services to, or compete with, Ahold, an associate should advise the associate's direct supervisor or the local Compliance Officer if the associate, or his or her family members, serve as part of management or on the Board of Directors of such a company or work in areas of that company that directly interface with Ahold. Ownership interests in such publicly-held companies must be reported if the ownership interest of the Associate, when added to the ownership interest of the associate's family members, equals or exceeds one percent of the outstanding voting stock of the company.

18. Corporate Opportunities

Associates are prohibited from (i) taking for themselves personally opportunities that are discovered through the use of Ahold's property or information or the associate's position, (ii) using Ahold's property or information or the associate's position for personal gain and (iii) competing with Ahold. Associates have a duty to Ahold to advance its legitimate interests when the opportunity to do so arises.

Annex 3

Ahold Policy Guidelines

Our relations with key stakeholders

Albert Heijnweg 1
1507 EH Zaandam
The Netherlands
www.ahold.com

April 2002

Ahold's Policy Guidelines are intended to make explicit the common ways Ahold companies aspire to create value for all our stakeholders. These guidelines provide directions for our individual behavior and corporate policy. They reflect our aspirations and the basic expectations against which we are prepared to be judged by our stakeholders.

REGARDING CUSTOMERS

- ❑ Customer service: All of our companies strive to exceed customer expectations. We do so by listening to, anticipating and addressing customer needs and concerns. We provide accurate and relevant information to enable customers to make their own informed choices.
- ❑ Food safety: All customers of Ahold companies are entitled to the highest possible level of food safety. Our companies have professional food safety policies and programs, based on sound scientific principles, practical operational procedures, state-of-the-art technology, associate training and consumer education. The products we sell meet or exceed legal and industry standards for consumer health and safety. Every associate is responsible for food safety.
- ❑ Honest business practices: Our business practices, marketing and advertising are ethical and honest. We respect consumer privacy and protect personal data.

REGARDING ASSOCIATES

- ❑ Respect: We strive to create a workplace based on mutual respect, where open communication is valued and conflicting opinions are voiced. Respect for the individual is a cornerstone of our policy. We believe our associates are capable, loyal and concerned about the success of the business.
- ❑ Equal opportunity: Ahold is an equal opportunity employer. Unlawful discrimination or harassment is prohibited. Decisions about recruitment, employment, promotion and termination are made on the basis of objective and nondiscriminatory criteria.
- ❑ Diversity: We value diversity and strive to create a diverse workforce. We believe this makes good business sense.
- ❑ Communication: We strive to communicate openly at all levels in the company to keep associates keenly aware of the company mission, vision and objectives, and to listen to the concerns of our associates.
- ❑ Fundamental rights: We respect the fundamental rights of associates codified in local laws and by the International Labor Organization. These rights include freedom of association, freedom of choice with respect to organizing and collective bargaining, prevention of forced and child labor, non-discrimination and equal remuneration for equal work.

- ❑ Exemplary integrity: We expect from our associates a high degree of integrity.
- ❑ Fair pay: We strive to provide fair remuneration to our associates, which is aligned with the sector and local market circumstances. Salary structures are based on objective systems. We strive to provide our associates with access to clear information regarding their jobs and the terms and conditions of their employment.
- ❑ Safe workplace: We strive to provide a safe workplace and monitor compliance with local occupational health and safety laws and regulations.
- ❑ Opportunity through learning: We are committed to continuous learning and invest in training and development opportunities for our associates.
- ❑ Creativity and innovation: We encourage our associates to use their initiative, creativity and common sense to satisfy customers and innovate to improve the business. We respect their opinions and ideas. Ahold companies' associates are employed at will, unless contractual agreements provide otherwise. Nothing herein should be construed as altering any associate's existing employment relationship with Ahold or any of its companies.

REGARDING SUPPLIERS

- ❑ Customers first: We put the needs and interests of our customers first.
- ❑ Honest business practices: We operate honestly and ethically with our suppliers and business partners, and expect the same of them.
- ❑ Impartial supplier selection: We select suppliers impartially on the basis of factors including quality, price, supply chain efficiency, performance, reliability, continuity and suitability of the product or service.
- ❑ Efficient supply chains: We work with suppliers to provide added value to customers by striving for efficiency and eliminating duplication in the supply chain.
- ❑ Prudent use of business information: We share business
- ❑ information when it is in the interest of the company and when it is ethically appropriate.
- ❑ Food safety and Code of Professional Conduct: Food safety is a top priority at Ahold. We screen suppliers on the basis of their ability to provide the safest possible products and on their ability to live up to the spirit and letter of Ahold's Business Principles.
- ❑ Step-by-step social and environmental improvement: We work with suppliers to systematically improve the social, environmental and ethical quality of their products and production, in particular those sold under Ahold corporate brand names. In the long run we will favor those suppliers whose values and principles are aligned with our own.

REGARDING INVESTORS AND FINANCIAL PARTNERS

- ❑ Results come from customers and associates: By providing excellent service to our customers and an excellent workplace for our associates, we will deliver the best results for our investors.
- ❑ Responsible and professional money management: We recognize our duty to manage investments in the company by investors and financial partners responsibly and professionally, with the goal of creating additional value through superior growth.
- ❑ Prudent financing: We finance our growth in a prudent manner in line with consistent financial ratios that are communicated with participants in the financial markets.
- ❑ Transparent: We provide timely, accurate and comprehensive information on our activities and developments. We ensure that material information is available to all stakeholders at the same time. We strive for transparency to enable investors to make informed investment decisions. In doing so, we adhere to the guidelines and principles laid out in the Regulation Fair Disclosure, issued by the U.S. Securities and Exchange Commission.
- ❑ International standards: Ahold reports according to internationally accepted accounting standards.
- ❑ Equal treatment of investors: We are committed to the interests of both retail and institutional investors.

- Broad research coverage: We encourage analysts to provide research coverage with the goal of broadening the investment community's understanding of Ahold.

