



CSR business models and change trajectories in the retail industry

A Dynamic Benchmark Exercise
(1995-2007)



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Sustainability or Corporate Social Responsibility (CSR) is an important societal issue that also gains momentum in the food retail industry. Companies apply different strategies towards sustainability and can alter these over time. This report presents the findings of RSM research on (changes in) business models of CSR strategies within three leading Dutch food retailers as well as three leading European food retailers. The research reveals the level of internal and external alignment as important factors to understand the design and the development of the companies' CSR business model.

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Preface

Locating CSR as an integral element of the core business has become a common theme for European supermarkets. However the literature in retailing is remarkably silent on the categorisation of 'CSR' activities and how a consistent implementation in the retail organisation and in their distribution channels can be obtained. Most 'CSR business models' in the retail industry are largely prescriptive in nature, rather static, strongly oriented towards the management of the supply chain, with limited comparison potential: they tell firms what to do or how – in general – to respond to challenges and changes in the retail industry, but do not provide sophisticated analytical models to analyse the actual position of the company and delineate the trajectories to change positions.

The Dutch Supermarket Super de Boer has the ambition to become a leading retail organisation in the field of corporate social and environmental responsibility in The Netherlands. In order to reformulate the business proposition Super de Boer established a structural partnership relation with two leading Dutch NGOs, notably Stichting Natuur en Milieu (an environment and nature interest group) and OxfamNovib (a poverty alleviating interest group). In 2006 a strategic cooperation agreement was signed among these coalition parties, AgroTransforum, LEI, RSM and BMA. These parties financed an applied research project named Sustainable in the Retail. The objective of this project was to strengthen the NGO-retailer partnership with knowledge and experience in the field of sustainability and global agrofood production. This project consisted of 5 research tracks.

This report describes the findings of RSM/ LEI desk research on the third track of the innovation programme: the development of a CSR business model for the retail sector. The study contributes to the development of a retail specific framework in order to monitor and manage the transition towards a greener and more socially responsible business model for the retail sector.

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- Mr J.W. van der Schans, LEI
- Mrs E.M. van Mil, LEI

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A handwritten signature in black ink, appearing to read 'R.B.M. Huirne', written in a cursive style.

Prof Dr Ir R.B.M. Huirne
Director General LEI Wageningen UR

Summary

'CSR' - the acronym that is normally elaborated as 'Corporate Social Responsibility' - is considered by many to be the future of all organisations in general and the retail industry in specific. However, the literature in retailing is remarkably silent on the categorisation of 'CSR' activities and how a consistent implementation in the retail organisation and in their distribution channels can be obtained.

In this study three Dutch retailers: Albert Heijn, Super de Boer, C1000 and three European retailers: Coop, Tesco, Kesko have been thoroughly examined through a desk research. This has been done based on information published by the retailers, such as Annual and CSR reports, as well as what has been published about the retailers in several media such as newspapers and opinion magazines.

This study de-composes the various dimensions of the CSR concept at the level of individual firms in three ways:

(1) strategically: in the specification of four different – and equally relevant – elaborations of the CSR concept. These are characterised by different procedural attributes: inactive, re-active, active and pro-active. (Van Tulder with Van der Zwart, 2006) This helps to identify the various general CSR business models that exist in the retail sector nowadays.

(2) operationally: in the further elaboration of tools and measures by which companies can implement the various types of strategies. Therefore a model has been constructed with specified indicators. These indicators are relevant for six functional areas that also define six relationships with different types of primary stakeholders:

- Public Affairs (relationship with regulators/governments, communities);
- Human Resource Management (relationship with employees, trade unions);
- Marketing (relationship with customers and consumer organisations);
- Purchasing and logistics (relationship with first and second tier suppliers);
- Finance (relationship with shareholders);
- Strategy (relationship with competitors and business associations).

Moreover, special issues are identified that are relevant for retail and have an overarching influence on all functional areas. The relationship with special or secondary stakeholders (so called NGOs) requires particular operationalisation for: (1) Ecology; (2) Social and Human Rights; (3) Health; and (4) Development.

(3) *trajectories*: by delineating the various 'stages' of transition a corporation can be in.

It is explained how progress along the change trajectories requires both 'internal' and 'external' strategic and operational alignment. Individual firm migration paths do not operate in isolation. They are strongly influenced by at least three types of factors: (a) country, (b) industry, and (c) issue. However, as this research focuses on the retail sector only, the latter factor can be excluded.

The elaboration of all the relevant dimensions of business models in the retail industry helps to assess and compare the most important CSR challenges of retailers. Furthermore this facilitates a structured description and comparison through dynamic benchmarking of retailer's strategies. One of the questions that has been researched is: to what degree are the retailers internally and externally aligned?

Within each of six functional areas related to six kinds of primary stakeholders (general/PA; HRM; purchase; marketing; finance; strategy) the CSR approach of each of the companies are scored. In case of widely diverging scores, it is clear that the company has very basic and *operational internal alignment* problems. In case of strongly converging scores, the degree of functional internal alignment is high. Amongst all the functional areas, the 'average' CSR approaches per functional area of the company can be compared with each other. Diverging 'average' scores divided over several functional areas shows a considerable lack of *internal strategic alignment*. It depends, however, on the exact functional area (and related stakeholder) whether this can be considered as trigger or a barrier for change. The average internal alignment can act as a predictor for the average *external alignment*. This addresses the relations with secondary stakeholders (NGOs) on specific issues.

The results on internal and external alignment for each of the six retailers analysed, are as follows:

- *Ahold*

The move towards a more re-active internal alignment strategy over the years, did not allow for a very (pro-)active external strategy either. This indicates that the company has implemented a relatively coherent re-active vision on dealing with CSR issues (with some active elements in specific areas like health). The re-active stance makes the company vulnerable for continuous attacks from NGOs.

- *Super de Boer*

The rather in-coherent internal alignment strategy that was implemented by SdB over the years - following its financial difficulties - also had repercus-

sions for the external alignment strategy. Change trajectories, however, on average still point in a more active and pro-active direction; but here it seems that internal alignment should really precede external alignment, otherwise the company would remain stuck in the transition (the 'middle') which is a particularly difficult position to manage.

- *C1000*

The attitude of C1000 towards external stakeholders has been inactive and re-active at best, which seamlessly follows its internal alignment strategy. The company has adopted a clear strategy: focused on low prices and not on CSR. This has resulted in customers who are only marginally interested in CSR issues. As such NGOs have not inflicted much reputation damage yet with their campaigns. However, this also implies that the company will remain the subject of NGO campaigns and will face difficulties in encouraging its employees and suppliers to work for or with the company. This might, for instance, create problems with sustaining the quality levels needed to adhere to food safety demands.

- *Kesko*

The rather coherent external alignment strategy of Kesko is supported by some of the functional areas of the company, in particular community relations and HRM. As regards finance, there is a tendency towards incoherent internal alignment. So the company still faces substantial (internal) coordination problems before it can be considered to be a wholly 'sustainable' company.

- *Coop*

The very coherent pro-active external alignment of Coop goes together with a relatively coherent and pro-active internal alignment. Only financial considerations had to be classified as in/re-active. This has been the average score for all retailers, however. It can be concluded therefore that in particular Coop might serve as a good example for other retailers who wish to pursue a more pro-active CSR strategy. The importance of combined internal and external alignment is also illustrated by the Coop case. The big question for this case is whether the finance department's trailing stance towards CSR - at least in the assessment model for this study - will prevail once the company enters into rougher financial weather, for instance as result of the international credit crisis.

- *Tesco*

Faces some severe in-coherence in its external alignment. On several issues such as environment the company has identified opportunities and taken

many interesting (and active) initiatives, whereas in other instances the company behaves rather re-active. This corresponds with the incoherent nature of its internal alignment strategy. The company is having difficulties with aligning some active intents, expressed through its KPIs with a re-active strategy. Major challenge for Tesco, therefore, is how to create coherence through increased coordination and sustain the transition towards a more pro-active approach. Interestingly enough, the company does seem the only in our sample that has created the financial preconditions for such a move.

Before starting this research project it was suggested that *formulae based on low prices - quality or hard discount - would be very likely to place less emphasis on CSR and as such tend to be more inactive or re-active compared to formulae that focus on a higher level of service or price*. The extensive portraits of the six retailers, however, show that this hypothesis should be - at least partly - rejected. A quality discount formula like Tesco does not have a more inactive approach towards CSR than a service oriented formula such as Ahold or Kesko. On the other hand, a service oriented approach like Coop, clearly stands out as the best-practice of active/pro-active CSR. For the Dutch retailers in the sample the hypothesis holds more true. C1000 is classified as a formula with a lower level of service than Super de Boer or Albert Heijn and indeed has developed stronger focus on inactive CSR strategy. The limited sample size might influence the results here. There are already indications that hard discounters like Lidl or Aldi in the Netherlands have been adopting active CSR strategies in areas such as fish and coffee, giving them a USP in these areas. So, certainly at an international level, pro-active CSR strategies do not have to be confined to the high-end of the market retailers only.

This research has shown that it is in particular the link between internal and external alignment that creates the pre-conditions for an effective CSR strategy. The degree of cohesion seems an important factor in explaining the nature of the CSR strategy. Although, in particular the cohesion ranking is flawed by a lack of indicators for the foreign firms, there is an interesting general corollary to be drawn: the more cohesive CSR strategies are, the lower they score. The only exception is Coop in this respect. This finding suggests that the area of CSR is still in considerable flux and far from mature. Those companies that dare to take major steps towards a more active and/or pro-active position, also face considerable coordination (cohesion) problems. This is typical for a transition period. Those companies that search for a more coherent strategy have more difficulty in making the transition towards higher degrees of CSR.

Additionally, throughout the analysis the institutional setting of a country as well as the nature of the economy have been regularly presented as explanatory variables for different transition trajectories:

- Differences in labour regulation explain for variance in particular in HRM approaches; which in turn – in particular for firms that strive for high degrees of cohesion – have a strong influence on other functional areas such as purchasing, but also affect human rights issues with secondary stakeholders. Weakly developed labour laws in a country negatively affect the CSR approach as the example of Tesco could indicate.
- Legal provisions of for instance whistleblowers and other corporate governance dimensions, certainly have had an effect on the fact that companies mention these aspects, but do not really define whether companies adopt really active and/or pro-active policies. It can be even suggested that corporate governance rules that are not enforced lead to lip-service being paid to these principles, but poor enforcement.
- The closed or open nature of an economy has influence. The relatively closed nature of the Swiss and Finnish retail market – in combination with a tradition of more cooperative relationships with stakeholders - has provided more positive preconditions for CSR than for countries with a more open economy and harsher competition. In more closed economies, consumers also seem more CSR minded than in the more open economies. Further research is needed here.
- The national context plays a decisive role in case retailers decide to engage in a price war for maximum market share, as was the case in the Netherlands. In other countries, this factor was less strong.

Finally, does the issue affect the approach? The cases show that issues indeed can move up or down the priority ladder of corporations, thus influencing their CSR strategy. The issue of global warming clearly triggered not only lots of media attention, but also firm strategies. The more inactive firms, however, generally developed also a more inactive approach to this issue as well, relatively independent of their involvement in (and responsibility for) the issue. Saving on plastic bags in this respect is relatively marginal and aligns with a reactive approach, whilst completely integrated approaches to CO₂ reduction - for instance by embracing the cradle-to-cradle concept - signal a move to more inclusive and active/pro-active business models. The more concrete labels and trademarks have been developed, the higher the chance has been that retailers

embrace these concepts. Retailers with higher degrees of CSR involvement, combined with high cohesion, have gone furthest in this at the moment.

This study has had substantial heuristic value. The model for classifying CSR strategies and linking this to internal and external alignment and cohesion has been partially validated. Problems appeared when trying to compare the strategies in different countries, but in particular when the actual research was performed by different persons. In case companies were studied by different researchers, differences in interpretations of positions and trajectories of the retailers appeared.

The research concludes with several hints to upgrade the model in order to make it easier to implement and take international differences more into account. This is combined with a model for surveys in order to retrieve information that cannot be found in reports or media articles. When these additions are applied it should lead to more in-depth insights into the CSR strategies of (retail) companies in further research.

1 Introduction: aim and organisation of this study

1.1 Introduction: pinpointing a catch-all concept

'CSR' - the acronym that is normally elaborated as 'Corporate Social Responsibility' - is considered by many to be the future of all organisations in general and the retail industry in specific (Van Mil, 2007). 'Locating CSR as an integral element of the core business' (Jones et al., 2005: 891) for instance has become a common theme for British supermarkets like Tesco, Marks and Spencer or Sainsbury's. However, according to Cerne (2004) and others, the literature in retailing is remarkably silent on the categorisation of 'CSR' activities and how a consistent implementation in the retail organisation and in their distribution channels can be obtained. Most 'CSR business models' in the retail industry are largely prescriptive in nature, rather static, strongly oriented towards the management of the supply chain, with limited comparison potential: they tell firms what to do or how - in general - to respond to challenges and changes in the retail industry, but do not provide sophisticated analytical models to analyse the actual position of the company and delineate the trajectories to change positions (cf. Van Mil, 2007).

A generic business model should in principle be

'a concise representation of how an interrelated set of decision variables [...] are addressed to create sustainable competitive advantage in defined markets' (Morris et al., 2005:727).

A generic business model describes how the *components* of the firm's strategy address the creation of competitive advantage. A specific CSR business model, consequently, should describe how the relevant components of a firm CSR strategy are aligned both internally and externally and what this implies for the competitive position of the company. The model chosen can be either effective or ineffective both strategically as well as for the corporate CSR orientation. The literature on the qualities of business models focus on rather static situations (cf. Zott and Amit, 2007), while the literature on CSR business models adds a considerable amount of conceptual unclarity to that state-of-affairs. Most

of the CSR literature is still focused on assessing whether there is a correlation between corporate social and corporate financial performance as the definition of the most successful business model (cf. Van Tulder with Van der Zwart, 2006: chapter 8).

'CSR' in practice proves a catch-all and static concept. This confuses the discussion on the issue because everybody is referring to something else. As a catch-all category it becomes meaningless and often confuses strategic intent - the strategies proclaimed - with strategic reality - the actual strategies developed - making it extremely difficult to distinguish Public Relations (or window dressing) language from real strategies. In addition, the static nature of models make it difficult to assess the particular stage a company is in along a transition trajectory as well as understand the dynamics that this particular stage involves. A hampered description of the actual dynamism of transition trajectories, makes it also impossible to move from solid description to prediction and even prescription. CSR businessmodels of companies should include strategies and intentions in order to understand the facilitating and hampering factors for implementing advanced CSR strategies. So it is vital to delineate the various dimensions of CSR *before* doing research on the intended as well as the realised strategies

It is the aim of this study to de-compose the various dimensions of the CSR concept at the level of individual firms in three ways:

1. *strategically*: in the specification of four different - and equally relevant - elaborations of the CSR concept;
2. *operationally*: in the further elaboration of tools and measures by which companies can implement the various types of strategies;
3. *trajectories*: by delineating the various 'stages' of transition a corporation can be in.

This study should help (a) to identify the various general CSR *business models* that exist in the retail sector nowadays and (b) *specify further indicators* per functional area that should help to (c) assess and compare the most important CSR challenges and trajectories of retailers. The elaboration of all the relevant dimensions of business models in the retail industry should facilitate a *structured description* and *comparison/benchmarking* of retailer's strategies around the world.

1.2 Report contents

This report consists of four remaining chapters. In chapter 2, the general strategic framework for CSR business models is portrayed. Four different approaches (or strategies) to CSR are delineated. Three ways of portraying these four different approaches are identified. Furthermore, the transition trajectories that exist between these four basic approaches are specified and it will be explained how progress along the change trajectories requires both 'internal' and 'external' strategic and operational alignment. The rationale for a 'dynamic benchmarking' exercise will be explained and the selection of seven retailers elaborated.

Chapter 3 operationalises these four dimensions for the retail industry in general and for six functional areas that also define six relationships with different types of *primary stakeholders*:

1. Public Affairs (relationship with regulators/governments, communities);
2. Human Resource Management (relationship with employees, trade unions);
3. Marketing (relationship with customers and consumer organisations);
4. Purchasing and logistics (relationship with first and second tier suppliers);
5. Finance (relationship with shareholders);
6. Strategy (relationship with competitors and business associations).

Chapter 3 considers in particular whether firms have been capable of organising sufficient 'internal alignment' to accommodate specific CSR strategies within the firm.

Chapter 4 addresses a number of special issues that are relevant for retail and have an overarching influence on all functional areas. The relationship with special or secondary stakeholders (so called NGOs) requires particular operationalisation for: (1) Ecology; (2) Social and Human Rights; (3) Health; (4) Development. Consequently, chapter 4 considers in particular what 'external alignment' strategies retail firms have engaged in. In chapter 5 concluding remarks and suggestions for further research are presented.

1.3 Methodology

General literature search

First a research of concepts used in the literature concerning CSR in the retail sector was executed. This literature search was conducted as an addition to the

previous literature study by Van Mil (2007). Combined, these two researches give a rather exhaustive overview of academic writing on CSR in the retail industry. The exercise focused on most recent developments, i.e. after 2000.

The following search terms were chosen. They were the same as those used in the research of van Mil (2007):

- retail/supermarket/food industry;
- strategic management/strategy;
- retail management;
- corporate social responsibility/CSR/responsibility/sustainability;
- ethical trade/fair trade/organic;
- supply chain management/strategy;
- chain liability/chain responsibility;
- sustainable business.

The following additional journals were selected:

- Corporate Reputation Review;
- Journal of Marketing Management;
- Journal of Brand Management (from September 2001 on, due to limited availability in databank);
- International review of retail, distribution and consumer research;
- Academy of Marketing Science Review;
- Academy of Management Journal;
- Strategic Management Journal;
- Journal of Business Ethics;
- Journal of International Business Studies.

Retailer information sources

This report uses examples from detailed and structured case studies of six retailers:

- Albert Heijn/Ahold (The Netherlands);
- Super de Boer (The Netherlands);
- C1000 (The Netherlands);
- Kesko (Finland);
- Coop Schweiz (Switzerland);
- Tesco (UK).

These firms were first selected because of data availability. In the Netherlands this resulted in the inclusion of Super de Boer, Ahold and C1000 and exclusion of family owned corporations like Jumbo which did not want to cooperate in sharing business data and proved difficult to desk-collect data on due to limited availability of public data. Secondly, leading retailers of two other small European countries (Finland and Switzerland) were chosen as basis of comparison for the Dutch case studies. In smaller countries the retail sector faces comparable challenges: smaller domestic market, well educated customers, general climate that is favourable - but also critical - for CSR. Finally, the British company Tesco was chosen to include a case from the leading country in CSR retailing.

For each of these retailers, data on their internal and external alignment strategies were collected for the 1995-2007 period in order to (1) validate the original model that delineates four basic CSR strategies and (2) document the 'transition trajectories' that these firms have gone through. Interviews with managers of the firms are planned for a next phase of the research.

Table 1.1 gives an overview of the information sources that have been used for collecting the retailers' statements on their own CSR approach. Not all information was available for all years. We chose to check for the first CSR or Annual report available from 1995 onwards. This turned out to be available mostly at around 1998, followed by the first available information source after 2000 as next reference point. Finally, where possible the reports of 2005, 2006 and 2007 were chosen as the most recent reference points. The reports and other information sources have been analysed from most recent versions backwards. This allows for tracking back the changes that have occurred over time. All indicators have been researched on three elements: what is the intention or motivation of the company, what is the process or policy described and what are the results (if available)?

Table 1.1		Retailer information sources used			
	CSR report	Annual Report (AR)	Websites	Press statements	Extra info
Albert Heijn/Ahold	2007, 2005, 2002, 1998	2007, 2006, 2005, 2002	www.ahold.com, www.ah.nl	2008 - 1999	Ahold Global Code of Professional Conduct and Ethics 2005 Ahold Policy on Inside Information and Securities Trading 2007 Albert Heijn Bewust en Betrokken -ondernemen in de samenleving 2007
Super de Boer (formerly Laurus)	2005	2007, 2006, 2005, 2000, 1998	www.superdeboer.nl, www.laurus.nl	2008 - 1998	Klokkenluidersprocedure Super de Boer NV 2004, Super de Boer Gedragscode 2007
C1000/Schuitema	Not existent	2007, 2006, 2005, 2001	www.c1000.nl, www.schuitema.nl	2008 - 2001	Klokkenluidersregeling Schuitema NV 2006, Schuitema Reglement inzake voorwetenschap 2007 Gedragscode Schuitema 2004
Tesco	2008, 2007, 2006, 2002	2008, 2007, 2006, 2000, 1995	www.tesco.com, www.tescopl.com	2008 - 2000	-
Coop	2007	2007, 2003	www.coop.ch	2008 - 1995	Garry Cronan, Corporate Social Responsibility: the cooperative difference (2006)
Kesko	2007 - 1997	2007 - 1997	www.kesko.fi	2008 - 1997	Interviews of the Kesko's CSR advisor, CSR developer and stakeholders (NGO and governmental)

Media analysis

In addition, a media analysis was undertaken for each firm over the same period. A number of leading economic journals were systematically consulted for coverage of important 'events' concerning the six companies and comments on the way they were perceived to handle CSR and/or sustainability challenges. Media coverage is particularly helpful in finding out how 'secondary stakeholders' relate to the company and thus should help in documenting external alignment trajectories. The media scan also focused on the question whether different (secondary) stakeholders were linked to different functional parts of the CSR business model.

Table 1.2 represents the 'hits' found in the media search using the Lexis Nexis database. In order to get a full overview of the CSR-related topics, the various stakeholders and various issues have been used as search terms. The timeline for the search was 1 January 1995 until 1 September 2008 and the following newspapers and opinion magazines were selected:

- *Het Financieele Dagblad* (FD) - Dutch;
- *NRC Handelsblad* (NRC) - Dutch;
- *Elsevier* (Els) - Dutch;
- *Financial Times* (FT) - English;
- *The Economist* (Ec) - English.

In order to filter for the most relevant articles, the names of the companies coupled with the stakeholders, have been used as search terms. Depending on the language of the media source, these search terms were translated. A row has been added to show the number of hits if only the name of the company was used. This allows for comparisons with the number of hits for each separate stakeholder and helps to identify the relevance of the selected search terms. Throughout the case analyses the media quotes were used as a qualitative tool for identifying possible causes and consequences for strategic transitions.

Search terms	Media sources						Company
	<i>FD</i>	<i>NRC</i>	<i>Els</i>	All Dutch	<i>FT</i>	<i>Ec</i>	
Company name	>3,000	>3,000	1,113	>3,000	1,489	65	AH
	2,019	895	179	>3,000	44	1	SdB
	884	536	82	>3,000	7	0	C1000
	525	139	10	0	>3,000	335	Tesco
	8	21	0	0	53	6	COOP

Table 1.2		Results Lexis Nexis media search: number of hits (continued)					
Search terms	Media sources						Com-pany
	<i>FD</i>	<i>NRC</i>	<i>E/s</i>	All Dutch	<i>FT</i>	<i>Ec</i>	
Duurzaamheid/ sustainability	53	25	12	185	8	1	AH
	9	4	0	111	0	0	SdB
	3	1	0	57	0	0	C1000
	0	3	0	0	89	1	Tesco
	0	1	0	0	2	0	COOP
Gemeenschap/ community	27	53	19	686	41	0	AH
	4	4	3	141	0	0	SdB
	3	2	0	166	0	0	C1000
	1	1	0	0	14	0	Tesco
	0	0	0	0	4	0	COOP
Werknemer/ employee	774	637	186	>3,000	96	24	AH
	140	108	29	2,246	0	0	SdB
	54	44	15	1,149	0	0	C1000
	36	15	0	0	537	33	Tesco
	2	0	0	0	8	0	COOP
Leverancier/ supplier	467	265	61	>3,000	133	24	AH
	164	53	20	1,766	3	0	SdB
	62	32	9	1,207	1	0	C1000
	40	7	1	0	919	51	Tesco
	2	1	0	0	3	0	COOP
Klant/ customer	680	474	123	>3,000	177	26	AH
	142	81	27	>3,000	5	0	SdB
	96	64	15	>3,000	1	0	C1000
	3	1	4	0	2,191	119	Tesco
	1	3	0	0	11	0	COOP
Aandeelhouder/ shareholder	1,460	734	273	>3,000	438	50	AH
	460	157	48	2,795	20	0	SdB
	120	40	7	855	2	0	C1000
	73	20	2	0	1,041	46	Tesco
	3	2	0	0	0	0	COOP

Table 1.2		Results Lexis Nexis media search: number of hits (continued)					
Search terms	Media sources						Com-pany
	<i>FD</i>	<i>NRC</i>	<i>Els</i>	All Dutch	<i>FT</i>	<i>Ec</i>	
Concurrent/ competitor	716	393	57	>3,000	71	24	AH
	247	146	17	>3,000	1	0	SdB
	96	70	5	1,673	0	0	C1000
	74	22	1	0	712	44	Tesco
	0	3	0	0	1	0	COOP
Maatschappelij- ke organisatie/ NGO	0	2	0	11	1	0	AH
	0	0	0	4	0	0	SdB
	0	0	0	3	0	0	C1000
	1	1	0	0	34	2	Tesco
	0	1	0	0	7	0	COOP
Milieu/ environment	163	164	52	2,847	89	4	AH
	23	14	2	557	3	0	SdB
	16	15	1	541	0	0	C1000
	10	7	0	0	705	24	Tesco
	3	4	0	0	7	0	COOP
Gezondheid/ health	117	145	50	2,049	76	16	AH
	23	14	5	355	2	0	SdB
	12	10	3	348	0	0	C1000
	11	9	1	0	763	43	Tesco
	1	0	0	0	9	0	COOP
Mensenrechten/ human rights	0	1	0	13	8	0	AH
	0	0	0	1	0	0	SdB
	0	0	0	0	0	0	C1000
	0	0	0	0	49	4	Tesco
	0	0	0	0	3	0	COOP
Ontwikkeling niet duurzaam /development not sustainable	683	311	103	>3,000	154	9	AH
	129	29	12	1,375	7	0	SdB
	3	0	0	10	0	0	C1000
	54	8	0	0	1,260	28	Tesco
	1	3	0	0	12	0	COOP

No results for Kesko are presented in the table, as the specified sources did not supply enough relevant hits. Instead, for Kesko use has been made of several Finnish sources such as Talouselämä, Kauppalehti, Taloussanomat. For Coop the hits were too limited for which more specific websites such as www.swissinfo.ch have been used as an external source. Full accounts of each case study can be found in Appendix [B]. Summaries of the results of the case studies will be used throughout the text of this report.

1.4 The value of dynamic benchmarking

This study applies what can be called a 'dynamic' exercise. Benchmarking CSR can serve several purposes (cf. McIntosh et al., 1998). First, it can enhance transparency. Through benchmarking, companies are given a 'mark' for their (in)actions and achievements, which enables stakeholders to judge how responsible a specific company is. This can stimulate the stakeholder participation and contribute to an open dialogue. Moreover, while it could benefit the stakeholders, it can also benefit the company itself. It enables the company to signal its CSR efforts. The score is a means for the company to show its stakeholders that it behaves in a responsible way. Without such a benchmark, it is much more difficult. The company itself could report about its responsible behaviour, but a benchmark of independent outsiders (academics or agencies) will be much more credible for the stakeholders.

Second, benchmarking improves the accountability of the company vis-a-vis its stakeholders. When a score can be constructed, it is much easier for stakeholders to confront the company with its actions and compare that with actions over time. The benefit of accountability also applies to the company itself. Through the score, the company is able to identify weaknesses and hold some employees responsible for the CSR achievement.

Third, benchmarking enhances the possibility of cross-company comparison. This enables the stakeholders to compare the various companies. The enhanced comparability can also be an advantage for the company itself. Management can judge the progress compared with last year and identify bottlenecks with respect to CSR implementation. Management can also compare its score with the one of other companies. This gives the company a better insight on opportunities to compete with others on the basis of CSR.

Fourth, benchmarking is relatively simple in case it boils down to one overall score or ranking. This simplicity implies, however, a rather high level of abstrac-

tion. The company will be judged more superficially and more statically than when, for example, a story is told about each company and their efforts to manage change.

Fifth, benchmarking provides a systematic approach to judge the overall contribution of the company, without focussing too much on incidents (as the media approach does). CSR relates to a set of highly diverse dimensions of the behaviour of companies. Although companies that spend attention on CSR have a lower probability on accidents that attract a lot of attention in the media, such events can yield a very unbalanced view on the total achievement of the company. A systematic benchmark of all relevant aspects of the behaviour of the company will consequently produce a much more balanced view on the quality of its CSR policy.

The biggest problem with benchmarking techniques, however, is that they often represent a rather 'static' technique. It is difficult to document the dynamics of transition trajectories, whilst also assessing intermediate positions of organisations along these trajectories. Furthermore, benchmarking techniques often have a strong tendency towards 'prescriptive' and 'best-practice' reasoning: on the basis of a best-practice example, a benchmark is delineated that consequently functions as a framework for the analysis of other organisations.

The researchers can then fall into the trap of the 'advisory disease': a too limited analytical framework for the analysis of complex processes (cf. Van Tulder, 2007). This is also detrimental for the study of transition management processes (cf. Loorbach, 2007). So this research project has to deal with the challenge to come up with some measure of 'dynamic' benchmarking that is primarily descriptive and not prescriptive in nature.

2 Four approaches to CSR

2.1 Introduction

This chapter aims at identifying the most relevant strategic dimensions of CSR business models. Notwithstanding the multitude of concepts and business models that have been introduced over the years (cf. chapter 1), four approaches to CSR can be considered to have received most attention (cf. Van Tulder with Van der Zwart, 2006). They can be characterised by different procedural attributes: inactive, re-active, active and pro-active (Table 2.1).

INACTIVE	RE-ACTIVE	ACTIVE	PRO-ACTIVE
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
Inside-in	Outside-in	Inside-out	In/outside-in/out
<i>'doing things right'</i>	<i>'don't do things wrong'</i>	<i>'doing the right things'</i>	<i>'doing the right things right'</i>
<i>doing well'</i>	<i>'doing well and doing good'</i>	<i>'doing good'</i>	<i>'doing well by doing good'</i>
<i>'just do it'</i>	<i>'just don't do it'</i>	<i>'do it just'</i>	<i>'just do it just'</i>
Efficiency	Limit Inefficiency	Equity/Ethics	Effectiveness
Utilitarian motive: Profit maximisation	Negative duty approach: Quarterly profits and market capitalisation	'Positive duty' or 'virtue based': Values (long-term profitability)	Interactive duty approach: Medium-term profitability and sustainability
Indifference	Compliance	Integrity	Discourse ethics
Economic Responsibility [Wealth oriented] Narrow (internal) CSR		Social Responsibilities [Welfare oriented] Broad (external) CSR	

These approaches have emerged at different stages of societal development and in different industry contexts. They are neither mutually exclusive nor

do they represent 'best' practice models.¹ Each approach has its own orientation, logic and proponents.

The *inactive* approach reflects the classical notion of Friedman that the only responsibility companies (can) have is to generate profits.² This is a fundamentally inward-looking (inside-in) business perspective, aimed at efficiency and

¹ The literature on corporate social performance (CSP) in particular employs a range of concepts to elaborate on the catch-all term 'corporate social responsibility'. This conceptual ambiguity contributes to the confusion on the terminology as regards processes and principles of CSR. Usually, they are separated from each other and categorised differently. But processes and principles (as well as the outcomes) of CSR are strongly interrelated. This prompted us to 'relabel' and 'reclassify' some of the concepts used in order to come to sharper distinctions for instance between various international CSR orientations (see the remainder of this chapter). In the Corporate Social Performance model of Wood (1991), 'processes of social responsiveness' are separated from the 'principles of social responsibility'. 'Responsiveness' can, however, also be considered as a principle of CSP. The sharp distinction between 'processes' and 'principles' therefore obscures more than it reveals. When classifying the organisational attitudes linked to processes of 'Corporate Social Responsiveness' Carroll (1979) and Wartick and Cochran (1985) - and many in their wake - use concepts like 'reactive', 'defensive', 'accommodative' and 'proactive'. Post (1979) was the first to introduce the distinction between 'reactive', 'proactive' and 'interactive'. These attributes are not linked to the principles of CSR or their outcomes and often overlap. In various other publications in the Business and Society literature, comparable inactive/reactive/proactive/interactive frameworks have been used. Originally introduced by Preston and Post (1975), Waddock (2002) and Lawrence et al. (2005) have further discussed and elaborated these categories. Mitnick (1995) suggests that firms historically may have passed through three alternative stances in their relationship with society: from corporate social responsibility (CSR1), via corporate social responsiveness (CSR2), to corporate social rectitude (CSR3). In the retail industry Piacentini et al. (2000) developed a classification in 'defensive/reactive/proactive' 'responses'; GTZ AgenZ (2006) identified 'drivers/operators/minimalist/calculators' which can be translated into 'pro-active/active/re-active/inactive' according to Van Mil, 2007: 45); Maignan, Hillebrand and McAlister (2002) specify four types of Responsible Buying (SRB) 'reactive', 'defensive', 'accommodative' and 'pro-active'.

² According to Milton Friedman, the (grand) father of monetarism, it should be business as usual. A company has only one responsibility: 'to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception and fraud' (Friedman, 1962). More succinctly formulated: 'the business of business is business' (*ibid*). Or as the heading of a *New York Times Magazine* article (September 13, 1970) by the same author read 'The Social Responsibility of Business is to Increase its Profits'. Entrepreneurs are socially accountable only to shareholders and should maximise profits to the best of their ability. All other notions of primary corporate responsibilities would lead to non-rational actions, market distortions, the sub-optimal functioning of the market and ultimately a decline in social welfare. Friedman not only considers the current attention to the social responsibility of firms 'soft', but also wrong. In managing their companies, entrepreneurs should not venture beyond the boundaries of their core competencies. According to the economist and Nobel Laureate, one can even regard a company that concerns itself with 'other social responsibilities' as 'subversive' (*Volkscrant*, 3-9-2002). One should simply allow the market and its players to go about their business, and thus contribute to welfare maximisation and a 'better world'.

competitiveness in the immediate market environment.¹ Entrepreneurs are particularly concerned with

'doing things right; no fundamental or ethical questions are raised about what they are doing. The focus is largely on products and/or services provided: fast production, clever marketing, innovation in time and patenting or not. Good business from this perspective equals operational excellence. CSR thus amounts to 'Corporate *Self*Responsibility'.

The slogan of sportswear manufacturer Nike, 'Just Do It!' is in line with this type of reasoning. The motivation for CSR is primarily *utilitarian* (Swanson, 1995), derived from so-called 'consequential ethics' where the focus is on the end result, rather than the means by which it is achieved. In this goal-oriented approach, CSR is aimed at profit and sales maximisation, return on investment and sales.

A slight variation on the inactive attitude is the *re-active* approach, which shares the focus on efficiency but with particular attention to not making any mistakes. This requires an outside-in orientation where entrepreneurs monitor their environment and manage their primary stakeholders so as to keep mounting issues in check without otherwise allowing it to give rise to fundamental changes in the business philosophy and primary production processes. Entrepreneurs are socially responsive and respond specifically to actions of external actors that could damage their reputation. Corporate philanthropy is the modern expression of the charity principle and a practical manifestation of social responsiveness (Post et al., 2002: 89). During their protests campaigns against Nike for using suppliers in South East Asia whose factories allegedly resembled 'sweatshops', NGOs and activists rephrased the Nike slogan as: 'Just Don't Do It!' to get their message across (*The Economist*, 14 December 2002). In this approach the motivation for CSR is primarily grounded in 'negative duties' where firms are compelled to conform to stakeholder-defined norms of appropriate behaviour (Maignan, Ralston, 2002). The concept of 'conditional morality' (cf.

¹ An excellent business example of this idea is Robert Eaton, the CEO of Chrysler, who declared that 'companies that focus on making money become more competitive, and that in turn means more economic growth, and more jobs, and all the other results that 'stakeholders' care about' (quoted in Reich, 1998).

Basu, 2001), in the sense that managers only 're-act' when competitors do the same, is also consistent with this approach.

An *active approach* to CSR represents the most 'ethical' entrepreneurial orientation. Entrepreneurs who pursue this approach are explicitly inspired by ethical values and virtues (or 'positive duties') on the basis of which company objectives are formulated. These objectives are subsequently realised in a socially responsible manner regardless of actual or potential social pressures by stakeholders. Such entrepreneurs are strongly outward-oriented (inside-out) and they display a certain 'missionary urge' which sometimes makes them heroes to NGOs but often an annoyance to 'true' entrepreneurs.¹ Entrepreneurs that adopt an active CSR approach share a strong orientation towards justice that is motivated by a healthy and clean environment, social equity, social progress and so forth. They are set on doing 'the right thing'.² While these entrepreneurs may have terrific relationships with NGOs, they do run the risk of neglecting business efficiency and jeopardising the continuity of the company. Nevertheless, they often serve as a positive 'business case' showing how 'ethical entrepreneurship' is possible, often for smaller companies or organisations, leaving bigger organisation with the major challenge how to align frontrunner activities and/or managers with other corporate areas.

2.2 From Triple-P to Triple-E: towards an Effective/optimal approach

All three perspectives on CSR have their managerial shortcomings: purely ethical business practice can result in managers doing the 'right things' wrong, while competitive market oriented business practice can lead managers to do

¹ Anita Roddick is the stereotypical example of this approach. As founder of 'The Body Shop', an international enterprise which is grounded in ethical principles - and as formulated in her book *Business as (Un)usual* - she formulates her business principles as follows: 'The business of business should not just be about money, it should be about responsibility. It should be about public good, not private greed' (Roddick, 2000). Or: "inaction is no longer an option. If WE don't act, who will?" (ibid) This formulation is clearly the anti-thesis of the Friedman approach.

² US retailer Home Depot has even adopted this as its sales' motto: 'Doing the right thing instead of just doing things right' (2003 Corporate Citizenship Report). Compare this to the strictly efficiency oriented motto we found in one of the Chinese subcontractors to the toy industry: 'Do it right. Do it right now!' Another example in the retail sector is provided by the statement of Wal-Mart's CEO Lee Scott who stated in a general meeting with his employees 'we should not just do things right, but also do the right things!' (see the documentary *The high cost of low Prize*, 2004).

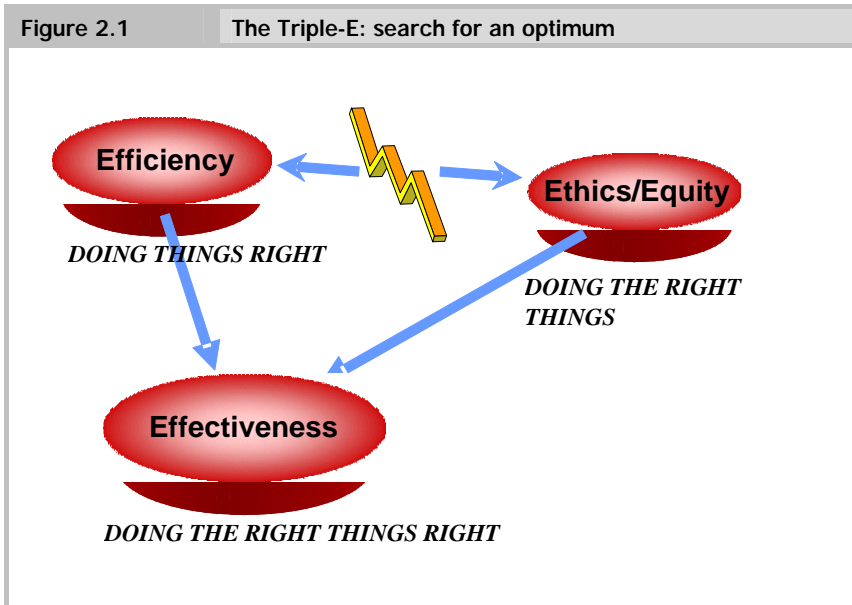
ing the 'wrong things' right. Societal issues are almost always complex and involve a range of interests (Schumacher, 1979), with the result that a variety of 'right' answers are possible. The Friedman approach (the business of business is business - aimed at efficiency) has its anti-thesis in the approach of Anita Roddick, founder of the Body Shop (viz: 'business as unusual' - aimed at equity or ethics).

A more dialectical perspective is consequently required where the field of tension between ethics and efficiency is engaged with in a socially responsible manner. This requires a synthesis of (or a trade-off between) the two approaches. The term *proactive* CSR can be employed to describe this orientation. One can speak of a pro-active approach if an entrepreneur undertakes activities aimed at external stakeholders right at the beginning of an issue's life cycle. Effective CSR is characterised not only by proactive business practices, but also by *interactive* business practices, where an 'inside-out' and an 'outside-in' orientation complement each other. In moral philosophy, this approach is also referred to as 'discourse ethics'. In discourse ethics, as developed by Habermas (1990), actors regularly meet in order to negotiate/talk over a number of norms to which everyone could agree. The motivation for managers to engage in CSR is based on what we might call 'interactive' duties and 'situational' and 'relativistic' ethics apply. The field of tension between ethics and efficiency is only resolved when entrepreneurs are willing to focus on the 'profitability of values' (SER, 2000a) and think of efficiency as 'doing the right things right' (effectiveness).¹ This implies medium-term profitability and longer-term sustainability, not only for themselves but for the whole sector and sometimes even for the whole economy (adding a welfare orientation to a company's aims). Both active and pro-active approaches to CSR share a considerable degree of voluntary action and managerial discretion.

The continuum can therefore also be portrayed as a trade-off between Efficiency and Equity/Ethics, which then turns into a triangle in which the optimum

¹ This distinction departs from the distinction made by Peter Drucker, who states that 'efficiency is doing things right, effectiveness is doing the right things'. Rather than a digital approach, this book proposes to look at the dialectical trade-off between efficiency (thesis) and equity (anti-thesis), where the effectiveness questions represents the search for a synthesis. Shell provides an excellent example of the latter ambition in an advertisement which reads as follows: 'Why Green is Good: a company which cares as much about how it makes money, as how much money it makes, will make money.' (*Financial Times*, 14 January 2004).

solution towards this trade-off is Effectiveness. The generally amorphous Triple-P (people, planet, profits) becomes a more specific Triple-E.