REGARDING THE ENVIRONMENT

- Responsible company: Ahold strives to protect public health and safety and the environment, and to operate in a manner contributing to the wider goal of sustainable development.
- Reduce own impacts: We strive to reduce energy use, waste and the most significant impacts of our own operations on the environment.
- Measuring and monitoring: Ahold companies strive to drive improvement that creates value for the company and our stakeholders by:
 - Collecting data on environmental impact and performance,
 - Establishing measurable objectives,
 - Regular monitoring and verification.
- Information: Ahold companies provide the public and their associates with relevant and timely information on potential environmental, health and safety impacts of their activities.
- Continuous improvement: We work to improve environmental performance by encouraging:
 - Transfer of knowledge, technologies and best practices;
 - Supply chain innovation to address consumer and ethical concerns related to products;
 - Communication and information to promote consumer and associate awareness of environmental and sustainability issues;
 - Research on ways of improving Ahold's environmental performance.

REGARDING THE COMMUNITIES WHERE WE DO BUSINESS

- Socially responsible in every market: We strive to be a socially responsible company in every market we serve and we work to positively impact the development of the communities where we do business.
- Active dialog: We promote an active dialog with organizations representing communities and society.
- Involvement: We encourage involvement by associates that contributes positively to the development of their communities.
- Leverage: Ahold supports projects and organizations that best address the needs of the community and, where possible, leverage the strengths of the company itself.

REGARDING PUBLIC AUTHORITIES

- Cooperation: We cooperate with government authorities to provide relevant business information in the public interest.
- Expertise in the public service: Ahold associates may serve governments and official bodies in consulting or advisory positions when their expertise contributes to effective public policy.
- Protect public health: We cooperate with authorities to prevent serious threats to public health and safety.

Annex 4

Ahold Global Code of Professional Conduct and Ethics

(Available at <http://www.ahold.com/index.asp?id=927> or http://www.ahold.com/_media/pdf/20050301AholdGlobalCode-ENG.pdf)

What You Should Know About The Code

Dear Colleagues,

At Ahold we take a serious and structured approach to integrity and corporate governance. This is one of the cornerstones of our Road to Recovery strategy and a fundamental principle going forward. With this in mind, we present to you the new Ahold Global Code of Professional Conduct and Ethics. This will help you to understand your responsibilities in the area of business ethics. The code is applicable from March 1, 2005 and replaces the Ahold business principles launched in 2002.

The code contains guidelines and information that you'll find applicable and relevant to your day-to-day work and useful guidance on where to go if you need further advice. Included in this booklet are the Ahold core values, rules on accepting and receiving gifts and standards for how we treat our customers, associates, suppliers and the government.

Also, Ahold has recently launched a uniform whistleblower procedure throughout the company, which enables you to report issues that you encounter in your work, on an anonymous basis if you prefer. The code contains instructions for use of the hotline and the relevant telephone numbers for each arena.

One of our company's core values is "Integrity Always." We act openly and honestly – we say what we mean and we do what we say. This is how we earn each other's trust. No matter how hard we compete in our businesses, we must never cross the line of ethical and legal business conduct. Please read the code carefully – it is there to protect all of us from actions that may violate our ethics and values.

In order for you to become more familiar with the contents of the code, Ahold will roll out an internet-based integrity training course that underlines and confirms our commitment to its principles. The Ahold Global Code of Professional Conduct and Ethics is about who we are and who we choose to be. Together, by following the letter and spirit of the code, we can help ensure that working for an Ahold company is a source of great pride for all of us.

Kind regards,

Anders Moberg
Ahold President and CEO

What this Code is For¹⁴

High standards of professional conduct and ethics are essential for Ahold to achieve its strategy and objectives. We rely on the good judgement of our associates to comply with the law, act with integrity and safeguard the company's reputation in every situation. Our culture is based on trust, mutual respect and high standards of professional conduct and ethics. This Code makes explicit our basic expectations of associates and those with whom we do business, including our joint venture partners.

The Koninklijke Ahold N.V. group of companies (the "Ahold Group") is firmly committed to conducting business in compliance with the letter and spirit of the law and other accepted standards of business conduct reflected in the Ahold companies' policies. Laws governing business conduct are more demanding than ever before. Strict adherence to this Code will help to ensure that Ahold, its companies, and you prosper and achieve our global objective of doing business with integrity.

The Code provides an introduction to important laws and policies that must be followed. The Code is designed to help each of us:

- ❑ Understand and follow the basic Compliance and Integrity rules that apply to our jobs; and
- ❑ Know when and where to ask for advice.

The Code is not entirely new. It organizes, summarizes and updates, into one convenient guide, policies that have been in place since 2002. As explained below, it is a starting point; other corporate and operating company policies supplement the Code and may also apply to you. In case of a conflict between this Code and a local operating company Code, this Code prevails, unless the conflict relates to a stricter rule under the local Code, in which case, the local Code prevails (for instance threshold for accepting gifts).

Who should follow this Code

This Code applies to Ahold, its companies and all associates, job grade (Hay Group job level) 13 and above in Europe and job grade 14 and above for the U.S., working at Ahold and its companies, regardless of the contractual basis of their employment, unless associates are explicitly exempt from the scope of the Code.¹⁵

This Code also applies to independent third parties hired by or acting on behalf of Ahold, in cases where Ahold could be held responsible for their actions. All Ahold associates have an obligation to apply the same high standards of business and personal ethics everywhere in the world. Notwithstanding the above, we expect each employee to act ethically and in accordance with the law.

Your Personal Pledge to Do the Right Thing

This Code represents a commitment by Ahold to do business with integrity. By working for an Ahold company, you are agreeing to uphold this commitment. Understanding the Code and the company policies that apply to you is an essential function of your job. Associates who fail to follow these standards put themselves, their co-workers, their company and Ahold at risk. They are also subject to disciplinary action up to and including termination of employment.

Those Who Supervise Others

Supervisors have additional responsibilities under the Code to:

¹⁴ Code of Professional Conduct and Ethics within the meaning of (i) Section 406 of the Sarbanes-Oxley Act of 2002 and (ii) the Securities and Exchange Commission Proposed Rules under Section 406.

¹⁵ For the U.S. Trade Union listed associates do not fall under the scope of the Code, unless they have voluntarily agreed to comply with this Code. Also associates in Europe below Hay Group Level 13 (job level 14 for the U.S.) are exempt from this Code. For associates below Hay Group Level 13 (14 U.S.), a summary of this Code shall be made available.

- ❑ Set an example - show what it means to act with integrity;
- ❑ Ensure that those they supervise have adequate knowledge and resources to follow the Code's standards;
- ❑ Monitor compliance of the people they supervise;
- ❑ Enforce the standards of this Code and all other related company standards;
- ❑ Support associates who in good faith raise questions or concerns about compliance and integrity. Never retaliate or permit retaliation. This means there should never be any form of retaliation against an associate who raises such questions or concerns; and
- ❑ Report instances of noncompliance to the proper management level.