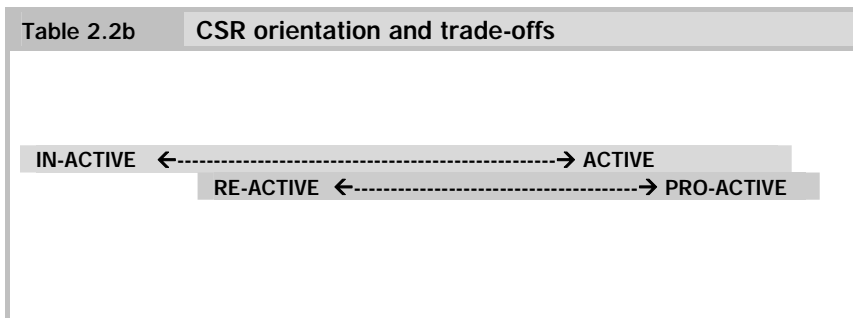
2.3 CSR approaches as choice/trade-off rather than a continuum

Table 2.1 portrays various CSR strategies as a typology. But in practice many readers have read this as a continuum, in which the suggestion is that firms develop from an inactive to a pro-active approach. The idea of a continuum thus also suggests a straightforward 'evolutionary' path in which the latter (pro-active) strategy is more advanced than the former (inactive) strategy. This idea is only partly true. It underestimates the fact that various combinations of strategies can be chosen, that the four CSR types reveal different interaction principles and occasions and, consequently, that the transition process is far from being a smooth uni-dimensional trajectory. Therefore, Table 2.2a represents another manner of showing the trade-offs that are involved in the formulation and adoption of CSR strategies. Firms face basically two choices or strategic tensions: (1) in their *intrinsic* moral attitude between 'liability' and 'responsibility' and (2) in their *extrinsic* responsiveness towards outside stake-

holders between an 'inward looking' and an 'outward looking' perspective (cf. Van Wijk et al., 2008: 16).

		Moral attitude	
		Liability	Responsibility
Respon- siveness	Inward- looking	Inactive (INSIDE-IN)	Active (INSIDE-OUT)
	Outward- looking	Reactive (OUTSIDE-IN)	Pro-active (IN/OUTSIDE - IN/OUT)

The information of Table 2.1 and Table 2.2a can also be combined. This leads to Table 2.2b which defines the manner in which the CSR typology and the two trade-offs (inward/outward) will be presented throughout this study.



The intrinsic tension a corporation faces, is between an inactive and an active approach towards CSR. This represents a continuum of increasing involvement in CSR of the whole corporation. The second extrinsic tension face is in their external interactions with stakeholders between a re-active and a pro-active attitude. The first stance represents a strongly tactical dimension towards CSR (only do what is required, and only then when the environment triggers that posi-

tion), whereas the second stance represents a very strategic dimension towards CSR in which the own priorities are defined and operationalised in interaction with external (primary and secondary) stakeholders.

The intrinsic motivation depends on the own efforts, ideas, goals and inputs from the management and employees of a company (Table 2.3). One of the main techniques used to measure 'progress' within a company are so-called 'Key Performance Indicators' (KPI). They measure the absolute scores on such dimensions as environmental emissions, labour conditions, wages and the like. Here, the liability dimension represents the minimum requirement on these indicators. One of the biggest barriers firms face in their internal dynamism towards CSR is that the internal stakeholders (different employees spread over various functional departments) do not change their attitude easily. So even in case the CEO wants to move from an inactive to an active attitude, this might be seriously hampered by internal opposition to this attitude change (and vice-versa). This stresses the problem of *internal alignment*.

		Moral attitude	
		Liability	Responsibility
Respon- siveness	Inward-looking: intrinsic tensions/ internal alignment	<ul style="list-style-type: none"> • Depends on own input/effort • Technique: Key Performance Indicators (KPIs) • Problem: Attitude is not easy to change (<i>internal barriers</i>) 	
	Outward looking: extrinsic tensions/ external alignment	<ul style="list-style-type: none"> • Depends on action 'partners' • Technique: Benchmarks/indices/ best-worst in class; stakeholder dialogue • Problem: Attitude of stakeholders (including customers) is not easy to change (<i>external barriers</i>) 	

The extrinsic motivation of an organisation depends on the efforts, ideas, goals and inputs from external stakeholders in interaction with the firm and its business model. Foremost external stakeholders include primary stakeholders like suppliers, trade-unions, customer organisations, shareholders, governments, competitors. The interaction with these stakeholders takes up a more

strategic dimension and is more or less permanent. Secondary stakeholders (NGOs in particular on environment, health, human/labour rights and development) create a more indirect bargaining challenge to the organisation. However, since these organisations are usually single issue movements and action oriented, they create often a more direct challenge to the CSR orientation of the corporation. The techniques used by these action groups are usually relative scores to put the maximum pressure on them: benchmarks, indices, best-worst in class. The minimum effectiveness of the strategy of stakeholders depends on their legal position and possibilities (liability). The problem for the targeted organisation is that, even if they change their attitude towards the issues and stakeholders, the stakeholders might find it difficult to change their attitude towards them. NGOs are often 'stuck' in a particular role: their constituency expects them to behave in a certain manner. Frontrunning companies, thus, have been found to be attacked by NGOs that were expected to sustain their watchdog attitude, even if the firm had substantially changed its strategy and a more cooperative attitude of the NGO would have been appropriate. There are considerable external barriers to change as well. The change trajectory of organisations towards a more (pro)active attitude requires a co-evolution or *external alignment* of critical stakeholders as well and the development and implementation of participatory techniques such as stakeholder-dialogues (cf. van Tulder with Van der Zwart, 2006: ch.20).¹

¹ There is a large variety of 'stakeholder mapping techniques' available. Mitchell, Agle et al. (1997) proposed a classification of stakeholders based on power to influence, the legitimacy of each stakeholder's relationship with the organisation, and the urgency of the stakeholder's claim on the organisation. Fletcher, Guthrie et al. (2003) defined a process for mapping stakeholder expectations based on value hierarchies and Key Performance Areas (KPA), Savage, Nix et al. (1991) offer a way to classify stakeholders according to potential for threat and potential for cooperation. Turner, Kristoffer and Thurloway (2002) developed a process of identification, assessment of awareness, support, influence leading to strategies for communication and assessing stakeholder satisfaction, and who is aware or ignorant and whether their attitude is supportive or opposing.

Stakeholder analysis builds on the extensive body of work focussing on relationships through the study of 'influence networks', 'social networks', 'social capital', viewing projects as 'temporary knowledge organisations' (TKOs) and more recently the idea of CRPR (Complex Responsive Processes of Relating) (Weaver 2007). All of these theories emphasize the critical importance of the relationships between different stakeholders both within and around project teams. The strength and effectiveness of the internal relationships enable the project team to function effectively and allows the team (or the project) to interact and influence its surrounding stakeholder community. The difficulty in using these strands of research lies in building the influence/relationship maps; the work is difficult, time consuming and invasive requiring extensive interviews with the stakeholders. Consequently, whilst an appreciation of these ideas is critical for effective stakeholder management,

2.4 CSR approaches as transition trajectories

The move towards an active or pro-active CSR strategy is far from smooth: internal as well as external barriers have to be overcome. The literature shows that strategic intent (going for an active attitude towards CSR for instance) is often difficult to match with strategic reality and concrete operational measures (cf. Meyer, 2007). Transition management represents a process of learning-by-doing and doing-by-learning (Loorbach, 2007:12). It consists of properly addressing the complexity of process of change and the new governance approaches needed to manage the type of uncertainty that is related to the network society (ibid:14) or the 'bargaining society' (Van Tulder, 2007). Shifts are often not linear but chaotic (so-called 'punctuated equilibria') which are triggered by multi-level interaction processes. The source of change can be twofold: 'internal changes that pull parts and actions out of alignment with each other or the environment' and systemic change (Loorbach, 2007: 18). Sustainable development and the road towards CSR basically represent a multi-level, multi-dimensional process which cannot be translated into a blueprint or a defined end state from which criteria can be derived (ibid: 23). Table 2.4 portrays the most likely transition trajectory that organisations tend to undergo. It shows that an internal transition from an inactive to a more active attitude and mind-set

the opportunities to undertake a detailed analysis of a particular stakeholder community are very limited and typically only occur as part of an academic research assignment. The need for a practical, useable approach to visualising many different stakeholder communities has led to the development of a range of listing and mapping techniques by academics, consultants and businesses over the years. These approaches trade the richness of data available under the CRM approach for a holistic view of the whole stakeholder community and largely ignore the complex network of relationships considered in CRPR and the other network theories outlined above for a simpler consideration of 'importance' in some form. Obviously the 'importance' of a stakeholder is directly associated with his or her ability to influence the project through their network of relationships and the relationship with particular functional areas of the organisation; the difference in the analysis is in the way this is assessed. All of the mapping techniques discussed above use a qualitative perception of a stakeholder's 'importance' rather than a quantitative analysis of the influence networks and relationships surrounding the stakeholder to determine an absolute value for that person's 'importance'.

The problem with most of the stakeholder literature, therefore, is that it has no bearing with functional areas of management and often departs from a more or less holistic view of the firm. However, this makes it difficult to create a more 'dynamic' perspective of firms, because some of the stakeholders will be more relevant than others for specific functional departments within the firm and over longer periods of time. This study, therefore, introduces the idea of 'internal' versus 'external' alignment in order to link up with functional areas of management and make a more solid distinction between 'primary' and 'secondary' stakeholders.

is likely to be mediated by external stakeholders (from re-active to pro-active) and their attitudes and mind-sets.

Table 2.4 **Dominant transition trajectories**

		Moral attitude	
		Liability	Responsibility
Respon- siveness	Inward- looking	Inactive	Active
	Outward- looking	Re-active	Pro-active

[a] Activation: From inactive to reactive

Firms first become activated towards more explicit CSR strategies because they are stimulated by critical consumers, outspoken NGOs or the threat of regulation by governments. This leads firms to move from an inactive to a more re-active approach towards CSR. Even in case a CEO of a company would like to adopt an intrinsically more active approach to CSR, the pressure of external stakeholders is likely to speed up the transition process. However, the latter is often fraught with defensive reasoning, ad-hoc tactical reactions and external conflicts. In the literature this has been called the 'correction' phase of CSR (Van Tulder with Van der Zwart, chapter 11), in which organisations are primarily stimulated through the operation of the 'reputation effect' to take up Corporate Social Responsiveness, i.e. 'not to do things wrong'.

A re-active approach towards CSR contains the risk of:

- Strong tendency towards Window-dressing;
- Meaningless KPIs and tactically induced industry benchmarks;
- Going for the lowest common denominator (for which sector initiatives are used);

- Strong plea for self-regulation that is rather marginally operationalised in practice;
- Developing only partial solutions to most of the issues that are introduced and thus the perseverance of these issues;
- Lack of internal alignment: the Public Affairs department does not represent the corporation; mixed signals from the board reach the middle-management.

Many have observed that CSR strategies are often used as a PR tool both towards external as well as internal stakeholders. A survey by the Economist Intelligence Unit (2007) amongst more than 1,000 executives, whom were asked about the sustainability policies of their employers, found that between one-quarter and one-third of the respondents felt that there was 'more talk than action' from upper management. In other research, it was found that upper management was giving mixed messages to lower management, by on the one hand stressing the importance of CSR and on the other hand going for a business model that clearly favoured efficiency over equity, or short-term profits (or lower purchase prices with suppliers) over societal relevance. Other research, however, has shown that sometimes lower management wants to proceed faster than upper management, which leaves them frustrated and creates substantial HRM problems. Internal alignment, thus, refers to the change process within the firm in the direction of a more active attitude towards CSR in which all the functional department interact to create a cohesive and coherent approach.

[b] Internal alignment: from inactive/reactive to active

Many firms that are continuously faced with the need to respond to external pressure, at a certain moment seek to become less defensive. In the first place they can do this by developing their own internal standards and practices. It requires operational alignment between the most important functional areas of management and their disciplining towards a number of common goals. Organisations want to 'prevent' reputational corrections from appearing. This necessitates often a rethinking of the corporate mission definition. The PA department not only functions as an external communications tool, but is also used to inform and coordinate internal stakeholders.

An active approach towards CSR contains the risk of:

- Group think: internal process of alignment alienates the corporation from society;

- Ethical imperialism: going for the highest possible denominator for which no sectoral support exists;
- Changing KPIs that create internal confusion;
- Internal alignment as a centralised imposition of norms and values of board;
- Imposition of disciplining measures also on primary stakeholders;
- Easy prey for critical NGOs (good intentions are always difficult to implement);
- Issue orientation: relatively narrow (only what is achievable according to mission definition).

[c] External co-alignment: from active to pro-active

Only when firms have been able to reach some degree of external alignment alliances with external stakeholders can become embedded in positive forms of strategic dialogue and co-alignment. Together with primary and secondary stakeholders organisations can work on the effective solution of specific issues. This requires, however, also that the external stakeholders are able to cooperate with the firm.

In the literature we can find reference to this activity as 'co-creation' (Prahalad, 2006) or co-evolution (Witt and Lewin, 2006), co-production or co-consumption (cf. Van Mil, 2007). Basically, the idea refers to the fact that a firm cannot develop advanced CSR strategies without a process of education and feedback between itself and its prime stakeholders. In innovation literature, the idea of involving external stakeholders in the actual design and production process is starting to gain popularity under the heading of 'open innovation' (Chesbrough, 2004). The effectiveness of the strategy of frontrunner firms thus increasingly depends on the involvement of external stakeholders. Sometimes these are primary stakeholders, but this process is then basically the same as the 'internal alignment' process - although with substantially more external involvement. What makes a strategy the most pro-active is in case secondary (single issue) stakeholders such as environmental or human rights NGOs, or even 'fringe stakeholders' such as 'the poor', 'the weak', or the 'illiterate' (Hart and Sharma, 2004) get involved. Hart and Sharma (ibid) refer to this process as the move from simple 'transparency' to 'radical transactiveness'. The technique that is particularly appropriate for getting relatively loose groups of stakeholders with divergent interest around the table in a productive manner is the so-called strategic stakeholder dialogue (Van Tulder et al., 2004; Van Tulder and Van der Zwart, 2006: chapter 20).

A pro-active approach contains the risk of:

- External misalignment: the company loses its identity and has difficulty in deciphering between important and unimportant stakeholders and between important and unimportant claims;
- NGOs are not able or willing to engage in cooperation with the company;
- Benchmarks and KPIs are overly used as bargaining tool instead of 'objective' indicators to measure progress;
- Issue orientation is too broad; firm takes up too many responsibilities which deprive other actors (governments/NGOs) to take up their own responsibility.

[d] Context: common influencing factors

Individual firm migration paths do not operate in isolation. They are strongly influenced by at least three types of factors:

- (1) *Country specific factors*: regulatory practices, culture, perceptions of stakeholders; elsewhere this is referred to as the 'CSR Regime' (cf. Van Tulder with van der Zwart, 2006). It was found that due to various reasons, Asian firms tend to adopt relatively inactive CSR approaches, US companies relatively re-active approaches, whereas European companies pioneer in the more active approaches. Hardly any firm has yet adopted pro-active strategies. The basic reasons for the latter has been that in particular external alignment has proven extremely difficult to achieve: all relevant stakeholders have to be taken into account (cf. Frankental, 2001). The level of development of a country influences the CSR trajectory of a company and organisation. Even in case of international standards, it was found that the 'country-of-origin' effect is the strongest (as opposed to host-country effects), whereas international regulation was primarily embraced as a means to enter foreign markets. The issues that are addressed by companies are often also contingent upon the country of origin.
- (2) *Industry specific factors*: industries that have been faced with more criticism tend to be more eager to engage in CSR activities, but also tend to act rather defensively and reactively. This is in particular the case with highly visible firms from oil, mining and other polluting industries for which their responsibility is directly obvious. The same is true for the pharmaceutical industry as regards their pricing strategies towards life-saving medicines or the food industry as regards general health issues. Moving out of a re-active attitude requires internal alignment which is often difficult to achieve because the whole organisation is geared towards 'defending itself'

against societal allegations. It was found (KPMG research for instance) that these industries face a considerable 'bandwagon' effect: reputation damage to one firm affects the others; the efforts of single firms are often directly emulated by their direct competitors. This might trigger a 'race to the top', but also a 'race to the bottom' in which adverse selection leads to firms searching for the lowest common denominator, which in turn triggers the suspicion of 'window-dressing'. As regards the retail industry, however, the reactive pressure seems less obvious, making it easier to move from an inactive to an active attitude, but this depends critically on the general business model (strategy) chosen. We can also see that there is a growing need for firms in general to increase their legitimacy also towards their critical consumers that expect from them a more active stance as regards CSR.

- (3) *Issue specific factors*: a more active stance vis-à-vis an issue that is of direct interest of a firm seems obvious. This is the area of 'crisis' management that traditional Public Relations models have taken into account. Reclaim action, direct responses to food crises like mad-cow disease or BSE are all reactive approaches to CSR in order to limit damages. The role of the retailer is often relatively modest, since they can portray themselves as the 'neutral' intermediary organisation between the sector (their prime suppliers) and the customer. In more generic strategic areas, retailers have the possibility to show a more autonomous active stance without depending on their suppliers. For instance in the case of assortment choice, ecologically sound organisation of the actual shops, payment of workers and the like. A retailer - like C1000 - that searches for a Unique Selling Point in for instance bulk-meat, is particularly vulnerable to disturbances and scandals in the meat chain. A retailer that portrays itself as health-responsible - like Albert Heijn - is vulnerable to claims of customers on unhealthy ingredients or overdue products that are still available in the stores.

By choosing for one sector (the retail) in a few European countries that largely share comparable CSR regimes, this study tries to focus in particular on issue-specific factors, next to the internal dynamism of the firm. Issue-specific factors are related to specific (external) secondary NGOs that focus on these issues. It influences the relationship of the retailer with its primary stakeholders.

3 INTERNAL ALIGNMENT:

CSR approaches and functional areas of management

This chapter aims at classifying various CSR instruments and tools, while linking them to the four strategies and the three transition trajectories identified in the previous chapter.

- Within each of six functional areas related to six kinds of primary stakeholders (general/PA; HRM; purchase; marketing; finance; competitors¹) the CSR approach of the company has to be scored. In case of widely diverging scores, it is clear that the company has very basic and *operational internal alignment* problems. In case of strongly converging scores, the degree of functional internal alignment is high.
- Amongst all the functional areas, the 'average' CSR approaches per functional area of the company can be compared with each other. Diverging 'average' scores divided over several functional areas shows a considerable lack of *internal strategic alignment*. It depends, however, on the exact functional area (and related stakeholder) whether this can be considered as trigger or a barrier for change. For instance in case the PA department on average takes a much more active CSR approach in comparison with the other departments, this could trigger other departments towards an equally active approach. The other way round seems less likely. Converging scores on each dimension hint at an internal (punctuated) equilibrium, which could also imply lack of change towards external stakeholders. CSR instruments not necessarily represent a strategic orientation on a one-to-one basis. Sometimes, contextual factors can make that an instrument with the same name (for instance 'business community involvement', 'corporate volunteering' or 'labels') can function in a completely different manner. Context thus







¹ This categorisation of primary stakeholders is comparable to other studies in the retail industry. See for instance De Graaff's benchmark research, which uses indicators for six different groups of stakeholders: employees, suppliers, customers, society at large, shareholders and competitors. See also Graafland (2003) and Roberts (2003) who identify suppliers, customers, employees, strategic partners and shareholders as primary stakeholders.

matter. A more concrete study of these contextual factors will have to decipher to what extent tools in practice represent what they can be expected to represent in theory.

Schematic representations of transition trajectories

In order to present the findings in clear schemes, the following methodology has been applied:

1. *Most recent position:* if a company follows a certain (in-/re-/pro-)active approach, at the moment, the corresponding box is shaded. It is possible that companies display several approaches at the same time, for example partly re-active and active. In this case both boxes are ticked. The more spread the company scores are, the higher the coordination problems of that particular company. It is an indication of big internal alignment problems.
2. *Change trajectories:* an important aim of the research is to identify the CSR change trajectories of the company and its functional areas. Different arrows are drawn that represent the shifts that have taken place. The start of the arrow indicates where it came from. Table 3.0 indicates the meanings of the various arrows.

Table 3.0 Legenda of transition trajectories	
	Company shifted forward on the inactive to pro-active scale
	Backward shift
	In case no (or only marginal) changes seem to have occurred
	Company first shifted forward, but is moving backward again
	Backward shift changed into a forward shift.
	Nothing has been reported on this indicator throughout the years. It is highly likely that the company has a rather inactive stance on this indicator, since no reporting under the present pressure for transparency probably means 'no priority' or 'no action' worthwhile reporting. Therefore also the 'inactive' box gets shaded in case of N.R.

A further note is that several issues, such as energy use at suppliers, are similar or have strong overlap with issues mentioned with other stakeholders in

particular secondary stakeholders. It has been tried in each report to identify and analyse the company's position towards the issue with its *most important* stakeholders. In practice this is generally the primary stakeholder. For example collaboration with suppliers for instance on labour conditions have been extensively described in the suppliers part and only briefly in the analysis of relationships with secondary stakeholders such as human rights organisations when relevant. Collaborations and partnerships with generic NGOs, have been described in the secondary stakeholders part and when relevant also briefly in the suppliers part (for instance as regards environmental issues).