Does the Code Explain All the Standards I Need to Know

The Code is the cornerstone of our commitment to integrity. But this Code is not intended to describe every law or policy that may apply to you. Make sure you know the rules that apply to you. For example:

- ❑ Each Ahold company has policies and procedures to further implement the standards in this Code. In some cases, these rules may be stricter than the standards in this Code, and you should follow those stricter rules. In particular, individual Ahold companies have specific rules requiring the disclosure of any gifts, meals, or other items of value received from vendors or other third parties.
- ❑ The country in which you work may have additional laws or rules that apply to you.

To learn more about the laws, policies and procedures that apply to you, see the additional resources identified throughout the Code with the ">" symbol. You can also ask your manager, contact your company's Compliance Officer or consult Peter Wakkie (Chief Corporate Governance Counsel Ahold) or Tjeerd Wassenaar (Director Legal and Assistant to Peter Wakkie).

Different Laws in Different Countries

Ahold is committed to conducting its business in accordance with all applicable laws, rules, regulations and administrative practices of the countries and communities where we operate.

Associates are to comply with the letter and the spirit of all applicable laws, rules, regulations and administrative practices. No one has the authority to direct or authorize anyone to violate any applicable law, rule, regulation or administrative practice.

Ahold companies do business all over the world, and that means associates may be subject to the laws of different countries and organizations such as the European Union. Each of us has an important responsibility to know and follow the laws that apply wherever we work.

If you have any questions about the laws that apply to your activities, always contact the Legal Department where you work for advice.

Koninklijke Ahold N.V., the parent of our operating companies, is a public company with limited liability, incorporated in the Netherlands. For several reasons, U.S. law may apply even when business activities are conducted outside the United States. Other countries may apply their laws outside their boundaries too.

Asking Questions and Raising Concerns

Your Duty to Speak Up

We strive to create a culture based on trust and individual responsibility. Associates may, however, encounter unethical or illegal behavior within Ahold. We are committed to providing an anonymous and fair way for associates to report such behavior and any actual or suspected violations of applicable law, rules and regulations or of this Code to the appropriate parties.

You should promptly report violations to your direct supervisor or a senior executive - if necessary, anonymously. Many Ahold companies already have procedures in place to enable anonymous reporting of inappropriate behavior as well as procedures to effectively investigate the claim and, where necessary, take corrective action. See the section "The Ahold Check-In Line" for more details.

Ahold prohibits retaliation, or knowingly taking any action with the intent to retaliate, against any associate who makes a report in good faith of a potential violation of the Code or participates in an investigation of any such reports, other than permitted by law or case law (jurisprudence). No associate making such a report in good faith will be discriminated against, in the terms and conditions of employment, as a result of having made the report. Retaliation is a serious violation of this Code that will result in appropriate disciplinary action, including possible termination of employment.

Where to Go for Help

Who to Contact For Help

We work hard to foster an environment of open, honest communication. If you have a concern about a legal or business conduct issue, you have options.

The most important thing is that you ask the question or raise the concern.

Confidentiality will be maintained to the extent consistent with the best interest of the associates involved, our companies, and our companies' obligations under the law. Contacting your supervisor is usually a good start to raise a compliance or integrity issue.

You may also get help or advice from:

- Your supervisor's supervisor.
- The head of your department.
- Your company's Compliance Officer.
- Your company's Legal or Human Resources Department.
- The Chief Corporate Governance Counsel for the Ahold Group, or his Assistant.

Other reporting mechanisms established by your company may also be available.

The Ahold Check-In Line

If you are ever unsure about where to go, or are uncomfortable about using one of the other resources identified in this Code, or if you wish to raise an issue anonymously, call the Ahold Check-In Line number listed for your company. The Ahold Check-In Line was implemented in 2004 and applies to all Ahold companies in the United States and Europe. In the Netherlands, the Check-In Line is referred to as the "Signaallijn" and in Central Europe as the "Fair-Play Line." In other countries other names may have been used for local purposes.

The Ahold Check-In Line is operated by an independent company that reports the call to your company to enable it to respond to your concerns about compliance and integrity. The line operates 24 hours a day/seven days a week and has multilingual services available at all times.

Please refer to this Code for a listing of the Ahold Check-In Line numbers for the companies covered by this Code.

What Happens If I Call

If you call the Ahold Check-In Line, a call specialist will listen and make a detailed summary and report of your call. The information will then be forwarded to the appropriate individual in your company (for example, the Compliance Officer) to look into the matter.

Every effort will be made to maintain the confidentiality of those reporting. We will give your call a quick response, especially when circumstances make that important. If an investigation is undertaken, we will look into the issue promptly and, whenever called for, see that corrective action is taken.

Can I Call Anonymously

The Ahold Check-In Line allows you to raise concerns anonymously. It assigns tracking numbers so that if you do not want to give your name you can still check back to receive a response or provide more information. Of course, giving your name can often help us look into the matter more efficiently, and as explained above, the Ahold family of companies has a firm policy against retaliation for raising a good faith concern under this Code.

Ahold Compliance Programs / What Do They Do

Compliance Officers and Committee

This Code is more than just a description of our standards. It is the centerpiece of a group-wide Compliance and Integrity program supported by our Corporate Executive Board and Senior Officers, as well as the Supervisory Board of Ahold and Senior Officers of the other companies of the Ahold Group.

The compliance program is administered by a Compliance Officer in each company and the Chief Corporate Governance Counsel.

Together, the Compliance Officers and the companies' management monitor Ahold's Compliance and Integrity programs. This responsibility includes:

- Assigning roles and responsibilities for the program;
- Overseeing compliance training and communications;
- Overseeing compliance auditing and monitoring;
- Overseeing internal investigation processes;
- Reviewing disciplinary procedures for violation of the Code; and
- Monitoring the resources available for raising issues and reporting concerns.

Conducting Business

Ahold's Mission and Core Values

We want to be the leading food provider in those markets in which we choose to operate.

As a company, Ahold is committed to certain core values which help to define us, and help to guide how we conduct ourselves. Many of our Ahold companies have values statements which are specific to that company and which complement and support the broader Ahold core values.