3.1. The position of the Public Affairs department and relationships with the community at large

The orientation, position and even the name of the Public Affairs department can be considered the best indication for the general CSR orientation of a company. With each generic CSR approach the function fulfilled by the department of Public Affairs/Public Relations (PA/PR) in the firm changes. Table 3.1 lists the characteristics of the different approaches that can be adopted by the Public Affairs department. With each approach a reconsideration of the position in the company and consequently the name of the department is at stake.

Table 3.1 Orientation and position of Communication department			
INACTIVE ←-----→ ACTIVE		RE-ACTIVE ←-----→ PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social Responsiveness'	'Corporate Social Responsibility'	'Corporate <i>Societal</i> Responsibility'
Name: 'public relations' 'entrepreneurship' 'principal-agent'	'public affairs'; 'community/investor/ government relations' 'issues management' 'corporate reputation' 'corporate philanthropy'	'corporate communication' 'business ethics' 'responsible entrepreneurship' 'corporate identity'	'strategic corporate communication' 'strategic issues management' 'strategic philanthropy' 'strategic management' 'leadership'
'trust me'	'proof it to me'	'tell/explain it to me'	'involve/engage me'

Table 3.1 Orientation and position of Communication department (continued)

INACTIVE ←-----→ ACTIVE			
RE-ACTIVE ←-----→ PRO-ACTIVE			
'Corporate <i>Self</i> Responsibility'	'Corporate Social Responsiveness'	'Corporate Social Responsibility'	'Corporate <i>Societal</i> Responsibility'
Orientation: Control	Compliance	Commitment	cooperation
Position: Marginal position - limited staff, no executives	More important: Lobbying oriented - investor relations (more personnel, but still low in hierarchy)	Important, related to board (CEO involvement); helps develop internal visions and active communication	Important, strategic but also interaction with stakeholders, active 'issue' advertisement campaign, semi-autonomous
<i>BUFFERING</i>		<i>BRIDGING</i>	
Stakeholder approach: Stakeholder information: No organised interaction other than via markets	Stakeholder Debate	Societal dialogue and (informal) stakeholder contract	Interactive: (Strategic) stakeholder dialogue
Corporate citizenship: Sponsoring and volunteering as separate and limited activity	Sponsoring and volunteering in response to societal unrest	Active volunteering and sponsoring as integral activity with HRM policy	Pro-active philanthropy; solving societal problems
Issue advertisement: no strategy	Only in crises (reclaim action for instance)	Explanation of the core values of the company towards issues	Invitation to joint problem solving in issue campaign

Table 3.1 Orientation and position of Communication department (continued)			
INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
Reporting: No/very little reporting. Only nice brochures and what is legally required (can be still considerable in e.g. Netherlands)	Reporting with limited 'implementation likelihood'. Compliance to e.g. DJSI/FTSE4Good/AccountAbility benchmarks.	Reporting done by own standards; GRI standards only limited applied	Reporting done in collaboration with other parties. GRI standards e.g. (all applied)
Citizenship and regulation: Self-regulation favoured, keep away from government; no explicit citizenship statements	'Do what is required according to (local) law'; self/semi-private regulation favoured; 'level playing field' asked for	Government and community can be source of inspiration; Semi-public regulation is ok; 'more than law requires'	Government and community as co-developer; variety of regulation styles; strong government might be important for specific issues; 'other than law requires'

Depending on the role of Public Affairs in a particular company, various tools of CSR (brochures, sponsoring, corporate volunteering, see next section) acquire different meanings. A corporate volunteering initiative in a largely re-active firm can easily become part of a public relations campaign. In some companies, Public Affairs still fulfils a primarily 'public relations' (PR) function, with core responsibilities being the publication of glossy information brochures and maintaining the company website. At best, the entrepreneurial vision of the company director will also be communicated to the outside world. As management becomes more aware of the importance of safeguarding the company's reputation, the re-active PA function acquires the added dimension of 'issues management' and relations management with relevant primary stakeholders (particularly

with investors, governments and communities). In the event of product reclaims or other issues, the PA department seeks to restore the public's trust in the company as fast as possible. In case firms are faced with a critical incident, the function of the PA department is to 'buffer' the company against claims of stakeholders. The interaction with stakeholders takes the shape of a 'debate', in which the company largely intends to re-iterate its own stance on the issue, not to modify it.

The more active a company becomes, the more Public Affairs takes on a 'corporate communication' role so as to communicate (inside-out) the values and vision of the company to society. The 'trust me' stance of re-active firms, mitigates towards the perspective of assertive stakeholders into a 'prove it to me' stance. Business ethical principles are introduced and corporate philanthropy is engaged with a more systematic manner (as opposed to the *ad-hoc* philanthropy related to the inactive CSR stance, or the *opportunistic* philanthropy associated with the re-active CSR stance). The idea of 'corporate citizenship' for instance embodies the active operationalisation and integration of CSR principles and stakeholder theory (see next section). Considerable controversy remains over the question of whether a corporation can (or should) be seen as an autonomous agent (Waddock, 2003). Companies are also increasing employing CSR principles to help shape their corporate identity.

In the fourth approach, Public Affairs moves beyond its specialist role to acquire a more integrated role in the form of strategic corporate communication and strategic issues management (as opposed to issues management as a responsive form of crisis management). Its function is to 'bridge' the gap between company and society through engaging (strategic) stakeholders in dialogue (rather than debate) in the formulation and implementation of company strategy. This also requires that Public Affairs is treated as part and parcel of the general (strategic) management and leadership responsibilities of the company's CEO. Whereas CSR in the active approach is linked with 'moral' leadership, CSR in the interactive approach is linked with 'strategic' leadership.¹ The adoption of any given approach depends as much on a manager's own choices as it does on

¹ Some companies are refraining from making any special CSR statements so as to prevent stakeholders from interpreting their CSR strategy as yet another 'PR campaign'. Philips, the Dutch consumer electronics multinational, for instance, has developed a very explicit CSR strategy imposing relatively strict codes on its suppliers, but according to an official statement: 'Philips does not employ special campaigns on CSR. We regard sustainable management as integral part of our normal management praxis' (Email, *Volkskrant*, 24/3/04).

the institutional characteristics of the bargaining society/societies in which they operate.

[a] Business-Community involvement and corporate citizenship

Corporate citizenship is perhaps best understood as a metaphor for the ambitions of companies to be accepted as responsible actors in society.

Inactive corporate citizenship is the most limited approach to corporate citizenship. Before an audience of fellow chief executives in Boston (MA) in March 2005, Nestlé's (Austrian) CEO, Brabeck Letmathe, expressed one version of this stance in provocative terms. In his view a company's obligation to the community is simply to create jobs and make products; 'companies should not feel obligated to 'give back' to the community, because they haven't taken anything away' (*Boston Herald*, 9 March 2005). In the inactive approach, corporate citizenship is therefore only applicable to companies that are able to frame their contribution to the efficient functioning of markets and the provision of goods and services to customers as an act of 'citizenship'. Philanthropy is separated from the company in the sense that it is not companies that engage in philanthropy, but CEOs in their personal capacity as individual citizens.

Re-active corporate citizenship is applicable to companies that respond to public policy/social issues when it is in the interest of the company to do so. Lack of safety and security and education, for example, can have a negative impact on business interests. Corporate philanthropy (sponsoring and volunteering) is then employed as a PR instrument. Re-active corporate citizens tend to opt for solutions to inadequacies in the public sphere that are relatively easily linked to their own interests: set up of company universities, donating products like computers or software to local schools (by the producers of these products); support local security activities without addressing the wider causes of the issue; engage in branch associations with a limited mandate. Another manifestation of re-active corporate citizenship is to withhold support for a particular regime or practice. Companies can refrain from investing in countries that openly abuse of labour and human rights. In pursuing this negative duty approach, companies can contribute to creating the conditions under which the issue may cease to exist or be resolved.

Active corporate citizenship implies an attempt of firms to make a more positive contribution to addressing some non-profit interface issues, albeit largely within the company's operational context. For instance, firms can address gender inequality by actively pursuing 'equal opportunity' policies through HR programmes; they can set up illiteracy programmes for employees and their

families; they can engage in corporate volunteering schemes or support local communities through the sponsoring of certain activities provided it is accessible to various groups (gender, age, religion); firms can sponsor organisations that are dependent on private sponsors to protect the interests of socially marginalised people such as refugees (e.g. UNHCR). The risk of active corporate citizenship is that it may generate unwanted side-effects. By providing schooling, healthcare and the like to employees for instance, companies compensate for lacking public provisions by governments. This can diminish the resolve of governments and citizens to conceive more lasting solutions to the root cause of the problems at hand.

Pro-active corporate citizenship focuses on the structural causes of major social issues and tries to address them through the development of realistic plans without reference to any specific or short-term interest of the company involved. Since the mid-1990s, a large number of research initiatives around the world have been founded to further develop the idea and concepts of corporate citizenship (CC). Companies sponsor these initiatives in various ways. Operational (company-oriented) approaches to CC have been developed primarily by research groups with a large number of members¹, while more fundamental approaches to CC seem to have been developed by research institutes sponsored by individual companies.² Another pro-active approach to corporate citizenship is to organise multi-stakeholder dialogues and to collaborate with civil society in building local capacity. Civil society is particularly poorly organised in developing countries. Instead of seeking to replace government or civil society action

¹ For instance, the Center for Corporate Citizenship at Boston College (Massachusetts, USA), which is a membership-based research organisation like so many other colleges in the USA. The around 300 members represent the biggest and most international ('global') companies in the USA. The center defines the essence of corporate citizenship along three core principles: minimising harm, maximising benefit, and being accountable and responsive to stakeholders. The centre has a very operational mission definition: 'to help [their member companies] define, plan and operationalise their corporate citizenship. Our goal is to help business leverage its social, economic and human assets to ensure both its success and a more just and sustainable world.'

² For example the International Centre for Corporate Social Responsibility (ICCSR) at Nottingham University Business School (UK). The ICCSR was founded in 2002 following a GBP 3.8 million endowment from British American Tobacco (BAT). That the center is solely sponsored by a company that is so clearly implicated in major public health issues is of course rather awkward. The partners signed a clear memorandum of understanding containing a number of provisions that guarantee the independence of the centre. The centre conducts research on a large number of basic social/public interest/non-profit issues.

through their own initiatives, companies can try to assist these groups in meeting their primary responsibilities.

Pro-active corporate citizenship amounts to acts of what can be dubbed 'pro-active philanthropy' - even when this goes far beyond what is commonly understood under the term of philanthropy. Pro-active philanthropy makes an explicit selection of issues: support for girls' schooling instead of general support, support for general democratisation programmes, investment in local infrastructure and sanitation. Pro-active corporate citizenship often fits better with individual leaders who act in their personal capacity in an informal bargaining setting than with leaders who represent their firms in an official capacity in a formal bargaining setting.

3.1.1 Retailer strategies

The reporting strategies of the Dutch retailers and the build-up of a PA department in support of a more active CSR strategy has not yet materialised (Table 3.1a-c). When Ahold in 1995 was criticised for not publishing enough on its claimed leading position for instance in recycling, the company issued its first CSR report in 1998. No other Dutch retailer has followed suit, with the exception of Super de Boer. While Ahold has been struggling with very critical stakeholders, Super de Boer was able to more or less 'leapfrog' Ahold's position and come up with a more active CSR approach - as regards its PA campaign. Here intention is followed by strategy. The company has moved from an inactive position to a more active position in 2005. But following this lead, the company has again become less specific on many of the previously claimed areas of CSR after 2006. For instance the number of pages in the Annual Reports dedicated to CSR has decreased. Except for its stakeholder approach Super de Boer retreated to a more re-active CSR stance since 2004/5. The financial difficulties of the company, its split-up of other retailers and its international take-over have been important reasons for the relative stagnation in this respect.

A comparable process can be witnessed with Albert Heijn of which several CSR publications are relatively superficial. One reason that explains this situation is that the company needed this period to recuperate from a major financial and reputational set-back in the early 21st century. Ahold's expressions of corporate citizenship are the most advanced of the Dutch sample, but the company has difficulties in moving from an active (internal alignment) to a pro-active (external alignment) strategy. The difference between intention and reality, however, seems to be biggest with Schuitema/C1000 whose management claims that

the CSR policy is evolving towards a more pro-active CSR stance (Annual Report, 2007), which however is nowhere really substantiated in the official expressions of their PA approach.

As regards the other European retail companies, Kesko shows comparable findings as the Dutch Ahold and Super De Boer. Kesko's corporate responsibility team is part of the Corporate Communications and Responsibility Unit bearing the main responsibility for development, coordination and performance. The team's (three members') work is supported by a Corporate Responsibility Advisory Board, consisting of Kesko's management, appointed by the Corporate Management Board. The duties of the Advisory Board include determining the responsibility strategy and the operating policies and systems needed for its implementation, and monitoring the implementation of objectives. The Corporate Responsibility Unit operated earlier under the Corporate Executive Vice President. The size of the unit is rather modest in relation to the size of Kesko, although Kesko emphasises that Corporate responsibility is integrated into management system and implemented as part of normal daily activities in the line organisation.

In the case of COOP Swiss, none of the departments nor management positions in the Coop structure have the name CSR or sustainability. Social and environmental responsibilities are divided according to the main management tasks of each corporate activity. Retail for instance is responsible for marketing activities which includes launching new environmental and social labels, while purchasing is responsible for all activities that relate to voluntary standards. This implies that the the company potentially has substantial internal alignment problems.

Tesco, on the other hand, has a central Corporate Responsibility (CR) Committee comprising of 16 senior executives from across the business, which is chaired by the Executive Director of Corporate and Legal Affairs. The Committee meets at least four times a year to develop the CR strategy, review relevant policies and practices, identify opportunities to improve the sustainability of the business, agree and monitor the Key Performance Indicators (KPIs) for CR, and engage with internal and external stakeholders on CR issues to raise awareness. Twice a year, external speakers are invited to address the CR Committee and comment on the CR strategy, performance and reporting. Each of the international businesses also has a Corporate Responsibility Committee led by the Chief Executive of that country or another senior Director (CSR, 2008). The Corporate and Legal Affairs department and the Trading Law and Technical de-

partment provide assurance and advice on legal compliance, health and safety (AR, 2008).

Both Kesko, Coop and Tesco publish annual CSR reports next to their general annual reports. Coop published its first Sustainability report in 2005. Before it included this information in the general Annual Report. All three international retail companies take into account the relatively advanced principles of the Global Reporting Initiative's 2007 Sustainability Reporting Guidelines for the design of their CSR reports.

Tables 3.1a-f show the comparative scores of the six retailers for the PA strategies. Most have moved towards a more active or even pro-active position. The Dutch retailers in the international comparison are somewhat trailing behind, though. What seems to be the case for all retailers is that in a period of around ten years, none of these firms have been able to move more than two positions. The transition from a re-active to a more active position also proved to be the most complex with Super de Boer and Tesco partially retreating, whereas a number of the other retailers relatively stalling in a re-active approach. Tesco shows a rather incoherent approach, which might be due to its rather rapid change in a relatively short period of time (see also next sections). The least developed for all retailers seems to be the area of 'issue advertisements', which, however, has been identified elsewhere (Van Tulder and Van der Zwart, 2006) as one of the best tools to engage in strategic stakeholder dialogues. So even the companies that have progressed considerable towards an active and even strategic role of the Public Affairs department vis-à-vis CSR, have still substantial work to do in operationalising this strategy. This can also be seen from the fact that reporting might have progressed in a technical sense, the link with 'citizenship' is still not always well elaborated.






Table 3.1a Ahold/AH PA strategy (1995-2007)			
INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE		
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
<i>BUFFERING</i>		<i>BRIDGING</i>	
Stakeholder approach:			
Corporate citizenship:			
Issue advertisement:			
Reporting:			
Citizenship and regulation:			

Table 3.1b Super de Boer/SdB PA strategy (1995-2007)			
INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE		
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
BUFFERING		BRIDGING	
Stakeholder approach:			
Corporate citizenship:			
Issue advertisement:			
Reporting:			
Citizenship and regulation:	N.R.		






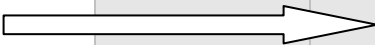


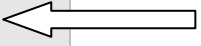
Table 3.1c Schuitema/C1000/PA strategy (1995-2007)			
INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social Responsiveness'	'Corporate Social Responsibility'	'Corporate <i>Societal</i> Responsibility'
BUFFERING		BRIDGING	
Stakeholder approach: 			
Corporate citizenship: 			
Issue advertisement: 			
Reporting: 			
Citizenship and regulation: <div style="border: 1px solid black; padding: 2px; display: inline-block;">N.R.</div>			

Table 3.1d Coop Swiss PA strategy (1995-2007)			
INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
<i>BUFFERING</i>		<i>BRIDGING</i>	
Stakeholder approach:			→
Corporate citizenship:			→
Issue advertisement:		→	
<i>Reporting:</i>			→
<i>Citizenship and regulation:</i>			→

Table 3.1e Kesko PA strategy (1995-2007)			
INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social Responsiveness'	'Corporate Social Responsibility'	'Corporate <i>Societal</i> Responsibility'
<i>BUFFERING</i>		<i>BRIDGING</i>	
Stakeholder approach:			➔
Corporate citizenship:		➔	
Issue advertisement:		➔	
<i>Reporting:</i>		➔	
<i>Citizenship and regulation:</i>			➔

Table 3.1f Tesco PA strategy (1995-2007)			
INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE		
'Corporate <i>Self</i> Responsibility'	'Corporate Social Responsiveness'	'Corporate Social Responsibility'	'Corporate <i>Societal</i> Responsibility'
BUFFERING		BRIDGING	
Stakeholder approach:			
Corporate citizenship:			
Issue advertisement:			
Reporting:			
Citizenship and regulation:			

3.2 The Position of the Human Resource Management Department

The Human Resource Management or Personnel department implements the internal CSR strategy towards the own employees and their representatives: trade unions. HRM relevant aspects can also be included in the purchasing policy and thus can partly overlap. It can be expected that particular internal HRM strategies will probably trigger comparable HRM strategies up or down the supply chain. If the latter is not the case, the company faces considerable internal alignment problems. Table 3.2a-f specify the policies adopted by the Dutch and other European retailers. HRM practices can also have consequences for the relationship with external suppliers, but this is generally part of another functional relationship (purchasing, see section 3.4).

All six retailers see their personnel not only as a production factor or a cost, but as a strategic asset for which good wages need to be provided. Wages are competitive, but relatively good. This is different from some of the price-fighters/discounters like German-owned Lidl that are known from the media and trade union activists, for their rather confrontational attitude towards workers and trade-union representatives. However, no company wants to involve unions as monitor for codes of conduct. The extensive regulation on labour and workers conditions in all European countries the analysed retail companies are situated have a strong influence on the lack of differentiation and specification of details in this respect in the CSR reports. With regard to international guidelines and codes of conducts Ahold is the only retail company that states its recognition of the UN Universal Declaration of Human Rights as a common standard. In this stance it follows a company like Shell that in 1998 was the first company to support the UN Declaration (originally issued in 1948).

In general, all retailers follow a trajectory of increasing CSR activity for HRM. This can be partially explained by the existing mechanism of general agreements each company defines periodically with the most important sector related trade unions. Additionally, Ahold has clearly been triggered by the most re-active motives, following the financial scandals in the United States and the row about the income of the CEO.

All companies see the importance of CSR as part of its attractiveness towards hiring employees, as the following quote of Ahold illustrates:

'Employees put increasing value on working for a responsible company. A commitment to CSR makes it easier for Ahold and its operating companies to attract, develop and retain talent' (CSR report 2007, p. 5).

All Dutch companies have also been working on improving the position of whistleblowers, but this stance can still be characterised as relatively 're-active' because no strong statements on real support for whistleblowers could be found in corporate statements. The impression is that statements on whistleblowers in the Netherlands have been primarily induced to fulfil the Dutch corporate governance code (or code Tabaksblatt) which was introduced in 2004/5. The latter is particularly important if a company wants to actively stimulate whistleblowers in case of ethical misconduct, for instance in the supermarkets on the shop floor. In the case of the other European retail companies, no information was provided related to their policy on dealing with whistle blowers, probably because no comparable plea was formulated in these countries as the

Tabaksblatt committee in the Netherlands. All three companies have created different mechanisms for their personnel to share their opinion or complain to higher management levels. For instance in Kesko they have created the 'Kesko-net' intranet where there is an option to email to the CEO and a 'direct channel' where employees may, anonymously or with their name, comment on matters related to the company. In the case of COOP and Tesco staff opinions are collected through surveys and store visits. From a recent survey of Tesco it became clear that staff would like to see more local initiatives and events, more schools, more education and environmentally friendly projects. A year later Tesco did focus on communities around their stores, engaging staff in school projects and involving staff in energy saving and recycling initiatives.