Ahold Core Values

□ Act Customer!:

Our customers are our lifeblood. We earn our customers' loyalty by delivering value and creating the best overall place to shop. We make every day easier for our customers, bringing them interesting and innovative shopping experiences. We are dedicated to serving both internal and external customers. We are positively engaged in the communities we serve.

□ Engaged Associates:

We value the richness of our diversity, and respect one another for who how we think and what we contribute. We are committed to developing people, giving them opportunities to grow. We hold ourselves and others accountable. We place a high priority on open, honest communication. We challenge the status quo and do the right thing. We learn, grow, have fun together.

□ Integrity Always:

We act openly and honestly - we say what we mean and do what we say. We treat others as we wish to be treated ourselves. We live up to our commitments of our customers, associates, suppliers and investors and we take responsibility for our actions. As a result, we earn each other's trust.

□ One Team:

We will be greater than the sum of our parts. We co-operate to leverage capabilities, our scale, our strength and our knowledge. We are different we need to be, in order to win with our customers. We take pride in the companies that form our foundation and build value across the business shared learning.

□ Innovative Mindset:

We encourage a "responsibly rebellious" mindset, constantly challenging ourselves to find better ways and better results. We approach problems open mind and draw on the diverse views of our associates to find creative solutions. We use our knowledge to differentiate ourselves and create outstanding customer experience. We display a healthy dissatisfaction status quo, constantly looking for ways to make things easier and simpler.

□ Passion for Our Business:

We love being in the food business. We love satisfying our customers' daily needs. We are proud of our company, and our people. We set high standards and challenging goals, and we celebrate our victories. We work the details, keep things simple and act with speed. We are never satisfied in our search for excellence.

Honest and Ethical Practices

We conduct our business honestly and ethically, based on principles of fair business conduct, good faith and integrity. We expect the same of all with whom we conduct business.

Competition and Antitrust Laws

Antitrust laws are aimed at preserving free and fair competition. Ahold companies comply with the legal requirements of antitrust laws. This reflects our conviction that free and fair competition is essential to the welfare of the company, its customers and suppliers. Ahold supports, by way of lobbying and other initiatives, appropriate legislation prohibiting restraints of trade, unfair practices or abuse of economic power. Ahold associates will not exchange information with competitors regarding prices or market share, and will not exchange other information that could lead to a violation of antitrust laws.

Information about Competitors

To compete in the marketplace, it is necessary and legal to gather competitive information fairly. But some forms of information-gathering are wrong and can violate the law.¹⁶ At the Ahold Group of companies, we are committed to avoiding improper information-gathering, so it is important to know what you can do and what you must avoid.

¹⁶ In the U.S. one such law is the Economic Espionage Act.

Legitimate sources of competitive information include:

- ❑ Newspapers, press accounts and other public information.
- ❑ In the case of U.S. Foodservice, talking with customers - but not to obtain confidential information.
- ❑ In the case of U.S. Foodservice, customers may give you a competitor's proposal, but only if it is not confidential. If it is a Government bid, always consult your Legal Department first.
- ❑ Trade shows (but not undisclosed information to the public from competitors).
- ❑ Information publicly available on the Internet.
- ❑ Industry surveys by reputable consultants.

If you have a question about whether it is appropriate to accept or have certain competitive information, contact your Legal Department.

Never use the following:

- ❑ A competitor's confidential or proprietary information or something similar belonging to anyone else - consult your Legal Department if you have such information. Even if confidential or proprietary information just shows up on your desk, get legal advice.
- ❑ Confidential or proprietary information in any form possessed by new hires from prior employers. | Information about a competitor's bid if you are involved in bidding, especially on government contracts. If you come into possession of such information, call your Legal department.¹⁷
- ❑ Information on a competitor that someone offers to provide.

Money Laundering and Contraband

Trading in products in violation of customs or fiscal laws has different names "contraband," "smuggling" or "tax evasion" are among them. Law enforcement officials around the world are increasingly concerned about contraband and its connection with any other criminal activity - i.e. "money laundering". The policy for all Ahold companies is clear: We will not condone, facilitate, or support contraband or money laundering; and we will help governments prevent illegal trade involving our companies' private label or other products.

Trade Restrictions, Exports and Boycott Laws¹⁸

The United Nations, the European Union, Switzerland, the U.S. and a number of other jurisdictions periodically impose prohibitions or other restrictions on export and trade dealings with certain countries, entities and individuals. Trade restrictions take many forms, including bans on:

- ❑ Exports to a sanctioned country.
- ❑ Transshipments through a sanctioned country to a non-sanctioned country, or vice versa.
- ❑ Imports from, or dealings in property originating in, a sanctioned country. | Travel to or from a sanctioned country.
- ❑ New investments in a sanctioned country.
- ❑ Financial transactions and dealings involving a sanctioned country or designated individuals and entities.

These restrictions also impose licensing requirements for export of certain products or technology.

¹⁷ This particular clause may be relevant only to U.S. Foodservice.

¹⁸ Mainly relevant for U.S. Retail and U.S. Foodservice, but can also be relevant for European Union and other jurisdictions.

The reach of these laws varies. They can restrict the activities of citizens or residents including companies, with regard to certain countries, or the governments, financial institutions, firms or individuals resident in or identified with those countries.¹⁹

Customs

As a general rule, importation of our companies' products is subject to various customs and fiscal laws and regulations. In particular, physical importation of products into a country must usually comply with either:

Regulations that specify the import duties, value-added tax, excise tax and the like, that may be payable in relation to our products; or

Tax, bonding or other similar regulations that govern "tax or duty free" shipments. You must be sure that all imports comply with these requirements, and that any information provided to customs and tax officials is accurate and truthful.

When The Government Is Our Customer²⁰

E7 Each year, U.S. Foodservice does substantial business with U.S. Government entities. U.S. Retail companies as well as Deli XL in the Netherlands and Belgium, or other Ahold companies in Europe may do business with state and local governments. While integrity is the foundation for all dealings with customers, special rules apply when a government is our customer - rules that are in some cases very different from those that apply in dealing with a commercial customer. Violations can result in criminal and civil penalties. It may be that there are local rules on public tendering. These rules should always be followed.

Those involved in bidding on or providing service under a government contract need to know these rules.

Basic rules, which also apply to non-government bids mutatis mutandis, include:

- ❑ Never offer or provide gifts, gratuities or entertainment without prior written approval of the Compliance Officer and the Legal department of your company.
- ❑ Know and follow anti-kickback rules, including restrictions on gifts by those seeking business from the government and from government contractors.
- ❑ Understand "most favored customer" pricing and verify compliance.
- ❑ Conform strictly to the contact's quality, quantity and testing requirements.
- ❑ Billings must always be accurate, complete, and in full compliance with all rules and regulations, including time and cost allocations.
- ❑ Be truthful, accurate, and complete in all representations and certifications.
- ❑ Know your customer's rules and regulations.
- ❑ Don't initiate any employment discussions with any current or former government employee before first consulting with your Legal department.

If you have any questions about proper business relationships with the Government, contact your Legal Department.

Conflicts of Interest

We depend on the continued trust of our customers, suppliers and other stakeholders. Conflicts of interest, or the appearance of such conflicts, undermine Ahold's good name. A conflict of interest arises in any situation in which you use your contacts or position in the company to advance your personal interests, private business interests or financial interests, whether or not at the expense of the company.

¹⁹ For the U.S. specifically, the so-called Anti-Boycott Act applies.

²⁰ Code of Conduct of U.S. Foodservice contains more detail.

You must avoid any situation that would create a conflict, or appearance of conflict, between your private interests and the interests of Ahold.

Conflicts of interest can take many forms; this Code cannot specifically address all of them. It is your responsibility to use your judgement, integrity and your own (as well as Ahold's) ethical standards to prevent conflicts of interest. It is also your responsibility to disclose situations that might be entirely proper but could be potentially perceived as a conflict of interest.

An associate's direct supervisor or the local Compliance Officer are the appropriate resources for assessing potential conflicts of interest. Any associate that becomes aware of any transaction or relationship that reasonably could be expected to give rise to a conflict of interest must disclose the transaction or relationship to such associate's direct supervisor or local Compliance Officer.

Interests in Other Firms or Companies

Conflicts of interest may arise when you or your family members have a financial or management interest in a firm or company that supplies products or services to Ahold or a company that is a competitor of Ahold. Ahold must be made aware of any situation in which you or your family members have a financial or other interest in businesses that do business with Ahold or that is a competitor of Ahold. If you or your family members are employed by Ahold or have an investment in such a business, these relationships must be reported to the local Compliance Officer. Local regulations may apply to you, therefore always seek advice from your Legal Department when you are confronted with this issue.

Examples of potential conflicts that require reporting and resolution would be i) an associate's immediate family member acquires an interest in a restaurant or other institution that is a food service customer of Ahold or ii) a family member becomes a part of the management of a competitor to Ahold.

With respect to publicly held companies that provide products or services to or compete with Ahold, an associate should advise the associate's direct supervisor or the local Compliance Officer if the associate, or his or her family members, serve as part of management or on the Board of Directors of such a company or work in areas of that company that directly interface with Ahold. Ownership interests in such publicly-held companies must be reported if the ownership interest of the associate, when added to the ownership interest of the associate's family members, equals or exceeds 50% of the total remuneration of the associate calculated over a period of the preceding calendar year.

Receiving Gifts and Entertainment

Ahold associates should decline any gifts whose acceptance could raise suspicion of improper influence or conduct. Ahold associates may not receive gifts that exceed customary courtesies common under accepted ethical business practice. Gifts or entertainment in exchange for favors or undue consideration must always be rejected.

As a guideline, gifts with a value (cash or non-cash) of more than EUR 50, USD 60 (or the equivalent in local currency) are inappropriate and should be declined, handled according to local company policy, or referred to the local Compliance Officer. If politely refusing a gift would offend or jeopardize a business relationship, the direct supervisor or local Compliance Officer should be consulted.

For more information ask your local Compliance Officer for the Ethics Policy or other local code of conduct or similar guidelines.

When offered entertainment that exceeds the standard local guideline on entertainment or when any doubt exists as to the appearance of impropriety, the direct supervisor or local Compliance Officer must be consulted.

Offering Gifts or Entertainment

Ahold associates may not give gifts that exceed customary courtesies common under accepted ethical business practice. In general, gifts (cash or non-cash) should not exceed EUR 50 or USD 60 (or equivalent in local currency) in value.

Ahold associates must follow conventional Ahold expense practices when entertaining a public official. The local standards are set in accordance with national laws and customs and in the letter and spirit of this Code.

For more information ask your local Compliance Officer for the Ethics Policy or other local code of conduct or similar guidelines.

When requested to offer entertainment that exceeds the standard local guideline on entertainment or when any doubt exists as to the appearance of impropriety, the direct supervisor or local Compliance Officer must be consulted.

International Bribery and Corruption

Bribing and corrupting public officials are serious crimes and punishable in many countries. They are counter to the free and fair competition to which Ahold is committed. Although Ahold is seated in the Netherlands, U.S. law regarding the corruption of public officials anywhere in the world has extraterritorial effect. It therefore applies to all Ahold companies and associates world-wide. In addition, as a result, all Ahold companies and associates world-wide must comply with United States law that prohibits the bribing of public officials. Ahold associates, either directly or indirectly, may not offer, promise, give, demand or accept bribes or other undue advantage to obtain or retain business or other improper advantage to or from anyone for any reason. Ahold associates may not make use of third parties to use subcontracts, purchase orders or consulting agreements as a means of paying bribes to public officials, business relations, or their relatives.

Unfair Business Practices

Ahold competes vigorously for business, but some conduct in the name of competition is not consistent with the law or Ahold's commitment to integrity. Never compete by using such unfair practices as:

- Disparaging or making false statements about competitors or their services;
- Stealing or misusing competitors' trade secrets;
- Cutting off a competitor's sources of supply;
- Inducing customers to break contracts with competitors;
- Requiring someone to buy from your company before we will buy from them; and
- Paying bribes to help your company's business or to hurt a competitor.

Accurate and Complete Books, Records and Accounting / Keeping Accurate Records

The integrity and completeness of record keeping is not only Ahold policy but also law. Records should be maintained to comply with applicable statutory, regulatory or contractual requirements, as well as according to prudent business practices. All of our financial transactions must be properly, accurately and fairly recorded. Management takes responsibility for the integrity of the records and uses internal and external auditors to assist in fulfilling that responsibility.

Other Codes of Conduct of Ahold operating companies may also contain specific rules on documenting different processes. Such rules are to be complied with at all times.