Regarding more detailed/operational HRM approaches, bigger differences appear, however. Ahold's HRM approach ranges around an active approach, although in some instance (wages and benefits, employment issues) the company seems to be losing steam in recent years (Table 3.2a). Super de Boer/SdB's position is slightly more re-active in comparison to Ahold, but has progressed in particular for internal working conditions. In other areas the HRM policies stagnated probably also because of the financial turmoil of the corporation.

C1000/Schuitema shows the least dynamic transition trajectory on HRM policies. None of the specific measures could be portrayed as 'active', not even the stance on top salaries. C1000 is at best silent on its CSR-oriented HRM policies, at worst does not have any.

The other European retailers show a comparable evolution of their HRM strategy. Departing from stringent local labour legislation, they developed additional employment services to built the skills and knowledge of their current staff, stimulate employees to stay with the company and be an attractive employer for new personnel. Examples of these are family friendly shifts, both maternity and paternity leave schemes, and extensive training a development programs that aim every time more on the individual needs for further development.

With regard to policies and practices on discrimination, a clear distinction between companies can be observed. Kesko and Coop hardly mention any specific information on these topics. Especially for Kesko this can be explained by the homogeneity of the Finnish society. Discussions on minorities are scarce according to Marjut Lovio, Kesko's CSR advisor. Consequently, Kesko has not produced statistics on equality on other grounds than gender. For gender they are the only company that presents specific percentages on women participation within the different management levels of the company. Coop does not

mention any information related to this topic. Tesco on the other hand is much more specific and pro-active on this topic. They want to attract people of all races, religions and backgrounds, people with disabilities, part-timers, younger and older people. The Diversity Advisory Group meets every six weeks to monitor the workforce composition and to mirror that of the UK population. Tesco's target is to have no statistical difference by age, sex or ethnicity in answer to the Staff Viewpoint survey question: 'I enjoy working for Tesco.'

Finally, training and development is of growing importance for each of the three foreign retailers. One of the reasons Coop considers this important, is the growing problem caused by changing demographics. For this a lot of weight is attached to the systematic encouragement of potential successors and to management training of staff. The three companies have created alliances with local outstanding training institutes. Tesco as well as Ahold have made the greatest progress in CSR-relevant HRM strategies.

Table 3.2a Ahold/AH HRM trajectories - summary (1995-2007)

		INACTIVE ←-----→ ACTIVE	
		RE-ACTIVE ←-----→ PRO-ACTIVE	
Industrial relations	<i>Freedom of association</i>		
	<i>Collective bargaining</i>		
Company internal Working conditions	<i>Wages and benefits</i>		
	<i>Top Salaries</i>		
	<i>Safety and health</i>		
Employment	<i>Child care provisions</i>		
	<i>Preferential treatment of women</i>		
	<i>% female top-managers</i>		
	<i>Preferential treatment of foreign minorities</i>		
Training	<i>Individual development programs</i>		
	<i>Instruction about safety/health</i>		
	<i>Instruction to make employees aware of social/environmental issues</i>		

Table 3.2b Super de Boer/SdB HRM trajectories - summary (1995-2007)






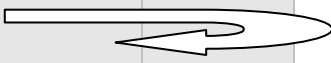







		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Industrial relations	<i>Freedom of association</i>				
	<i>Collective bargaining</i>				
	<i>Position of whistleblower</i>				
	<i>Settlement of industrial disputes</i>				
Company Internal Working conditions	<i>Wages and benefits</i>				
	<i>Top Salaries</i>				
	<i>Safety and health</i>				
	<i>Sickness absence rate</i>				
	<i>% female top-managers</i>				
	<i>Security of employment</i>				
	<i>Employment promotion</i>				
Training	<i>Individual development programs</i>				
	<i>Instruction about safety/health</i>				

Table 3.2c Schuitema/C1000 HRM trajectories - summary (1995-2007)















		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Industrial relations	<i>Freedom of association</i>				
	<i>Collective bargaining</i>				
	<i>Consultation with employees</i>				
	<i>Position of whistleblower</i>				
Company Internal Working conditions	<i>Wages and benefits</i>				
	<i>Top Salaries</i>				
	<i>Safety and health</i>				
	<i>Efforts to prevent disability</i>				
	<i>Preferential treatment of foreign minorities</i>				
	<i>Security of employment</i>				
	<i>Employment promotion</i>				
Training	<i>Individual development programs</i>				
	<i>(% wage sum spent on) education/training</i>				
	<i>Instruction about safety/health</i>				

Table 3.2d Kesko HRM trajectories - summary (1995-2007)

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Industrial relations	<i>Freedom of association</i>				
	<i>Collective bargaining</i>				
	<i>Consultation with employees</i>				
	<i>Position of whistleblower</i>				
Company Internal Working conditions	<i>Wages and benefits</i>				
	<i>Top Salaries</i>				
	<i>Safety and health</i>				
	<i>Effort to prevent abuse on work floor</i>				
	<i>% female top-managers</i>				
	<i>Preferential treatment of foreign minorities</i>				
	<i>Security of employment</i>				
Training	<i>Individual development programs</i>				
	<i>Instruction about safety/health</i>				
	<i>Instruction to make employees aware of social/environmental issues</i>				

Table 3.2e Coop HRM trajectories - summary (1995-2007)

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Industrial relations	<i>Freedom of association</i>			
	<i>Collective bargaining</i>			
	<i>Consultation with employees</i>			
	<i>Position of whistleblower</i>			
Company Internal Working conditions	<i>Wages and benefits</i>			
	<i>Top Salaries</i>	N.R.		
	<i>Safety and health</i>			
	<i>Sickness absence rate</i>			
	<i>Inflow into disability</i>			
	<i>Research to work satisfaction</i>			
Employment	<i>Child care provisions</i>			
	<i>Preferential treatment of women</i>	N.R.		
	<i>Preferential treatment of foreign minorities</i>	N.R.		
Training	<i>Individual development programs</i>			
	<i>Instruction about safety/health</i>	N.R.		

Table 3.2f Tesco HRM trajectories - summary (1995-2007)



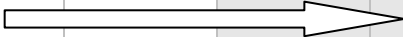


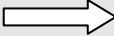

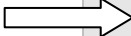
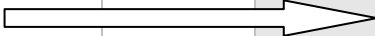





		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Industrial relations	<i>Freedom of association</i>				
	<i>Collective bargaining</i>				
	<i>Consultation with employees</i>				
	<i>Position of whistleblower</i>				
Company Internal Working conditions	<i>Wages and benefits</i>				
	<i>Top Salaries</i>				
	<i>Safety and health</i>				
	<i>Effort to prevent abuse on work floor</i>				
Employment	<i>Child care provisions</i>				
	<i>Preferential treatment of women</i>				
	<i>% female topmanagers</i>				
	<i>Preferential treatment of foreign minorities</i>				
	<i>% top managers of foreign minority</i>				
	<i>% of disabled people hired</i>				

Table 3.2f Tesco HRM trajectories - summary (1995-2007) (continued)

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Training	<i>Individual development programs</i>		→		
	<i>Instruction about safety/health</i>			↻	
	<i>Instruction to make employees aware of social/ environmental issues</i>			→	

3.3. The position of Marketing and consumer orientations

Marketing is about 'customer relationship management' (CRM). This approach requires substantial data sets to be gathered about a key segment of the business' stakeholder community (typically customers) followed by the use of data-mining techniques which allow trends and opportunities to be identified, graphed and communicated. These reports inform management decision making and help the business prosper. CRM works effectively in situations where the business is relatively stable and there are a large class of stakeholders interacting with the business in a reasonably common way. In the British retail literature, the successful transition from an inactive and defensive marketing strategy towards a pro-active marketing strategy critically depends on the involvement of customers as co-producers and marketing as a co-consumption strategy (cf. van Mil, 2007). This not only requires a different (more active) orientation of the retailer, but also a process of re-education of customers. If this type of alignment with individual customers and critical organised consumer organisations cannot be achieved, the transition might not be feasible.

All Dutch retailers have responded to the increasing demand of consumer groups to provide with some CSR labels in their product range. All have been relatively re-active towards consumers and consumer organisations, which makes their position rather ambiguous (Table 3.3). In general, the customer is considered a 'cost minimiser' by many and only for relatively niche markets a CSR interested buyer. Also the other three European retailers have a strong focus on price strategy. However, they distinguish themselves from other retailers by combining price with a value for money strategy.

Table 3.3 General Consumer Relations: C1000, SdB and Ahold			
INACTIVE ←-----→ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE	
Customer as cost minimiser	Customer as buyer (including higher quality if needed)	Customer as 'CSR interested buyer'	Customer as co-producer
Consumer labels: No Policy	Minimalistic and reactive for specific niche product; no relation with general vision	Search for labels that also represent the general vision/ mission of the organisation; active information strategy towards customers	Interactive labelling: overcoming information asymmetries and improving co-consumption
Reporting aim: Consumer communication; Only what is legally required	Consumer accountability; only what is required towards shareholders	Consumer appeal; identification and development of own goals	Consumer engagement; development of goals; stakeholder orientation
Advertisements: Prices only, no issue campaigns	Low prices and some CSR issues; 'no misleading advertisement'	Some low prices, but many CSR issues; Value and vision oriented (explanation of the core values of the organisation); offensive issue advertisements	Higher prices but make shopping an experience with interaction on CSR issues. Participative issue advertisement campaigns (see PA)

In more specific marketing areas (Tables 3.3a-c) Ahold has gone farthest in its marketing approach by introducing the 'clover' label to indicate healthy products (food). However, this has also come at the expense in the marketing campaign of other labels that address societal issues like fair trade and human rights - which does not imply that the company has not included these labels in its product portfolio. C1000 has adopted the most inactive marketing strategy, which initially triggered less direct action from critical special interest groups. After continuation of this strategy, the company was increasingly targeted by NGOs in its 'bulk-meat' strategy. None of the Dutch retailers have gone as far as

approaching customers as co-producers, no issue advertisement campaigns were developed at any reasonable scale. The 'price-wars' between the major retailers for market share in the last five years has clearly frustrated a sophisticated CSR marketing strategy.

		Ahold/AH CSR marketing approach (1995-2007)			
		INACTIVE ←-----→ ACTIVE		RE-ACTIVE ←-----→ PRO-ACTIVE	
Sustainable/ environmental	<i>Give information (on products/in stores) about social/environmental issues</i>				
	<i>Sustainable alter-native in assortment (sustainable product, packaging etc)</i>				
Health	<i>Give information (on products/in stores/ develop programs) about health issues</i>				
	<i>Healthy alternative in assortment (lower fat/sugar)</i>				
General customer relations	<i>Procedure for complaints of customers</i>	N.R.			
	<i>Research to satisfaction of customer</i>				
	<i>Innovative capability</i>				
Local community	<i>Support local community /food desert debate/ accessible for disabled people/attainableness by public transport</i>				

Table 3.3b Super de Boer/SdB CSR marketing approach (1995-2007)

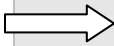
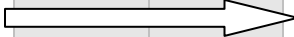
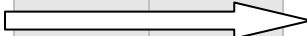
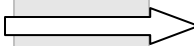

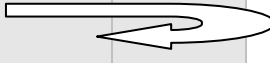








		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Sustainable/ environmental	<i>Give information (on products/in stores) about social/environmental issues</i>				
	<i>Sustainable alter-native in assortment (sustainable product, packaging etc)</i>				
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>				
	<i>Healthy alternative in assortment (lower fat/sugar)</i>				
General customer relations	<i>Procedure for complaints of customers</i>				
	<i>Research to satisfaction of customer</i>				
	<i>Innovative capability</i>				
Local community	<i>Support local community /food desert debate/ accessible for disabled people/attainableness by public transport</i>				

Table 3.3c Schuitema/C1000 CSR marketing approach (1995-2007)

		INACTIVE ←-----→ ACTIVE			
			RE-ACTIVE ←-----→ PRO-ACTIVE		
Sustainable/ environmental	<i>Give information (on products/in stores) about social/environmental issues</i>				
	<i>Sustainable alternative in assortment (sustainable product, packaging etc)</i>				
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>				
	<i>Healthy alternative in assortment (lower fat/sugar)</i>				
General customer relations	<i>Procedure for complaints of customers</i>	N.R.			
	<i>Research to satisfaction of customer</i>				
	<i>Innovative capability</i>				
Local community	<i>Support local community /food desert debate/ accessible for disabled people/attainableness by public transport</i>	N.R.			

The international benchmark group (Tables 3d-f) does not differ that much from the Dutch retailers group. Both present a relatively mixed picture in which real pro-active strategies are still distant from reality (except for some targeted areas such as complaint procedures and customer research. These areas are important, but provide only a stepping stone for a more active/pro-active approach. Coop seems to be the furthest developed in its CSR strategy.

It differentiates itself from the other retailers by putting the customer need first through a growing focus on consumer trends of enjoyment/quality, ecology/sustainability and health by creating new offers with specific added values in these areas. This can also be influenced by the recent entrance of foreign price fighters such as Aldi and Lidl to the Swiss retail market. Due to their access Coop and other Swiss retailers were forced to cut their prices. However, local studies have shown that price differentiation has just a partial effect on Swiss consumers, since they tend to also appreciate quality, local sourcing and sustainability issues as important variables in their selection process. For this, Coop offers a comprehensive brand mix targeting a wide range of specific customer needs. It generates about 45% of its sales with branded articles, offering the biggest all-round range. To differentiate themselves, Coop has developed flagship labels since 1995 such as Coop Naruraplan, Coop Naturaline, and Coop Oecoplan. With these flagship labels, Coop has taken environmentally and socially responsible products out of their niches and made them attractive to a broad public. Important sustainability issues managed through the development mechanisms behind these labels are: animal care, labour conditions in the textiles sector, fair trade in the basic commodity sector such as cocoa, regional sourcing of Swiss small farmers in mountainous areas, and more recently consumer health.

Kesko recognises its key role in facilitating sustainable production and consumption by offering sustainable alternatives. At the same time, however, Kesko faces the fact that sustainability is often not the key driver behind the purchasing decisions of the average customer. Kesko aims to create the most environmentally friendly merchandise chain possible, from producer to customer. A part of this will, in the future, incorporate providing customers with information on how ecologically efficient their local store building is. Health and responsibility are increasingly important for Finnish consumers. Kesko Food makes healthy choices easier and actively develops responsible operating practices, products and services.

Different is Tesco, which regards itself as a discounter and tries to keep the prices lower than all the other national superstores. However, price is not the only factor. Value for money includes the quality of the products, the personal services of their staff and the pleasant environment in their stores. At the same time Tesco offers a wide range of sustainable alternatives in the assortment, from energy-efficient light bulbs, to fair trade and organic products. Also health is becoming an issue Tesco is trying to differentiate itself. They claim to be the first to use the concept of Guideline Daily Amounts developed by the Institute of

Grocery Distribution. This information is communicated to the consumer by a label. A quite extreme measure of Tesco to help their customers to improve their health is the introduction of a trolley in 2004 with an extra wheel that increases the rolling resistance. The little indicator attached to the trolley shows how many calories are being used by pushing the trolley (*NRC*, 28 April 2004).

Kesko and Coop provide tools and procedures for customers to share their suggestions and complaints with management. From the information collected of Tesco no evidence was found that they provide such access. The three retailers actively collect information about customers' preferences using surveys and store meetings. In the case of Coop, the retailer took a different approach to the survey of 2007. This one was not conducted by external parties, but by Coop employees from all departments and all levels of the hierarchy, which shows their efforts to develop inside-out strategies to align their personnel with external key stakeholders. In 2007 also a children's and parents' jury was created to collect their opinion regarding the new health-product line of JaMaDu's own brand label.

Table 3.3d Kesko CSR marketing approach (1995-2007)

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Sustainable/ environmental	<i>Give information (on products/in stores) about social/environmental issues</i>		→	
	<i>Sustainable alternative in assortment (sustainable product, packaging etc.)</i>		→	
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>		→	
	<i>Healthy alternative in assortment (lower fat/sugar)</i>		→	
General customer relations	<i>Procedure for complaints of customers</i>			↻
	<i>Research to satisfaction of customer</i>			↻
	<i>Innovative capability</i>		→	
Local community	<i>Support local community/food desert debate /accessible for disabled people/attainableness by public transport</i>		→	

Table 3.3e Coop CSR marketing approach (1995-2007)

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Sustainable/ environmental	<i>Give information (on products/in stores) about social/environmental issues</i>				→
	<i>Sustainable alternative in assortment (sustainable product, packaging etc)</i>				→
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>				→
	<i>Healthy alternative in assortment (lower fat/sugar)</i>		→		
General customer relations	<i>Procedure for complaints of customers</i>			↻	
	<i>Research to satisfaction of customer</i>			→	
	<i>Innovative capability</i>				→
Local community	<i>Support local community/ food desert debate/accessible for disabled people/attainableness by public transport</i>			→	

Table 3.3f		Tesco CSR marketing approach (1995-2007)			
		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Sustainable/ environmental	<i>Give information (on prod- ucts/in stores) about social/ environmental issues</i>				
	<i>Sustainable alternative in assortment (sustainable product, sustainable packag- ing etc)</i>				
Health	<i>Give information (on prod- ucts/in stores/develop pro- grams) about health issues</i>				
	<i>Healthy alternative in as- sortment (lower fat/sugar)</i>				
General customer	<i>Procedure for complaints of customers</i>				
	<i>Research to satisfaction of customer</i>				
Local community	<i>Support local community/ food desert debate/acces- sible for disabled people/ at- tainableness by public transport</i>				

3.4 The position of Purchasing and supplier relations

The transition towards more pro-active forms of CSR has particular consequences for chain-management approaches. The purchasing power of the retail sector is substantial and increasing. This power can be used to cut prices and put pressure on the suppliers, but also to increase 'procedural justice' in the buyer-supplier relationship (cf. Fearne et al., 2005). A 'low price strategy' does not automatically imply that suppliers are treated unjust, with lower margins (ibid). Fearne et al. (2005:579) conclude that in the buyer-supplier relationship

'procedural justice' might be of greater concern for suppliers than 'distributive justice'.

The purchasing function represents one of the most important dimensions of a corporation's CSR strategy (Carter and Jennings, 2002). This is the area of 'Purchasing social Responsibility' (PSR), 'responsible purchasing' (Responsible Purchasing Initiative, 2006) or 'Socially Responsible Buying' (SRB). PRS refers to the 'strong desire of the purchasing organisation to maintain a long-term relationship with suppliers' (Carter and Jennings, 2002: 39). Carter and Jennings (2002) and Carter (2005) have tried to research the impact of PSR on supplier performance and buyer-supplier relationships in the upstream supply chain. Although the research area is still in its infancy (Van Mil, 2007:104) many authors suggest that this relationship is (moderately) positive. Whether the relationship is influenced by forms of 'organisational learning' can only be supposed (Carter, 2005). Furthermore, there is no guarantee that firms that engage in PSR will improve their performance. It depends on specific 'competencies' of the firm (in relationship with its stakeholders/suppliers). Others (Marcus and Anderson, 2006) found for the retail food industry in specific that business and social competencies have different determinants. The build up of trust and reputation in the chain are important factors that influence the relationship (and ultimately the performance in the chain) and increase the ability of the retail company to coordinate the chain (Carter and Jennings, 2002).

So a more or less coherent strategy towards suppliers (see also section 3.7) can be supposed to have a positive influence on the whole chain. Dynamic capabilities in the direction of social competencies will be enhanced by a broadened mission definition of the firm to include the concerns of a variety of different stakeholders (ibid: 39). In moving from an inactive to a pro-active CSR approach firms thus have to build up substantial own capabilities, develop chains on the basis of joint responsibilities (cooperate) with suppliers, which probably implies a changed mission. In terms of the geographical spread of suppliers, the more local suppliers are, the more they can be involved in this co-production strategy. Maignan, Hillebrand and McAlister (2002) - in their delineation of the road towards Socially Responsible Buying (SRB) - also see the pro-active approach towards SRB as the ultimate goal of corporations which implies a strong involvement of 'organisational stakeholders' (although relatively vaguely specified, with four types of SRB that are rather loosely defined: 'reactive', 'defensive', 'accommodative' and 'pro-active'). Table 3.4 gives the most important general indicators and scores of the various (CSR) purchasing relationships for the Dutch retailers. Dutch retailers on average are still distant from a pro-active

supplier strategy. This also relates to the geographic choices made in supply-chain management: none of the producers has made strong statements of going for local sourcing - which would enhance the CSR level of its supply chain strategy. The % of products in the assortment that have environmental and social standards (table 3.4b-c) remains relatively modest, but is strongly increasing nevertheless.