Preventing fraud is an important priority at Ahold, both to protect Ahold's reputation and to prevent losses. Fraud is defined as committing illicit or illegal acts involving money and/or goods to achieve financial benefit, to benefit oneself or others, at a disadvantage to the company or others.

Frauds and Thefts

It is Ahold's policy to ensure that incidents of fraud and theft relating to Ahold are promptly investigated, reported and, where appropriate, prosecuted. Any suspected incident should be immediately reported to an associate's direct supervisor or local Compliance Officer. The direct supervisor or local Compliance Officer or local top management will review the incident and advise regarding prosecution, if appropriate. No one may sign a criminal complaint on behalf of Ahold without prior written approval of the associate's direct supervisor or local Compliance Officer.

Improperly Influencing Audits

No associate of Ahold shall take any action, or cause any other person acting under the direction of such associate, including, without limitation, customers, vendors, creditors or advisors of Ahold, to take any action, to, directly or indirectly, fraudulently influence, coerce, manipulate, or mislead any accountant engaged in the performance of an audit or review of the financial statements of Ahold that are required to be publicly disclosed if it is reasonable to believe that such action would result in Ahold's financial statements being materially misleading. Such action would include offering or paying bribes, providing an auditor with misleading legal analysis or threatening to cancel or cancelling existing audit or non-audit engagements.

Work Environment / Treatment of Associates

Equal Employment Opportunity²¹

Ahold is an equal opportunity employer. Unlawful discrimination or harassment is prohibited. Decisions about recruitment, employment, promotion and termination are made on the basis of objective and non-discriminatory criteria.

Our businesses have long been culturally diverse and desirable places to work. Our companies recruit, hire, train, promote, discipline and provide other conditions of employment without regard to a person's race, color, religion, sex, age, national origin, sexual orientation, veteran status, citizenship status, marital status, parental status, political affiliation, disability or any other legally protected status. This includes providing reasonable accommodation for associates' disabilities or religious beliefs and practices.

In some countries, such as the U.S., violations of these standards can violate the law. In any case, these standards represent the values of our companies.

In the United States, a discrimination-free work environment also means taking affirmative action to increase employment opportunities for women, minorities, the disabled and certain veterans.

Harassment-Free Work Environment

Ahold will not tolerate sexual harassment, which involves the solicitation of sexual favors or the initiation of any unwelcome sexual advance by one associate toward another. Sexual harassment may also involve other sexually-related physical or verbal conduct, or the creation of a work environment that is hostile, intimidating or offensive to an individual or group because of gender. Ahold's managers, supervisors and executives must be alert to the possible presence of sexual harassment in the workplace. Appropriate steps must be taken to prevent sexual harassment. Complaints about sexual harassment can be made to an associate's direct supervisor, local Compliance Officer, Human Resource

²¹ U.S. Retail and U.S. Foodservice Codes of Conduct provide more detailed information and rules.

Department or to the Ahold Check-In Line, Signaallijn or Fair Play Line. Any complaints will be promptly, fairly and thoroughly investigated. Harassment, including threats, threatening behavior, intimidation, assaults and similar conduct, will not be tolerated by Ahold. Any threats or concerns about safety or the safety of others should be immediately reported to the associate's supervisor or manager. Firearms are not permitted on any Ahold facility.

Health, Safety and Security of Associates

All Ahold Group Companies are committed to providing you with a safe and secure work environment. Safety is especially important in manufacturing locations, which are subject to significant workplace safety regulations. Each work location has safety rules that must be followed. Our companies comply with all health and safety laws, as well as our own health and safety policies which go beyond what the law requires.

However, having safety rules is not enough. Our companies' commitment to safety means each of us needs to be alert to safety risks as we go about our jobs. All associates of Ahold companies, and the associates of other companies working on our premises, must know the health and safety requirements associated with their jobs.

A safe and secure work environment also means a workplace free from violence. Threats (whether implicit or explicit), intimidation and violence have no place at any Ahold company and will not be tolerated.

You should be familiar with and follow your company's policies regarding health, safety and security. You are urged to bring any unsafe practices – including threats or intimidation – to the attention of your supervisor or manager, local safety representative, Human Resources department, or to call the Ahold Check-In Line.

Employee Confidentiality

Protecting confidential information

Information on the company's activities, strategies and business data is proprietary. Unauthorized disclosure could damage the company or give unfair advantage to others. Ahold expects its associates to respect and actively protect the confidentiality of business information.

Drugs and Alcohol in the Workplace²²

Work requires clear thinking and often the ability to react quickly - the safety of fellow associates and consumers depends on it. Being under the influence of alcohol or drugs, or improperly using medication, diminishes an employee's ability to perform at his or her best. This is why the rules of each Ahold Company strictly forbid abuse of drugs and alcohol. Violations of these rules are taken very seriously.

If you observe any drug or alcohol abuse, you should report it to your supervisor, your Human Resources Department, or call the Ahold Check-In Line.

Child Labor and Forced Labor

We respect the fundamental rights of associates codified in local laws and by the International Labor Organization. These rights include freedom of association, prevention of forced and child labor, non-discrimination and equal remuneration for equal work.

²² U.S. Retail and U.S. Foodservice Codes of Conduct provide more information and rules.

Company Resources and Information

What We Aim For

You are responsible for using good judgment so that your company's assets are not misused or wasted. Company assets are intended to help associates achieve business goals. Careless, inefficient or illegal use of company property hurts all of us. Remember that all records you create as part of your work for the company are company property and are not part of your "personal records."

Outside Employment and Other Activities

Ahold recognizes that you have many activities outside of work and it encourages your involvement in your local communities. This Code does not restrict associates from engaging in legitimate and lawful activities outside of Ahold, including outside employment, provided that the following conditions are satisfied:

- ❑ the activity will not adversely affect the associate's performance of his or her duties and responsibilities at work and will be conducted outside of regular work hours;
- ❑ if the activity is of a nature that could present the potential for a conflict of interest, as described above, approval of the associate's direct supervisor or local Compliance Officer must be obtained;
- ❑ if the activity involves outside employment, the employment cannot be with or for the benefit of any organization, or any entity that is part of an organization, that competes with Ahold;
- ❑ if the activity involves outside employment, it must be disclosed to Ahold; and
- ❑ if the outside activity is membership on the Board of Directors or Supervisory Board of a for-profit organization, prior authorization must be obtained from the local Compliance Officer.