Table 3.4		General supplier relationships and CSR strategies: Dutch retailers	
INACTIVE ←-----→ACTIVE			
	RE-ACTIVE ←-----→PRO-ACTIVE		
Chains on the basis of prices only; strong competition for customers; active use of power position in chain; no systematic attention for e.g. labour conditions (prime responsibility of supplier)	Chains on the basis of prices and quality; suppliers are responsible for e.g. labour conditions	Chains on the basis of fair prices and high quality; suppliers are selected on the basis of their approach towards e.g. labour conditions	Chains on the basis of joint responsibilities; quality and prices are set together; definition of fair wages and labour conditions are based on consultation and strategic dialogues
Cost, control, risk aversion	Cost, control, quality	Control and quality	Co-development and quality
Only CSR that does not cost much (and does not result in higher purchasing prices)	Only CSR if needed and/or available (and does not result in higher purchasing prices)	Upgrading according to own standards (cf. Van Wijk et al., 2008)	Upgrading according to joint and/or open standards (cf. Van Wijk et al., 2008)
Chain Liability		Chain Responsibility	

An example of the manner in which the approach towards suppliers changes over time - under the influence of competition in the retail market - is Ahold. The company adopts very strict food safety codes, which is in alignment with its 'health' strategy towards consumers. On the other hand, Ahold also changed in 2002 its general 'cooperative' and 'partnering' strategy towards suppliers into a confrontational stance aimed at lowering prices and the power of A-brand sup-

pliers. The paradox is that these particular suppliers are amongst the ones with the highest involvement in CSR (supply chain) strategies.

Over the years, the Dutch retailers have been moving ahead with the implementation of more advanced CSR purchasing strategies in particular areas. Tables 3.4b-c illustrate this. Super de Boer/SdB has clearly gone furthest, for instance in environmental issues. But even Super de Boer/SdB has not always been able to sustain a more active stance towards its suppliers. All retailers see food safety as a prime area for very strict quality codes and control. This strategy can at best, however, only be seen as an active approach. Only in case active support of sustainable suppliers' coalitions such as the Marine Stewardship Council exists, can one speak of a more (pro)active approach. This is the case with some parts of the strategy of Super de Boer/SdB, but not for C1000.

Table 3.4a		Ahold/AH specific purchasing trajectories (1995-2007)	
		INACTIVE ←-----→ ACTIVE	
		RE-ACTIVE ←-----→ PRO-ACTIVE	
Food safety	<i>Support of food safety/ quality codes</i>		
	<i>Forced labour</i>		
Labour conditions	<i>Child labour</i>		
	<i>Freedom of association and collective bargaining</i>		
	<i>Working times</i>		
	<i>Wages and benefits</i>		
	<i>Conditions of work and life</i>		
	<i>Safety and health</i>		

Table 3.4a

Ahold/AH specific purchasing trajectories (1995-2007) (continued)



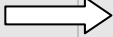



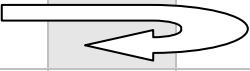

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Environmental and social issues - generic level	<i>Participation in environmental issues</i>				
	<i>CO₂/Waste management/ Energy consumption/Toxic waste/packaging/nature conservation/pesticide use/ GMO/renewable energy or substances</i>				
	<i>Participation in social issues</i>				
	<i>Welfare of animals</i>				
Environmental/social issues - product level	<i>Products have fishery standard</i>				
	<i>Products with Social standards</i>				
	<i>Products with environmental standards</i>				
	<i>% of products have standards</i>				
Local sourcing	<i>Locally-sourced products</i>	N.R.			

Table 3.4b Super de Boer/SdB specific purchasing trajectories (1995-2007)

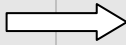
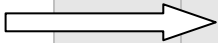
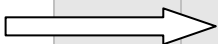
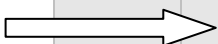
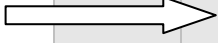
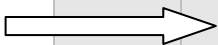
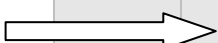
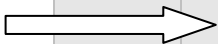
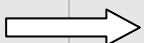
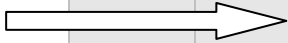
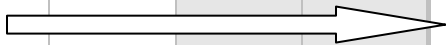

		INACTIVE ←-----→ ACTIVE	
		RE-ACTIVE ←-----→ PRO-ACTIVE	
Food safety	<i>Support of food safety/ quality codes</i>		
	<i>Forced labour</i>		
Labour conditions	<i>Child labour</i>		
	<i>Freedom of association and collective bargaining</i>		
	<i>Working times</i>		
	<i>Wages and benefits</i>		
	<i>Conditions of work and life</i>		
	<i>Safety and health</i>		
	Environmental and social issues - generic level	<i>Participation in environmental issues</i>	
<i>CO₂/Energy consumption/ renewable energy or substances</i>			
<i>Waste management/Toxic waste/packaging/nature conservation/pesticide use/ GMO</i>			
<i>Participation in social issues</i>			
<i>Welfare of animals</i>			

Table 3.4b		Super de Boer/SdB specific purchasing trajectories (1995-2007) (continued)			
		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Environmental/social issues - product level	<i>Products have fishery standard</i>				
	<i>Products with Social standards</i>				
	<i>Products with environmental standards</i>				
	<i>% of products have standards</i>				
Local sourcing	<i>Locally sourced products</i>	N.R.			

Table 3.4c

Schuitema/C1000 specific purchasing trajectories (1995-2007)

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Food safety	Support of food safety/ quality codes	→			
Labour conditions		N.R.			
Environmental and social issues - generic level	Participation in environmental issues	N.R.			
	CO ₂ /Energy consumption/ renewable energy or substances		→		
	Participation in social issues	N.R.			
	Welfare of animals		→		
Environmental/social issues - product level	Products have fishery standard	→			
	Products with Social standards	→			
	Products with environmental standards	→			
	% of products have standards	↻			
Local sourcing	Locally-sourced products	N.R.			

International retailers

At Kesko's supplier meeting in 1995 Kesko's CEO Matti Halmesmäki made it clear for the suppliers that a supplier who ruins its image of quality by cooperating with discount stores, cannot be Kesko's strategic partner. Kesko was cate-

goring its suppliers according to how much value a partner brings to the Kesko group and customers.

'We have over 2,000 suppliers, but 200 bring 90% of the sales. We have close partnerships with our biggest suppliers, although the volume is not the only criteria. Local, small suppliers can be crucial in bringing the customers in the store' (Terho Kalliokoski. *Talouselämä* 7.12.2007).

Kesko has made some effort to relate CSR in supplier relations to the internal alignment. For instance, in 1998, an ethical assessment of the implementation of the value 'responsibility and honest working methods' was made among the personnel. The aim was to provide a basis for the ethical code, which will connect to the corporate values and will address the operations of the personnel. Also, in 2007, Kesko established a steering group to develop and coordinate responsible purchasing. During the year the group launched several projects to improve the efficiency of Kesko's supplier audits in developing countries.

Quality control in respect of purchasing, particularly that with a risk component, such as imports from developing countries, is carried out in compliance with the principles of the European Business Social Compliance Initiative and the international Social Accountability SA 8000 standard. With this, Kesko has been the first Nordic company to publish its compliance to the international SA 8000 standard. However, compliance with SA 8000 standard or BSCI is not seen as a prerequisite for doing business with Kesko, as only a fraction of the suppliers have been audited so far. Around 91% of all producers of imported fruit and vegetables are GlobalGAP-certified for good agricultural practices. In the case of suppliers of Kesko's private labels, employees of the quality control department audit the operations personally. Also, Kesko shows the first signs of real aligning with external parties on these issues, by partnering up with key stakeholders, such as WWF in the case of developing sustainable fishery strategies.

Table 3.4d Kesko CSR specific purchasing trajectories (1995-2007)












		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Food safety	<i>Support of food safety/ quality codes</i>			
	<i>Forced labour</i>			
Labour conditions	<i>Child labour</i>			
	<i>Freedom of association and collective bargaining</i>			
	<i>Working times</i>			
	<i>Wages and benefits</i>			
	<i>Conditions of work and life</i>			
	<i>Safety and health</i>			
	Environmental and social issues - generic level	<i>Participation in environmental issues</i>		
<i>CO₂/Waste management/ Energy consumption/Toxic waste/packaging/nature conservation/pesticide use/ GMO/renewable energy or substances</i>				
<i>Participation in social issues</i>				
<i>Welfare of animals</i>				

Table 3.4d		Kesko CSR specific purchasing trajectories (1995-2007) (continued)			
		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Environmental / social issues - product level	<i>Products have fishery standard</i>		→		
	<i>Products with Social standards</i>			→	
	<i>Products with environmental standards</i>		→		
	<i>% of products have standards</i>		→		
Local sourcing	<i>Locally-sourced products</i>			→	

In the case of Coop CSR has become a real embedded strategy, becoming part of its core business. This is shown by some changes made in the internal organisation structure. The Coop category management unit and purchasing were integrated in 2004, in order to improve efficiency in logistics and decision-making paths. Also the sustainability sourcing steering committee has been replaced by the sustainability steering committee in which business units are represented. The committee supports and monitors the implementation of Coops sustainability targets within the Coop Group. This will be addressed and also communicated by a greater group wide focus on ecological concerns in building standards, logistical improvements, mobility choices and the implementation of Coop's CO₂-reduction targets. Important decisions will be reflected in the relevant, generally binding guidelines. With regard to the external alignment, Coop not only support sustainable production and purchasing practices by following the procedures and standards of external stakeholders. But Coop also has become the member in three WWF strategic groups, being sustainable fishery, wood, and climate change. Besides that, they concluded in 2006 the multiyear GRASP project which was organised by Coop and the German Society for Technical Cooperation (GTZ) to integrate social requirements into the international standard for good agricultural practice (GlobalGAP). Continuously, efforts are being made in

these two risk areas to determine how best to network BSCI's requirements for suppliers with GlobalGAP's voluntary social requirements for farming.

Table 3.4e		Coop CSR specific purchasing trajectories (1995-2007)			
		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Food safety	<i>Support of food safety/ quality codes</i>				→
	<i>Forced labour</i>			→	
Labour conditions	<i>Child labour</i>			→	
	<i>Freedom of association and collective bargaining</i>				→
	<i>Working times</i>			→	
	<i>Wages and benefits</i>			→	
	<i>Conditions of work and life</i>			→	
	<i>Safety and health</i>			→	
	Environmental and social issues - generic level	<i>Participation in environmental issues</i>			
<i>CO₂/Waste management/ Energy consumption/Toxic waste/packaging/nature conservation/pesticide use/ GMO/renewable energy or substances</i>					→
<i>Participation in social issues</i>				→	
<i>Welfare of animals</i>				→	

Table 3.4e		Coop CSR specific purchasing trajectories (1995-2007) (continued)			
		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Environmental/social issues - product level	<i>Products have fishery standard</i>			→	
	<i>Products with Social standards</i>			→	
	<i>Products with environmental standards</i>				→
	<i>% of products have standards</i>			→	
Local sourcing	<i>Locally-sourced products</i>				→

Tesco is one of the four major global retailers. It is said that suppliers fear to complain about Tesco as they 'fear being struck off by the retailer'. Tesco however mentions that it takes a partnership approach while working with suppliers, sharing their knowledge and listening to suppliers' feedback, providing technical expertise, advice and insight into customer trends and making regular payment, on time.

Tesco monitors its relations with suppliers through the Supplier Viewpoint Survey. Their target is that 90% of UK suppliers view Tesco as being trustworthy, reliable, consistent, clear, helpful and fair.

Together with four other global retailers Tesco has formed the Global Social Compliance Programme to develop a code of practice. The GSCP has agreed a draft Reference Code between the 25 leading retailers and manufacturers currently involved. Next steps involve the development of an audit checklist to ensure the Code is interpreted consistently around the World.

It is remarkable that the more specific demands of Tesco to its suppliers is particularly focused on environmental and social issues, much more than on food safety and quality. Tesco has developed its own environmental standard, Nature's Choice, introduced in 1992. It applies to all growers in the UK business and is particularly focused on the environment and to a lesser extent to safety and quality.

Tesco is a founder member of the Ethical Trading Initiative (ETI) and expects all their suppliers to follow the ETI Base Code (CSR, 2006). The ETI Base Code includes among others freedom of association and the right to collective bargaining, no use of child labour and no excessive working hours (CSR, 2008). Tesco reports it takes

'a risk-based approach to managing labour standards in our supply chain, in addition to the due diligence work we do on legal compliance, product safety, quality and capability for product development'.

Tesco is member of the Roundtable on Sustainable Palm Oil, showing that it wants to work together with suppliers on developing more sustainable palm oil supply chains. Tesco is also working with its suppliers on reducing carbon emissions by being a member of the Carbon Disclosure Project Supply Chain Collaboration and working together to reduce distribution packaging.

Table 3.4f Tesco CSR-specific purchasing trajectories (1995-2007)





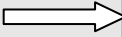
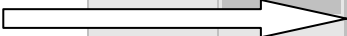
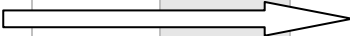
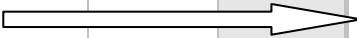

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Food safety	<i>Support of food safety/ quality codes</i>				
	<i>Forced labour</i>				
Labour conditions	<i>Child labour</i>				
	<i>Freedom of association and collective bargaining</i>				
	<i>Working times</i>				
	<i>Wages and benefits</i>	N.R.			
	<i>Conditions of work and life/all workers standard of living sufficient to meet basic needs</i>	N.R.			
	<i>Safety and health [ILO C155 art 1, 4, 16]</i>	N.R.			
	Environmental and social issues - generic level	<i>Participation in environmental issues</i>			
<i>CO₂/Waste management/ Energy consumption/Toxic waste/packaging/nature conservation/pesticide use/ GMO/renewable energy or substances</i>					
<i>Participation in social issues</i>					
<i>Welfare of pigs/hens/chickens/transport of animals</i>					

Table 3.4f		Tesco CSR-specific purchasing trajectories (1995-2007) (continued)			
		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Environmental/ social issues - product level	<i>Products have fishery standard</i>				
	<i>Products with Social standards</i>				
	<i>Products with environmental standards</i>				
	<i>% of products have standards (%s??)</i>	N.R.			
Local sourcing	<i>Locally-sourced products</i>				

3.5 Financial Management - relationship with shareholders

The relationship with shareholders is generally considered to be the most important for public corporations. The shareholders are the owners and for them in particular the 'business case' for what type of CSR depends on the question whether this will reap them shareholder value. Companies can search for tacit shareholders which represents a classical inactive CSR strategy (see chapter 2) or search for more involved shareholders that help develop a business model that serves both financial and responsibility aims. Tables 3.5b-c show the attitude of two Dutch retailers vis-à-vis shareholders. None of the six retailers is yet actively searching for socially responsible investment (SRI), although Super de Boer/SdB stepped-up its efforts after its financial crisis in 2000-2001. All retailers take a strict, but re-active attitude towards the issue of insider trading. Financial relations, therefore, are primarily organised on the basis of a 'negative duty' approach. This is also probably possible, because of a lack of interest (and power) with SRI funds towards Dutch retailers. The Dutch Association of Responsible Investors (VBDE) and related investors is clearly not strong enough

to have any influence on the financial strategies of Dutch retailers. Change has stalled over time (probably also under the influence of the price-wars).

In the case of Coop, it set up the Coop Naturaplan Fund with an annual endowment of ten million francs in 2003. In 2007 Coop began offsetting its CO₂ emissions from business trips and the air freighting of Coop products with contributions from its own carbon offsetting fund. Coop will be merging these two funds in the course of 2008 to create the Coop Sustainability Fund, whose annual endowment will be increased in steps to a total of 15 million francs in 2011. The sustainability fund will also have a new strategic orientation, its overriding goal being to promote environmental awareness and sustainable consumption.

Table 3.5a		Ahold/AH CSR financial trajectories (1995-2007)			
		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
		Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors	Search for involved shareholder
<i>Prevention insider trading of shares</i>					
<i>Attitude towards shareholders</i>					
<i>PA function</i>					
<i>Socially responsible investment (SRI)</i>					




Table 3.5b		Super de Boer/SdB CSR financial trajectories (1995-2007)			
	INACTIVE ←-----→ ACTIVE				
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors	Search for involved shareholder	
<i>Prevention insider trading of shares</i>					
<i>Attitude towards shareholders</i>					
<i>PA function</i>					
<i>Socially responsible investment (SRI)</i>	N.R.				




Table 3.5c		Schuitema/C1000 CSR financial trajectories (1995-2007)			
	INACTIVE ←-----→ ACTIVE				
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors	Search for involved shareholder	
<i>Prevention insider trading of shares</i>					
<i>Attitude towards shareholders</i>					
<i>PA function</i>					
<i>Socially responsible investment (SRI)</i>	N.R.				




Table 3.5d		Kesko CSR financial trajectories (1995-2007)			
	INACTIVE ←-----→ ACTIVE				
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors	Search for involved shareholder	
<i>Prevention insider trading of shares</i>					
<i>Attitude towards shareholders</i>					
<i>PA function</i>					
<i>Socially responsible investment (SR)</i>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">N.R.</div>				





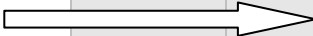

Table 3.5e		Coop CSR financial trajectories (1995-2007)			
	INACTIVE ←-----→ ACTIVE				
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors	Search for involved shareholder	
<i>Prevention insider trading of shares</i>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">N.R.</div>				
<i>Attitude towards shareholders</i>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">N.R.</div>				
<i>PA function</i>					
<i>Socially responsible investment (SR)</i>					

Table 3.5f		Tesco financial trajectories (1995-2007)		
	INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→		PRO-ACTIVE	
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors	Search for involved shareholder
<i>Prevention insider trading of shares</i>				
<i>Attitude towards shareholders</i>				
<i>PA function</i>				
<i>Socially responsible investment (SRI)</i>				

3.6 Relationship with competitors - strategic management

The (horizontal) relationship with competitors basically represent the way the company is willing to search for 'industry-wide' solutions to a number of problems and characterise the direction and degree to which a company is willing to create a 'level playing field' in the industry. Question that can be posed in this respect are:

- Does the company want to use its CSR strategy as a Unique Selling Point?
- Does the company wait for industry associations to take up the initiative?

Joint initiatives might run the risk of 'adverse selection' (going for the lowest common denominator), and might take too long as opposed to 'go-it-alone' strategies. So the attitude towards competitors in CSR relevant areas is an important 'context' variable for the implementation of a minimum standard in the CSR business model.

Tables 3.6b-c show that Dutch retailers are not very active in creating joint initiatives with their competitors. This can be witnessed by the lack of general statements by the firms on the importance of joint action and/or the importance

of business associations for the issue of CSR. A level playing field is clearly not (yet) considered important. This might be one of the most important factors behind the relatively trailing CSR strategies compared to the international competition: the fragmentation of the Dutch retail landscape (and the lack of government policy in comparable areas) provide only scant incentives for retailers to engage in a 'race to the top' as can be witnessed in particular in countries like the UK. Industry initiatives could compensate for the lack of government initiatives or intra-industry competition on CSR relevant issues, but this is clearly not (yet) the case in the Netherlands. The limited penetration of the Dutch retail market by foreign (European) retailers does not add to the intra-industry dynamism either.

This is different in the case of some of the other European retailers. Coop makes a point of consistently distinguishing itself from its competitors across the *entire retail channel*, i.e. across products, product ranges, points of sale, services and communication. Coop also intends to maintain the crucial difference between itself and its competitors in the future as well, and for this reason aims to focus even more strongly on sustaining a distinctive profile: by optimising its unique brand mix, by maintaining the high quality of Coop flagship labels and by further rapid implementation of its new retail outlet concept. To overcome the competition, Coop is betting on Copernic along with French, Italian and Belgian retailers, to negotiate lower prices for the products it buys, save on logistics costs and cut out the middlemen it says drive up costs. 'Coop has made a very smart move in an extremely competitive market,' Bacos told swissinfo. 'By pooling their purchasing power they have made a quantum leap in the leverage they can exert with respect to their pricing discussions with manufacturers.' Already in 2007 Coop concluded that the European sourcing alliance Copernic, is a success. The reason for this is that it has already concluded over 150 agreements with providers of major international brands, negotiating substantial price reductions in exchange for optimum, internationally coordinated sales-promotion services and the largest possible purchases volumes. In addition, pooling of information makes it easier for Copernic members to deal with the high prices on the raw material markets. Coop passes on any price cuts achieved by the purchasing alliance straight to the customer.

Kesko is equally confronted with a growth in international chains that have accessed the Finnish market and concentrate on a very narrow operating system and uniform store concept, for example like German Lidl in the grocery market or the British Gigantti in the home electronics trade. Internationalisation is reflected in Kesko's focus on price competition, particularly in grocery trade.

Kesko Food has responded to these developments, by increasing the number of house brands, improving the efficiency of operations with a new operations control system, and by lowering the prices of a thousand Pirkka products. But they combined this with an industry wide initiative to raise ethical standards in the whole supply chain. In spring 2000, Kesko suggested to all importers operating in Finland that they draw up ethical principles for imports. The proposal for common principles has since been formulated by a working group with members from six companies, and the target was for this to be published during spring 2001. The commitment was signed by 13 companies, including all major food trading groups and many clothing and shoe manufacturers and importers. Practical co-operation, chaired by Kesko, will continue as part of the operations of the Central Chamber of Commerce.

For Tesco, the situation seems contrary. Tesco's success and growing power is causing resentment in the rest of the industry and/or its supply chain. Tesco suppliers seem to refuse to talk about their relations with a buyer with such immense bargaining power. There is even a pressure group, Tescopoly, dedicated to breaking-up the company.

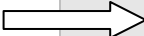

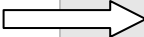
Table 3.6a		Ahold/AH CSR trajectories with Competitors		
		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Do-it-alone	Pragmatic/ defensive alliances	Leader-follower alliances	Offensive alliances
	→ no/limited role for busi- ness associa- tions	→ limited role for business associations	→ difficult rela- tionship with business asso- ciations (ad- verse selection)	→ follower role of busi- ness associa- tions
<i>Measures to prevent col- lusion/competition limit- ing agreements</i>				
<i>Respect of intellectual capital of competitors</i>				
<i>Corruption or bribery</i>				




Table 3.6b		Super de Boer/SdB CSR trajectories with Competitors		
	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Do-it-alone	Pragmatic/ defensive alliances	Leader-follower alliances	Offensive alli- ances
	→ no/limited role for busi- ness associa- tions	→ limited role for business associations	→ difficult rela- tionship with business asso- ciations (adverse selection)	→ follower role of busi- ness associa- tions
<i>Measures to prevent collusion/competition limiting agreements</i>				
<i>Respect of intellectual capital of competitors</i>				
<i>Corruption or bribery</i>				

Table 3.6c		Schuitema/C1000 trajectories with Competitors		
	INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE			
	Do-it-alone	Pragmatic/ defensive alliances	Leader-follower alliances	Offensive alli- ances
	→ no/limited role for busi- ness associa- tions	→ limited role for business associations	→ difficult rela- tionship with business asso- ciations (ad- verse selection)	→ follower role of busi- ness associa- tions
<i>Measures to prevent col- lusion/competition limit- ing agreements</i>	N.R.			
<i>Respect of intellectual capital of competitors</i>	N.R.			
<i>Corruption or bribery</i>	N.R.			

Table 3.6d

Kesko CSR trajectories with Competitors


	INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE			
	Do-it-alone	Pragmatic/ defensive alliances	Leader-follower alliances	Offensive alli- ances
	→ no/limited role for busi- ness associa- tions	→ limited role for business associations	→ difficult rela- tionship with business asso- ciations (ad- verse selection)	→ follower role of busi- ness associa- tions
<i>Measures to prevent col- lusion/competition limit- ing agreements</i>	N.R.			
<i>Respect of intellectual capital of competitors</i>	N.R.			
<i>Corruption or bribery</i>				

Table 3.6e

Coop CSR trajectories with Competitors





	INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→		PRO-ACTIVE	
	Do-it-alone	Pragmatic/ defensive alliances	Leader-follower alliances	Offensive alli- ances
	→ limited role for business associations	→ difficult rela- tionship with business asso- ciations (ad- verse selection)	→ follower role of business as- sociations	→ no/limited role for busi- ness associa- tions
				
<i>Measures to prevent col- lusion/competition limit- ing agreements</i>	N.R.			
<i>Respect of intellectual capital of competitors</i>	N.R.			
<i>corruption or bribery</i>	N.R.			

Table 3.6f Tesco CSR trajectories with Competitors				
	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Do-it-alone	Pragmatic/ defensive alliances	Leader-follower alliances	Offensive alliances
	→ no/limited role for business associations	→ limited role for business associations	→ difficult rela- tionship with business as- sociations (adverse selec- tion)	→ follower role of busi- ness associa- tions
<i>Measures to prevent collusion/competition limiting agreements</i>				
<i>Respect of intellectual capital of competitors</i>				
<i>corruption or bribery</i>				

3.7 Conclusion: average internal alignment

The detailed scores in each functional area give a good impression of the actual internal alignment process, the degree of coordination problems faced by firms and the extent to which firms in the retail sector have tried to involve primary stakeholders. Each functional area can be summarized by an 'average' score on CSR, representing the more or less 'dominant' logic chosen by the company in this area. The explanation of this logic can lie in the history of the company (for instance take-over of an external partner that had a different approach) or the particular type of leadership taken by the company management. Another strong 'averaging' force for companies, i.e. that stimulate firms to organise most departments along a comparable CSR orientation can be found in the three 'factors' identified in section 2.3: (a) country, (b) industry, (c) issue. In case companies from the same country and the same industry face comparable issues, they are bound to follow comparable CSR orientations. In this case internal alignment is a function of relatively objective factors which in practice

also means that the 'room of manoeuvre' for the corporate leadership is relatively limited.








Combined these average scores can basically show two types of internal alignment:

1. *Coherent internal alignment* implies that the CSR strategy of the company represents some kind of 'punctuated equilibrium'; each functional area is more or less in the same position as the other departments; this makes it easier to coordinate the company, but might also lead to stagnation in the change trajectory if deemed necessary.
2. *Incoherent alignment* appears in case the organisation is in a sort of CSR disarray, with some functional areas operating in distinct CSR modes from other departments.

The following approximate patterns summarise the operational CSR strategies of the three Dutch retailers (table 3.7a-c) compared to the three European retailers (table 3.7d-f). These tables represent the actual position of the departments regarding CSR issues as well as the trajectories that preceded this since the mids of the 1990s. The table provide a 'qualitative average' not necessarily a mathematical average. All indicators have been considered to be of equal importance. However, several indicators for example concerning HRM issues that were consistently not reported about in the media or by the retailers have been excluded from the determination of an average. This would otherwise have put too much of an emphasis on an inactive approach towards CSR.

Table 3.7a		Internal alignment with Ahold/AH (1995-2007)			
Functional area	Primary stakeholders	Inactive	Re-active	Active	Pro-active
1. General/PA	Government/community				
2. HRM	Employees				
3. Marketing	Customers				
4. Purchasing	Suppliers				
5. Finance	Shareholders				
6. Strategy	Competitors				
7. PA/Purchasing/Marketing	NGOs				

Table 3.7b		Internal alignment with Super de Boer/SdB (1995-2007)			
Functional area	Primary stakeholders	Inactive	Re-active	Active	Pro-active
1. General/PA	Government/community				
2. HRM	Employees				
3. Marketing	Customers				
4. Purchasing	Suppliers				
5. Finance	Shareholders				
6. Strategy	Competitors				
7. PA/Purchasing/Marketing	NGOs				

Functional area	Primary stakeholders	Inactive	Re-active	Active	Pro-active
1. General/PA	Government/community				
2. HRM	Employees				
3. Marketing	Customers				
4. Purchasing	Suppliers				
5. Finance	Shareholders				
6. Strategy	Competitors				
7. PA/Purchasing/ Marketing	NGOs				




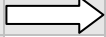



C1000 has adopted the most coherent alignment strategy over the years: at a relatively low level of activity. This is influenced by the relatively low level of ambition (strategic intent) of the company's leadership, while at the same time primary stakeholders were not complaining about this strategy. The future risk for C1000 is that the company gets attacked by secondary stakeholders, by stricter government regulation or by critical customers. This requires a more active approach which is difficult to align with its other activities. In case the management of C1000 wants to adopt a more active strategy, this will bring about serious internal alignment problems.

Super de Boer/SdB 'suffers' from a relatively incoherent CSR strategy, in which strategic intent and realised strategies are not always aligned. This might be the result of a relatively chaotic internal corporate organisation due to major restructuring. Super de Boer/SdB seems to have the biggest ambitions with suppliers (and several secondary stakeholders) which averages around an 'active' approach.

Ahold/Albert Heijn seems to have a slightly more coherent CSR strategy with an overall average around a re-active approach with some active elements. This re-active approach might be caused by conflicting primary stakeholder demands and ambitions. Ahold experienced severe reputational as well as financial damage after the accounting scandals at the start of the 21st century, which forced the company to reconsider its strategy and respond to many litigations. This has refrained the company from following a more active CSR approach in the

years after. A re-active approach for Ahold has more or less been triggered by its purchasing and its financial strategy. Suppliers and financiers are not likely to work wholeheartedly with the company - even if it would want to proceed on the path towards a more active and pro-active CSR strategy. Chain dominance requires that the company invests itself in more CSR initiatives. In case the company wants to adopt a more cohesive strategy, it might also have to look out for other financiers which is very difficult to achieve. Its PA and marketing department can take the lead in this change trajectory although these departments have to invest as well in promoting and educating their own stakeholders about CSR.

In case Super de Boer/SdB wants to adopt an integral pro-active approach, the purchasing department at the moment seems particularly apt to lead this effort. In order not to create major alignment problems, in particular the PA and marketing departments require extra investment and intellectual input.

Functional area	Primary stakeholders	In-active	Re-active	Active	Pro-active
1. General/PA	Government/community				
2. HRM	Employees				
3. Marketing	Customers				
4. Purchasing	Suppliers				
5. Finance ¹	Shareholders				
6. Strategy ²	Competitors				
7. PA/Purchasing/ Marketing	NGOs				

¹ These indicators and rankings need closer scrutiny due to interpretational differences. As such these have not been considered too strictly in the general alignment scores.

² Idem.

Table 3.7e		Internal alignment with Coop (1995-2007)			
Functional area	Primary stakeholders	Inactive	Re-active	Active	Pro-active
1. General/PA	Government/community				
2. HRM	Employees				
3. Marketing	Customers				
4. Purchasing	Suppliers				
5. Finance ¹	Shareholders				
6. Strategy ²	Competitors				
7. PA/Purchasing/Marketing	NGOs				

Table 3.7f		Internal alignment with Tesco (1995-2007)			
Functional area	Primary stakeholders	Inactive	Re-active	Active	Pro-active
1. General/PA	Government/community				
2. HRM	Employees				
3. Marketing	Customers				
4. Purchasing	Suppliers				
5. Finance	Shareholders				
6. Strategy ³	Competitors				
7. PA/Purchasing/Marketing	NGOs				

On a considerable number of functional areas the three 'foreign' companies seem to have adopted a much more (pro-)active strategy than the most active

¹ Idem.

² Idem.

³ Idem.

Dutch retailers Ahold and Super de Boer.¹ One reason for this is the rather problematic financial situation the two Dutch companies have been facing which hampered investments in a more (pro-)active CSR strategy. On the other hand, the change has come at a price: relatively incoherent strategies. Only Swiss Coop's CSR strategy can be considered to be relatively coherent and focused around a (pro-)active stance - despite the fact that it scores low on finance and relationships with competitors, but this is partly due to lack of data. Internal alignment with Kesko and Tesco remains rather in-coherent, which makes their coordination problems substantial. Kesko's general CSR strategy can be classified as hovering around an active approach and Tesco appears to have been applying a rather re-active strategy, although it is moving rapidly towards an active overall strategy.

An explanation for the more (pro-)active approach for several departments of Kesko can be sought in the nature of the Finnish society, where good relations exist with labour unions as well as civil organisations at a much higher level than for instance in the Netherlands or the UK. This has for example resulted in an extensive code of conduct and regular employees satisfaction surveys. The communication of the company in general towards primary stakeholders is good, which has brought the company many prizes for its communication towards financiers for instance. The rather active stance towards suppliers can also be allotted to the circumstance that Kesko has been operating in a rather closed market. Only after the entrance of hard-discounter Lidl did the competition became more severe. Here also, the company actively sought for CSR-related measures as a means to create barriers to enter for newcomers. This tactics is often used by leading domestic companies (see for instance the strategies of Japanese car manufacturers in the 1970s and 1980s) and is dubbed by some as 'non-tariff' barriers. On the other hand, this strategy raises the level of CSR in the country, which give the companies a competitive advantage through regulation, while at the same time the CSR level of the whole country is raised. Kesko, for instance, requested for more emphasis on quality and certain CSR norms on products imported in Finland for instance by Lidl. The company managed to actively advertise their values and extend their promotion

¹ It should be noted that the number of indicators that could have been studied for the 'foreign' retailers has been in many areas rather limited. This makes it difficult to compile 'averages' for these companies. As a first impression, this has nevertheless been done. But considerable more research - in particular supported by interviews - with these firms is needed.

of Fairtrade products, thereby reaching the CSR interested Finnish customers. A more active marketing strategy, therefore, could make the CSR strategy of the whole company more coherent.

The reasons for Coop's more pro-active strategy need to be sought in the nature of the Swiss society being based on good relations with employees and collaborations with civil organisations. Due to the fact that the Swiss population is ageing rather quickly, Coop has put much effort in being an attractive employer. Also the rather closed, but high-margin Swiss market has facilitated investments in CSR. Furthermore the cooperative structure of the company and the merger with its main suppliers has allowed for an easier and more active execution of CSR policies. This is reinforced by the positioning of the company as a high quality retailer with an optimal mix of brand products. The company has further reinforced this strategy by actively raising awareness about sustainability in advertisements, posters and brochures. All these factors have contributed to a rather coherent pro-active strategy of Coop, which could serve as an example for other retailers that aim to become more pro-active.

Tesco appears to have the most in-coherent strategy of all the retailers in this research. Various departments of the company seem to struggle with reactive motives, while others are trying to pursue rather active strategies. Tesco distinguished itself from other retailers by working with several Key Performance Indicators (KPIs), which in some instances like CO₂ emissions were rather ambitious. This can be regarded as an indication of very active intentions of the top management. The company especially takes a strongly active strategy towards financiers and the community through organising several meetings and discussing certain CSR aspects of the strategy with all stakeholders. At the same time some departments appear not to have been able to pursue an active strategy over many indicators as of yet, which could also indicate that the company is engaged in some window dressing and/or has considerable alignment and coordination problems. The rapid internationalisation strategy by Tesco towards the United States, which tends to stimulate a more re-active stance towards CSR, might further increase the coordination problems of the company.

4 EXTERNAL (CO) ALIGNMENT:

Issues and secondary stakeholders

In the relationship with secondary stakeholders, firms search in particular for external alignment on *specific issues*. We have identified four issue clusters: ecology, human rights, health and development. The relationship with secondary stakeholders develops on the basis of the urgency and legitimacy of particular issues (cf. Mitchell et al., 1997). A firm that adopts an inactive approach on such an issue over a longer period of time, probably is not confronted with powerful secondary stakeholders or has a position in the supply chain (for instance as a business-to-business corporation) or has an ownership structure (for instance as a family-owned firm) that makes it very difficult to address this firm through the reputation mechanism (cf. Van Tulder with Van der Zwart, 2006). An inactive approach to external alignment, thus, does not really exist. The challenge is to identify the nature and topics of clashes versus cooperative actions, that can also be portrayed in terms of the re-active versus pro-active trade-off in section 2.3.

This chapter identifies (potential) clashes with secondary stakeholders, the non-existence of relationships or possible cooperation projects and assess their relative importance to the strategy development of the core company. Table 4.1-4.6 characterise the nature of the relationships with the most important secondary stakeholders. In each area the relationship with a number of these stakeholders is characterised as a 'clash' versus 'cooperation' approach, which ultimately can be considered to relate to re-active versus pro-active attitude towards stakeholders. Six separate sections discuss the external alignment approach of each of the case studies.

This chapter, finally, discusses whether the nature, direction (of change) and coherence of the internal alignment strategy of retailers can act as a predictor for the coherence of their external alignment strategies.

4.1 Ahold/AH: towards a more active co-alignment

As Albert Heijn is the largest retailer in the Netherlands and has always claimed to be a front-running company regarding several CSR issues it has been prone

to campaigns of NGOs. The company has been under attack by environmental organisations already in the last years of the 20th century with regards to its connection with the Airmiles saving system. Also on sustainability rankings of fish assortment by WWF and Greenpeace the company scored low marks and was criticized for claiming to sell many biologically produced products while in several counts of Friends of the Earth this amount appeared much lower. Even though the company has always strongly argued against these critics it is starting to engage in collaborations with for instance WWF to improve the sustainability of its fish assortment. However, as this only occurred rather recently, after several other Dutch retailers went into collaborations and only on some scattered parts of the assortment it appears the company does not yet wholeheartedly support these collaborations. One notable exception forms the participation of Albert Heijn in roundtables on responsible soy (RTRS) and responsible palm oil (RSPO) which is rather unique, as very few other retailers in the world participate. Concerning more specific environmental issues, such as emissions of greenhouse gasses or recycling the company is involved in a more active way as well. Truck drivers have been trained in reducing their fuel use and shop employees have always been strongly stimulated to recycle paper and plastics. Much focus however is still on technological innovations which resembles a re-active approach.

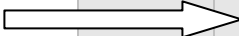
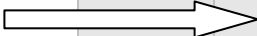
Concerning the human rights and health issues the company has already several years ago been taking a more active approach. This relates to the fact that they were urged by the American Union organisation 'Teamsters' to include international norms in the code of conduct. Also due to the focus on healthy living Ahold has been consulting the WHO and other institutions to learn more about this topic and develop its own label. In 2007 Albert Heijn announced a partnership with Fair Match and ICCO to support African suppliers. Some motivations are however rather re-active as this partnership is partly aimed at helping to ensure a good quality and consistent supply of products. Also the fact that funding for this partnership is partly originating from African suppliers themselves contributes to suspicions about the motivations of the company.

Table 4.1		Secondary stakeholders - Ahold/AH (1995-2007)	
	INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE	
[1] Ecology NGOs (see also suppliers)			
[2] Human Rights NGOs (see also HRM and suppliers)			
[3] Health NGOS (see also HRM and suppliers)			
[4] Development (economy) NGOs (see also finance, marketing and suppliers)			

4.2 Super de Boer/SdB: towards a more active co-alignment


After years of clashes with several NGOs, mainly regarding residues of pesticides on fruit (*NRC*, 22 November 2003 and *Het Financieele Dagblad*, 8 July 2000) Super de Boer/SdB changed its attitude from confrontation to collaboration with a number of societal organisations. This can initially be classified as a reactive motive, which - when coupled with a more active internal strategy - can turn into a real pro-active strategy. With Stichting Natuur en Milieu (SNM) and Oxfam Novib agreements were signed to work together in order to make parts of the assortment more sustainable. For some specific topics also collaboration agreements with other NGOs were struck, for instance in creating a sustainable fish assortment. Alliance partners are: Noordzee, MSC, WNF. Animal rights: Dierenbescherming. In GMO the company allies with Greenpeace. This can be considered to be heading towards a pro-active stance, especially since no other Dutch retailer seems to be collaborating with so many NGOs in this way. A strong and integrated vision or mission is yet missing, however, and the collaboration with external secondary stakeholders has not yet matured into a solid relationship. In some areas that are fairly easy to implement visions have been elaborated: reporting of CO₂ emissions, calculated on the basis of Green House Gas Protocol; reduction of energy use through technological innovations that are fairly easy to implement. The ambition to increase the share of 'Green power' from 5 to 10% remains relatively modest.

Concerning human rights and health issues it appears that the company has not been under attack of any NGO and as such management clearly chose not to form any alliances yet. This could pose problems in the future if issues would arise and the company would not be able to adequately tackle these. Alliances with human rights and health organisations can not only serve as 'early warning' mechanisms for the appearance of issues, but are also an important means in developing a more pro-active approach towards these issues.

Table 4.2		Secondary stakeholders - Super de Boer/SdB (1995-2007)		
		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
[1] Ecology NGOs (see also suppliers)				
[2] Human Rights NGOs (see also HRM and suppliers)	N.R.			
[3] Health NGOS (see also HRM and suppliers)	N.R.			
[4] Development (economy) NGOs (see also finance, marketing and suppliers)				

4.3 Schuitema/C1000: minor changes in inactive attitude





Besides a press statement following a demonstration of Greenpeace on the roof of the Schuitema Headquarters in 2007, no other information was found on the relationship of Schuitema/C1000 with NGOs. Schuitema had been very inactive in its communications with societal organisations like Greenpeace. The inactive stance from Schuitema towards sustainability issues corresponds with its slogan 'Geen fratsen, dat scheelt' which aims at bulk and cheap products. Another problem arose in 2002 as the foundation 'Wakker Dier' threatened C1000 to demonstrate at its stores if it continues to sell 'legbatterij-eieren'.

Table 4.3		Secondary stakeholders - Schuitema/C1000 (1995-2007)		
	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
[1] Ecology NGOs (see also suppliers)				
[2] Human Rights NGOs (see also HRM and suppliers)	N.R.			
[3] Health NGOs (see also HRM and suppliers)	N.R.			
[4] Development (economy) NGOs (see also finance, marketing and suppliers)	N.R.			

4.4 Kesko: a pro-active attitude?

The relation of Kesko with civil society organisations on CSR issues is quite recent but especially in the environmental area quite vibrant. Good relations exist with organisations that focus on FSC certification for wood and Fairtrade products. Kesko is an Organisational Stakeholder of the Global Reporting Initiative (GRI). Kesko's principles for sustainable fishing are being developed together with WWF Finland, whereas the organisation allies with a large number of other organisations. See the case study. Kesko has been awarded many prizes. The United Nations' Environment Programme, UNEP, and the International Chamber of Commerce selected the K-environmental store system, developed by Kesko together with the K-Retailers' Association and the Finnish Association for Nature Conservation, as one of the world's ten best partnership programmes. However, Kesko has also been attacked by animal rights groups and largely decided to ignore that issue. Since animal rights were not identified as a prime issue in this study, it proved difficult to classify that approach in the general scheme. The good relations with secondary stakeholders can partly be attributed to the fact that most NGOs in Finland are more collaborative than confrontational. This is further stimulated by the Finnish tradition of 'corporatism'. According to the Finnish case study, the company would score pro-active on its approach to all secondary stakeholders, but this seems an overstatement - certainly when compared to the experience of the other retailers throughout Europe. The external alignment strategy also does not seem to be fully grounded in the organ-





isational structure of the corporation. This is the reason why we have classified Kesko's approach as a combination of active/pro-active. Further research is certainly needed for the Finish case.