Proprietary Information

Associates are prohibited from (i) taking for themselves personal opportunities (intellectual property related or other opportunities) that are discovered through the use of Ahold's property or information or the associate's position, (ii) using Ahold's property or information or the associate's position for personal gain and (iii) competing with Ahold. Associates have a duty to Ahold to advance its legitimate interests when the opportunity to do so arises.

For more information on our policies regarding the use of company property, see your supervisor. For information on the use of company computers, see the Ahold U.S. Retail and U.S. Foodservice policies and/or your company's own policy.

Computer Use and Network Security

Computer technology - hardware, software, networks and the information that runs on them - is critical to business success. And everyone who uses a computer plays a role so that these resources operate as they should. This means all associates must:

- ❑ Use these computers responsibly for legitimate business purposes - any personal uses should be reasonable and kept to a minimum.
- ❑ Protect the security of computer systems.

Company Funds

How each associate uses company funds impacts profitability, so follow a simple rule: Protect company funds as you would your own, guarding against misuse, loss or theft. This includes making sure that all claims, vouchers, bills and invoices are accurate and proper.

Company funds include both cash and its equivalents, such as checks, postage, charge cards, bills, vouchers, reimbursements claims and negotiable instruments.

Insider Trading

Ahold associates and their family members may not execute transactions in Ahold securities, directly or indirectly, while in possession of material non-public information, nor may they disclose such information to others. Ahold has implemented a separate set of rules concerning inside information which are applicable to all relevant Ahold associates world-wide, as well as Ahold's joint venture partners. Ahold associates are also prohibited from trading in the securities of other public companies using material, non-public information learned through your work at Ahold.

Copies of the set of rules concerning inside information can be obtained through Ahold's Corporate Secretary at the Group Support Office in Zaandam, the Netherlands (email: enrique.boerboom@ahold.com).

Specific guidance on times when trading in Ahold securities is not permitted is provided to associates who hold information which, if published, could reasonably be expected to be of potential influence on the price of Ahold securities. Investor Relations and the Media Shareholders, financial analysts, creditors and others count on us to provide reliable information on our companies' operations, performance and outlook.

To protect the integrity of the information:

- ❑ Associates who are authorized to speak to investors and analysts on behalf of the Ahold Group of companies may not provide "special" or favored treatment of some. We must provide all members of the public equal access to honest and accurate material information.
- ❑ Only those associates specifically authorized to do so may respond to inquiries from members of the investment community (e.g. shareholders, brokers, investment analysts, etc.) and members of regulatory bodies. All such inquiries must be forwarded promptly to the Investor Relations Department of Royal Ahold or to your local communications department (who then can liaise with the Investor Relations Department of Royal Ahold).
- ❑ Media or press calls require careful consideration. No associates should talk about company matters with a reporter, either on or off the record without first contacting the Communications or Corporate Affairs Department at your operating company or Group Support Office in Zaandam, the Netherlands.

Unsolicited Ideas

Associates of Ahold are sometimes approached by third parties with ideas, products, services or suggestions they believe would be advantageous to Ahold. These ideas can involve packaging, promotions, advertising, business methods and other topics.

Unfortunately, if these "unsolicited ideas" are not properly dealt with, our companies risk liability. For this reason, do not accept, or in any way encourage, offers or unsolicited ideas, without first seeking advice.

This important rule does not generally apply to certain Ahold company suppliers, such as advertising agencies and some other consultants. Our companies also operate consumer feedback mechanisms that receive suggestions and comments according to special procedures. But if you are unsure whether an unsolicited idea falls into one of these categories, always seek advice.

If you are approached about an unsolicited idea, immediately notify your Legal Department.

Dealing With Suppliers and Customers

What We Aim For

We act openly and honestly - we say what we mean and do what we say. We treat others as we wish to be treated ourselves. We live up to our commitments to all of our customers, associates, suppliers and investors and we take responsibility for our actions. As a result, we earn each other's trust.

- ❑ **Act Customer:** Our customers are our lifeblood. We earn our customers' loyalty by delivering value and creating the best overall place to shop. We make every day a little easier for our customers, bringing them interesting and innovative shopping experiences. We are dedicated to serving both internal and external customers. We are positively engaged in the communities we serve.
- ❑ **Customer Service:** All of our companies strive to exceed customer expectations. We do so by listening to, anticipating and addressing customer needs and concerns. We provide accurate and relevant information to enable customers to make their own informed choices.
- ❑ **Product Quality and Food Safety:** All customers of Ahold companies are entitled to the highest possible level of food safety. Our companies have professional food safety policies and programs, based on sound scientific principles, practical operational procedures, state-of-the-art technology, associate training and consumer education. The products we sell meet or exceed legal and industry standards for consumer health and safety. Every associate is responsible for food safety.
- ❑ **Food Safety and the Code:** Food safety is a top priority at Ahold. We screen suppliers on the basis of their ability to provide the safest possible products and to live up to the spirit and letter of Ahold's business principles as set out in this Code and to other accepted standards of business conduct reflected in the Ahold companies' policies.

Privacy of Customer Information²³

We respect consumer privacy and protect personal data. Our business practices, marketing and advertising are ethical and honest. In the course of doing business, we may collect information on customers, consumers, suppliers, contractors, competitors or other third parties. We are committed to carefully protecting this information and using it only for legitimate Ahold business purposes. Associates who do not have a business reason to access this information should never seek to do so, and those that do have legitimate access should make sure that no unauthorized release or use of this information occurs. Customer and consumer privacy is an important area where rules are still developing globally. Ahold is committed to monitoring evolving privacy standards and may, from time to time, develop additional policies in light of them.

Communities and Society

What we aim for:

- ❑ **Socially responsible in every market:** We strive to be a socially responsible company in every market we serve and we work to positively impact the development of the communities where we do business.
- ❑ **Active dialogue:** We promote an active dialogue with organizations representing communities and society.
- ❑ **Involvement:** We encourage involvement by associates that contributes positively to the development of our communities.

²³ U.S. Retail and U.S. Foodservice Codes of Conduct provide more detailed information and rules.

- ❑ **Leverage:** Ahold supports projects and organizations that best address the needs of the community and, where possible, leverage the strengths of the company itself.

Regarding Public Authorities

- ❑ **Cooperation:** We cooperate with government authorities to provide relevant business information in the public interest.
- ❑ **Expertise in the public service:** Ahold associates may serve governments and official bodies in consulting or advisory positions when their expertise contributes to effective public policy.
- ❑ **Protect public health:** We cooperate with authorities to prevent serious threats to public health and safety.

Sustainability and Excellence

What We Aim For

- ❑ **Responsible company:** Ahold strives to protect public health and safety and the environment, and to operate in a manner contributing to the wider goal of sustainable development.
- ❑ **Reduce our own impacts:** We strive to reduce energy use, waste and the most significant impacts of our own operations on the environment.
- ❑ **Step-by-step improvement of products:** We work with suppliers to systematically improve the social, environmental and ethical quality of their products and production, in particular those sold under Ahold corporate brand names. In the long run we will favor those suppliers whose values and principles are aligned with our own.
- ❑ **Measuring and monitoring:** Ahold companies strive to drive improvement that creates value for the company and our stakeholders by:
 - Collecting data on environmental impact and performance,
 - Establishing measurable objectives,
 - Regular monitoring and verification.
- ❑ **Information:** Ahold companies provide the public and you with relevant and timely information on potential environmental, health and safety impacts of their activities.
- ❑ **Continuous improvement:** We work to improve environmental performance by encouraging:
 - Transfer of knowledge, technologies and best practices;
 - Supply chain innovation to address consumer and ethical concerns related to products;
 - Communication and information to promote consumer and associate awareness of environmental and sustainability issues;
 - Research on ways of improving Ahold's environmental performance.

Political Activity

We support participation by our associates in open and transparent political processes. Ahold associates who participate in local political activities must clearly separate their professional and political interests. Ahold and its associates may not make any improper contribution to candidates for public office, to political parties or other political interests which are not in accordance with the law or which would otherwise have the appearance of being improper. Any decision by Ahold associates to make political contributions will be made freely and voluntarily. Ahold companies may not reimburse associates in any way for political campaign contributions.

Government Inquiries or Investigations

It is Ahold's policy to fully co-operate with any government investigation. If you learn about a possible government investigation or inquiry, you should inform your direct supervisor or local Compliance Officer immediately. Ahold prohibits any associate from altering, destroying, mutilating or concealing a record,

document or other object, or attempting to do so, with the intent to impair the object's integrity or availability for use an official proceeding. Furthermore, Ahold prohibits any associate from otherwise obstructing, influencing or impeding any official proceeding or any attempts to do so.

Full and Fair Disclosure

Ahold is committed to full, fair, accurate, timely and understandable disclosure in reports and documents that Ahold files with, or submits to, the U.S. Securities and Exchange Commission and other regulatory authorities and in other public communications made by Ahold. Moreover, Ahold is committed to maintaining disclosure controls and procedures and internal financial controls and procedures that gather accurate information (financial and other) for public disclosure. This necessitates that the information supplied to Ahold's management by associates be accurate, complete and not misleading. Therefore, each associate has a duty to comply with Ahold's disclosure controls and procedures and financial controls and procedures that complete and accurate information (financial and other) is reported to the Disclosure and Compliance Committee to ensure full, fair, accurate, timely and understandable disclosure in Ahold's public filings and other public communications.

Any fraud should be reported immediately to management. In addition, any fraud involving senior executives, irrespective of the amount involved, or fraud in excess of EUR 25,000 should be reported to the responsible member of the Ahold Corporate Executive Board and the Senior Vice President Internal Audit.

Important Notice

Violations of this Code could have serious consequences to Ahold and its reputation. As a result, failure by an associate to comply with this Code will subject the associate to disciplinary action, including possible termination of employment.

Nothing herein should be construed as creating an employment contract or altering any associate's existing employment relationship with Ahold or any of its companies.

Benchmark

This Code is intended to serve the basic needs of all Ahold companies. Each Ahold company benchmarks - to the extent relevant - its own code of conduct against this Code and, where necessary, expands upon these basic guidelines to address specific local needs. Codes of conduct of each Ahold company are reviewed by the local general counsel and/or (Chief) Compliance Officer, as applicable.

A copy of this Code is filed as an exhibit to Ahold's annual report on Form 20-F and is also posted on Ahold's website www.ahold.com. Ahold reserves the right to amend or waive these principles at any time for any reason. Any such amendment will be posted on Ahold's website www.ahold.com. Any waiver of any of the principles contained in this Code with respect to Ahold's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer or Controller or persons performing similar functions either will be disclosed in a Form 6-K report filed with the U.S. Securities and Exchange Commission or will be posted on Ahold's website.

Regarding Investors and Financial Partners

- ❑ **Results come from customers and associates:** By providing excellent service to our customers and an excellent workplace for our associates, we will deliver the best results for our investors.

- ❑ **Responsible and professional money management:** We recognize our duty to manage investments in the company by investors and financial partners responsibly and professionally, with the goal of creating additional value through superior growth.
- ❑ **Prudent financing:** We finance our growth in a prudent manner in line with consistent financial ratios that are communicated with participants in the financial markets.
- ❑ **Transparent:** We provide timely, accurate and comprehensive information on our activities and developments in line with Ahold's disclosure policy and monitored by Ahold's Disclosure and Compliance Committee. We ensure that material information is available to all stakeholders at the same time. We strive for transparency to enable investors to make informed investment decisions. In doing so, we adhere to the guidelines and principles laid out in the Regulation Fair Disclosure, issued by the U.S. Securities and Exchange Commission.
- ❑ **International standards:** Ahold reports according to internationally accepted accounting standards.
- ❑ **Equal treatment of investors:** We are committed to the interests of both retail and institutional investors.
- ❑ **Broad research coverage:** We encourage analysts to provide research coverage with the goal of broadening the investment community's understanding of Ahold.

Employee Pledge and Accountability

Ahold is dedicated to maintaining the highest standards for honest, ethical business conduct. To this end, you are required to diligently follow the principles set forth in this Code in all of your business dealings on behalf of Ahold.

Telephone Numbers: Ahold Check-In Line, Signaallijn and Fair Play Line

In alphabetical order:

For Belgium: 0800-7-1084

For Czech Republic, the Fair Play Line: 800-142-643

For the Netherlands, the Signaallijn: 0800-0222169

For Poland, the Fair Play Line: 0-0-800-111-1550

For Slovakia, the Fair Play Line: 866-317-6261 (direct access number)

For Switzerland: 0800-56-1163

For the U.S., the Ahold Check-In Line: (888) 310-7715