Table 4.4		Secondary stakeholders - Kesko (1995-2007)		
	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
[1] Ecology NGOs (see also suppliers)				
[2] Human Rights NGOs (see also HRM and suppliers)				
[3] Health NGOs (see also HRM and suppliers)				
[4] Development (economy) NGOs (see also finance, marketing and suppliers)				

4.5 Coop: a coherent dialogue approach

Coop cultivates regular and intensive dialogues with diverse stakeholders. These groups are considered so important to Coop that they have been accorded a special place in the sustainability report of 2007 presenting on the illustrative pages representatives of various stakeholder groups who describe their own personal experience of Coop. Coop argues that the stakeholders help to spot both issues and risks early on, which shows strong resemblance to the theoretical argument for pro-active co-alignment (section 2.4). Secondary stakeholders support Coop in their efforts to build up a sustainable range of products and services. Especially important to the company are the long-standing partners of Coop's flagship labels such as Bio Suisse, the Swiss animal welfare association STS, and Max Havelaar, as well as WWF, with which Coop has entered into a wide-ranging environmental partnership. In development issues, Coop has a partnership with GTZ, the German development organisation. In 2007, Coop's environmental partnership with WWF was effectively extended to the field of sustainable sourcing. The founding of the WWF Seafood Group resulted in detailed definitions of targets and measures for Coop's fish offering.

Within the framework of the WWF Wood Group, the focus was on sourcing paper products that complied with FSC guidelines or were made from 100% recycled material. Thanks to the Climate Group, the range of energy-saving lamps was substantially expanded and prices reduced. Coop aims to continue to actively participate in all three groups to optimise product improvements. The case study shows in particular a pro-active strategy towards ecological issues. As regards the other issue areas, the approach is somewhat less pronounced, with less relevant partnerships and less clear co-production status of the partners. For the moment, they should therefore be classified as active/pro-active.

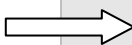



Table 4.5		Secondary stakeholders - Coop (1995-2007)		
		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
[1] Ecology NGOs (see also suppliers)				
[2] Human Rights NGOs (see also HRM and suppliers)				
[3] Health NGOs (see also HRM and suppliers)				
[4] Development (economy) NGOs (see also finance, marketing and suppliers)				

4.6 Tesco: relatively incoherent external alignment

Tesco participates in a large number of multi-stakeholder groups on corporate responsibility issues like Business in The Community, The Ethical Trading Initiative, the Carbon Roundtable, GM Freeze Roundtable, Forest Stewardship Council Retailers Group, British Retail Consortium Corporate Responsibility Policy Advisory Group and the DEFRA Climate Leaders Group. The Executive Committee, Corporate Responsibility Committee and Compliance Committee are to help guide and monitor the set policies. But there seems not much progress in the approach. The CSR reports of 2007 and 2008 report exactly the same number of NGOs met and both reports mention that

'in April 2007, we held a nationwide Community Conference in partnership with the British Red Cross and the Work Foundation. This brought together voluntary groups, charities, businesses and government to explore the role of business in local communities'.

Is this act of copy-pasting a sign of continued attention or lack of progress? Further interviews should reveal what is behind this. Tesco also remains rather vague on its relations with human rights or development organisations. Poverty has mainly been mentioned with regards to poverty in the UK, which could be addressed by offering more jobs and cheaper products. According to several statements in the CSR reports, poverty in other parts of the world should be alleviated through international trade, which makes the company an adherent of the neo-classical (inactive) approach towards poverty alleviation (see Van Tulder, 2007). Tesco does not report on specific collaboration projects to help guide this. When concerns were raised about minimum wage payments and pesticide use on South African apple and pear farms supplying to Tesco, the company investigated this claim. It did not find evidence to substantiate the claim, but the response remained rather re-active. Especially concerning environmental issues such as reducing greenhouse gasses the company is strongly involved. Collaborations exist with Carbon Trust to invent new technologies and innovate the stores.

Table 4.6		Secondary stakeholders - Tesco (1995-2007)			
		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
[1] Ecology NGOs (see also suppliers)					
[2] Human Rights NGOs (see also HRM and suppliers)					
[3] Health NGOs (see also HRM and suppliers)					
[4] Development (economy) NGOs (see also finance, marketing and suppliers)					

4.7 Conclusion: Internal alignment as a predictor of external alignment?

One of the most important questions of this study has been whether transition trajectories are triggered by (internal) attitude or (external) responsiveness to pressure. In case external pressure precedes internal change trajectories it is clear what the direction of the causation looks like and vice versa. This question also boils down to the problem whether internal and external alignment are related, or put differently: whether internal alignment strategies can act as a predictor of external alignment strategies. Combining the scores of the internal alignment strategies (section 3.7) and the averages of external alignment (chapter 3), one can conclude that there are strong correlations between the two. The more coherent an internal alignment strategy, the more coherent the external strategy. C1000 and Coop provide the best illustration of this, either at a very low level (C1000) or a very high level (Coop) of CSR involvement. The less coherent an internal alignment strategy is, the less coherent external alignment is as well, as can be illustrated by Tesco and Super de Boer. The explanation for this is in the first place that a coherent strategy is proof of strong coordinating powers (or leadership) with the corporate headquarters, which makes it also easier to decide on external partnerships. An incoherent strategy can lead to many partnerships, but they will be difficult to manage for both parties (the company and the NGO) and will probably be less effective.

The case studies have shown that internal change often preceded external alignment. Furthermore this section indicates that most external partnerships have lasted for a longer period of time, which might imply that firms - once they decided for external alignment - either are more committed to the project or find it difficult to end the partnership. The latter might for instance be due to anticipated negative reputation effects. We have also seen that criticism of external stakeholders, indeed, triggered many inactive firms to move towards a more active stance (via a reactive response initially). Often inactive firms need external 'shocks' to start-up a transition trajectory. Corporatist national bargaining environments - most strong found in the Scandinavian countries and Switzerland - help firms to act in a cooperative manner from the start. More liberal national bargaining environments - in particular found in Anglo-Saxon countries like the UK or the United States - trigger transition trajectories that start-off as confrontations between NGOs and retailers. Tesco's rather fragmented external alignment strategy - which is also accompanied by a relatively fragmented internal alignment strategy - illustrates how this process works.

- *Ahold*: the move towards a more re-active internal alignment strategy over the years, did not allow for a very (pro-)active external strategy either. This indicates that the company has implemented a relatively coherent re-active vision on dealing with CSR issues (with some active elements in specific areas like health). The re-active stance makes the company vulnerable for continuous attacks from NGOs.
- *Super de Boer*: the rather in-coherent internal alignment strategy that was implemented by SdB over the years - following its financial difficulties - also had repercussions for the external alignment strategy. Change trajectories, however, on average still point in a more active and pro-active direction; but here it seems that internal alignment should really precede external alignment, otherwise the company would remain stuck in the transition (the 'middle') which is a particularly difficult position to manage.
- *C1000*: The attitude of C1000 towards external stakeholders has been inactive and re-active at best, which seamlessly follows its internal alignment strategy. The company has adopted a clear strategy: focused on low prices and not on CSR. This has resulted in customers who are only marginally interested in CSR issues. As such NGOs have not inflicted much reputation damage yet with their campaigns. However, this also implies that the company will remain the subject of NGO campaigns and will face difficulties in encouraging its employees and suppliers to work for or with the company. This might, for instance, create problems with sustaining the quality levels needed to adhere to food safety demands.
- *Kesko*: the rather coherent external alignment strategy of Kesko is supported by some of the functional areas of the company, in particular community relations and HRM. As regards finance, there is a tendency towards incoherence internal alignment. So the company still faces substantial (internal) coordination problems before it can be considered to be a wholly 'sustainable' company.
- *Coop*: the very coherent pro-active external alignment of Coop goes together with a relatively coherent and pro-active internal alignment. Only financial considerations had to be classified as in/re-active. This has been the average score for all retailers, however. It can be concluded therefore that in particular Coop might serve as a good example for other retailers who wish to pursue a more pro-active CSR strategy. The importance of combined internal and external alignment is also illustrated by the Coop case. The big question for this case is whether the finance department's trailing stance towards CSR - at least in the assessment model for this study - will prevail

once the company enters into rougher financial weather, for instance as result of the international credit crisis.

- *Tesco*: faces some severe in-coherence in its external alignment. On several issues such as environment the company has identified opportunities and taken many interesting (and active) initiatives, whereas in other instances the company behaves rather re-active. This corresponds with the in-coherent nature of its internal alignment strategy. The company is having difficulties with aligning some active intents, expressed through its KPIs with a re-active strategy. Major challenge for Tesco, therefore, is how to create coherence through increased coordination and sustain the transition towards a more pro-active approach. Interestingly enough, the company does seem the only in our sample that has created the financial preconditions for such a move.

5 CONCLUSION AND DISCUSSION:

Generic strategies and CSR performance in the retail industry

This final chapter shortly looks at the outcome of the analysis as presented in the conclusion of chapter 4 and speculates whether particular types of CSR strategies can go together with particular types of generic strategies (section 5.1). Do discounters always engage in inactive CSR strategies; are quality oriented retailers the most prone towards an active and pro-active strategy? To what extent is this dependent on the degree of internal cohesion of their strategies and the type of external pressure imposed upon them by secondary stakeholders? What are the pre-conditions for a pro-active strategy that also results in good performance for the individual retailer as well as a 'sustainable competitive advantage' (cf. Van Tulder and Van der Zwart, 2006, ch.20)? Are other factors (industry, country, issue) more important than the strategic choices of the company, or - more specifically - what is the room for strategic manoeuvre of individual corporations? Next, this chapter specifies the limitations and areas for further research (section 5.2). This research project has been the first in its nature with the ambition to compare the strategies and trajectories of a wide variety of firms. So the question is relevant whether the approach has been validated and what areas for further research can be distinguished.

5.1 Generic strategies and CSR performance

Successful generic strategies of companies imply appropriate alignment of internal and external interests and strategies. In case of CSR strategies, the alignment has generally been operationalised as a link between Corporate Social Performance and Corporate Financial Performance. This research makes it possible to establish the link between generic strategies and CSR strategies. In the retail sector companies position their store formulae through a combination of two major unique selling points: price and service. On the basis of this distinction Van Aalst (2006) distinguished four types of formulae:

- *Service*: positioning on quality, convenience, service and/or an extensive assortment with an above average price level;
- *Value-for money*: formulae with an average service level and an average level of price;
- *Quality discount*: positioning on an average level of service coupled with a low price level;
- *Hard discount*: formulae based on small assortment, relatively low level of service and very low prices.

The sample of this study represented the following retailers:

- Service: Ahold/Albert Heijn, Super de Boer, Coop, Kesko;
- Value for money: C1000;
- Quality discount: Tesco;
- Hard discount: not represented in this research.

Before starting this research project it was suggested that *formulae based on low prices -quality or hard discount- would be very likely to place less emphasis on CSR and as such tend to be more inactive or re-active compared to formulae that focus on a higher level of service or price*. The extensive portraits of the six retailers, however, show that this hypothesis should be - at least partly - rejected. A quality discount formula like Tesco does not have a more inactive approach towards CSR than a service-oriented formula such as Ahold or Kesko. On the other hand, a service oriented approach like Coop, clearly stands out as the best-practice of active/pro-active CSR. For the Dutch retailers in the sample the hypothesis holds more true. C1000 is classified as a formula with a lower level of service than Super de Boer or Albert Heijn and indeed has developed stronger focus on inactive CSR strategy. The limited sample size might influence the results here. There are already indications that hard discounters like Lidl or Aldi in the Netherlands have been adopting active CSR strategies in areas such as fish and coffee, giving them a USP in these areas. So, certainly at an international level, pro-active CSR strategies do not have to be confined to the high-end of the market retailers only.

This research has shown that it is in particular the link between internal and external alignment that create the pre-conditions for an effective CSR strategy. The degree of cohesion seems an important factor in explaining the nature of the CSR strategy. Table 5.1 presents two tentative rankings on cohesion and CSR. Although, in particular the Cohesion ranking is flawed by a lack of indicators for the foreign firms, there is an interesting general corollary to be drawn:

the more cohesive CSR strategies are, the lower they score. The only exception is Coop in this respect. This finding suggests that the area of CSR is still in considerable flux and far from mature. Those companies that dare to take major steps towards a more active and/or pro-active position, also face considerable coordination (cohesion) problems. This is typical for a transition period. Those companies that search for a more coherent strategy have more difficulty in making the transition towards higher degrees of CSR.

Table 5.1 Cohesion and CSR - relative rankings of the sample	
Cohesion	CSR
1. C1000	1. Coop
2. Coop	2. Kesko
3. Ahold/Albert Heijn	3. Tesco
4. Super de Boer	4. Albert Heijn
5. Kesko	5. Super de Boer
6. Tesco	6. C1000

Does the country in which the companies operate influence these strategies and trajectories (see section 2.4d)? Throughout the analysis in chapters 3 and 4, the institutional setting of a country as well as the nature of the economy have been regularly presented as explanatory variables for different transition trajectories:

- Differences in labour regulation explain for variance in particular in HRM approaches; which in turn - in particular for firms that strive for high degrees of cohesion - have a strong influence on other functional areas such as purchasing, but also affect human rights issues with secondary stakeholders. Weakly developed labor laws in a country negatively affect the CSR approach as the example of Tesco could indicate.
- Legal provisions of for instance whistleblowers and other corporate governance dimensions, certainly have had an effect on the fact that companies mention these aspects, but do not really define whether companies adopt really active and/or pro-active policies. It can be even suggested that corporate governance rules that are not enforced lead to lip-service being paid to these principles, but poor enforcement.
- The closed or open nature of an economy has influence. The relatively closed nature of the Swiss and Finish retail market - in combination with a tradition of more cooperative relationships with stakeholders - has provided

more positive preconditions for CSR than for countries with a more open economy and harsher competition. In more closed economies, consumers also seem more CSR minded than in the more open economies. Further research is needed here.

- The national context plays a decisive role in case retailers decide to engage in a price war for maximum market share, as was the case in the Netherlands. In other countries, this factor was less strong.

Finally, does the issue affect the approach? The cases show, that issues indeed can move up or down the priority ladder of corporations, thus influencing their CSR strategy. The issue of global warming clearly triggered not only lots of media attention, but also firm strategies. The more inactive firms, however, generally developed also a more inactive approach to this issue as well, relatively independent of their involvement in (and responsibility for) the issue. Saving on plastic bags in this respect is relatively marginal and aligns with a reactive approach, whilst completely integrated approaches to CO₂ reduction - for instance by embracing the cradle-to-cradle concept - signal a move to more inclusive and active/pro-active business models. The more concrete labels and trade marks have been developed, the higher the chance has been that retailers embrace these concepts. Retailers with higher degrees of CSR involvement, combined with high cohesion, have gone furthest in this at the moment.

5.2 Limitations and areas of further research

This study has had substantial heuristic value. The model for classifying CSR strategies and linking this to internal and external alignment and cohesion has been partially validated. Problems appeared when trying to compare the strategies in different countries, but in particular when the actual research was performed by different persons. When companies were studied by different researchers, differences in interpretations of positions and trajectories of the retailers appeared. In this final report we have tried to overcome interpretations gaps as much as possible, but for some indicators (in particular for finance and competitors) this could not be avoided. Methodological footnotes have been included in these cases.

The model and its elaborations clearly leave still room for interpretation (and thus for misinterpretation). This became particularly clear for the foreign retailers. Furthermore, the model is very detailed and information is not always avail-

able on these dimensions. It is not always true that no published information on these aspects means no strategy. Further research therefore needs to complement the research with interviews with managers in the companies themselves. Ideally speaking this would involve managers of all functional areas and of the most important subsidiaries. The present protocol that has been used for this comparison, however, can be a very good starting point for these interviews.

In some areas the basis model proved too detailed in other areas the model could have been more specific. Indicators of the Human Resource department and relationships with employees were very detailed, also because of the existence of clear international guidelines. This specificity was not always found in the reports of retailers. These indicators are far from irrelevant, but the level of detail might not yet correspond with the importance in the sample of (North)Western-European countries of origin. The latter is due to the fact that in these countries several indicators are already covered by national law. For retailers in Asia or Africa, these indicators cannot be detailed enough.

It has not always been easy to distinguish between indicators that are relevant for primary or secondary stakeholders. In the suppliers/purchasing part, for instance, some issues are relevant for both suppliers and NGOs and consequently have been indicated twice in the model. This has been done to allow for a distinction between the relations with the suppliers in order to tackle some issues and the relations with NGOs who might have brought up these issues under attention of the retailer. Further conceptualisation is needed here.

An area for further research is the international dimension. A number of the companies under research have international operations. Internal alignment gets more complicated when this has to be achieved across borders and in different regulatory environments.

The study has proven effective in delineating change trajectories, but the actual analysis of these can be improved. Many factors of change as well as the 'agents of change' have not been analysed in detail. An in-depth case study of one company - based on the first impressions using the above techniques - might serve as a stepping-stone towards further theory building on transition management.

Another area of research relates to the classic question on the relationship between CSR and financial performance. This study did not address that dimension, because meta-studies are yet undecided on this question (cf. Van Tulder and Van der Zwart, 2006). We think that part of the problem is that these studies lack the proper benchmark for comparison. This first aim of this study has been to develop and put to a first test, a 'dynamic benchmark' technique that

has sufficient analytical and empirical sophistication to enable more detailed analyses of the CSR-performance question. Follow-up research now can consider the performance over time of these companies, combine it with their generic strategies and ambitions, and look for correlations with their financial performance.

5.3 Possible additions to the model

As a final checklist in this report, we add a list of possible additions to the general model used for this study. It was the result of a brainstorming exercise amongst the main researchers in this project. Anyone who wants to build on this research project, might want to take the following possible additions into consideration.

General/PA:

- + General CSR statements. What are the aims/intentions/principles? To what does the company feel responsible for environmental/social issues?
- + CSR statements made by management/CEO (if they do not mention it explicitly, it could be an indication the topic isn't of great importance).
- + Has a special CSR committee been formed? What is the position of this committee and from which departments are the members? (for example at Super de Boer it consisted of managers from buying/merchandising and Quality/Environment department. And leader of the committee was the communication manager)
- + How is CSR managed in multinational/multi-format corporations: What are the Headquarters-Local relations? Is CSR centrally or de-centrally organised (Ahold mentioned to have CSR organised de-centrally. However, this was also a sort of excuse towards critical NGOs who accused the company for not providing objective data on energy use). In what ways does the company share information internally on CSR?
- + At indicator: reporting a rather general analysis of the reports; number of pages, described issues etc. could be included as well. However, a large number of pages could also be because of windowdressing. Moreover, if many indicators from the model can be filled in, it already gives an indication of the quality of the CSR/Annual report.

- Some issues could be specifically important for other (not included yet) departments such as legal/logistics. For example reduction of CO₂ could be an issue for logistics?

PA

- Issue advertisement strategy has overlap with some indicators like marketing of healthy/sustainable products? Collaborations/clashes with NGOs

HRM

- + The subdivision of workforce: Average age, percentage full-time versus part time of the employees? (low average age, many parttimers, indicate a rather strong effect on costs of employees)
- + (Availability of a code of conduct, main content, scope → code of conduct analysis?) However, if code of conduct is of a 'good' quality, then the model can be filled in quite well.
- + Scope and existence of insurance/pensions plans?
- Combine some of the HRM issues concerning foreign minorities/women into one: discrimination/diversity? And then some indicators, like preferential treatment or percentages hired of these groups could be used as a measure. Another way to understand the participation of women in top management could be to count how many women are for example in the various boards such as supervisory and/or management boards.
- At training, the specific indicator of Safety and health training could also be considered as a measure for safety and health.
- The indicators: sickness absence rate, effort to prevent disability and inflow into disability could be considered a part of safety and health practices.
- Examination of grievance, consultation with employees and research to work satisfaction are rather similar. Combine these into one?
- In European context some indicators have been regulated by law and therefore have never been described by retailers. However some of these indicators could be moved to the suppliers as these issues are prevalent here.

Purchase

- + Include a separate indicator whether there is an own code for suppliers? And also separate analysis of quality of this code? (However, this should also become clear from filling in the indicators in the model)
- + Eurep/Globalgap has so far mainly be used as measure for food safety. Is it also a standard for environmental/social issues? 'The EurepGAP standard is primarily designed to maintain consumer confidence in food quality and food safety. Other important goals are to minimise detrimental environmental impacts of farming operations, optimise the use of inputs and to ensure a responsible approach to worker health and safety.'
www.eurepgap.org/Languages/English/about.html
- + Supplier diversity as an indicator? Ahold promotes inclusion of small, local suppliers run by foreign minorities or women, especially in the USA. A diverse supplier portfolio could also lead to less power on suppliers?
- + The indicator: CO₂/Energy consumption/renewable energy or substances/ Toxic waste/nature conservation/pesticide use/GMO/Waste management /packaging represent too many issues in one. Perhaps a split up could be made between energy issues: CO₂ emissions/Energy consumption/ renewable energy or substances and nature issues: Toxic waste/nature conservation/pesticide use/GMO/Waste management/packaging.
- + Information sharing with suppliers or research to suppliers satisfaction? Tesco for example has specific surveys through which suppliers can indicate whether they are content with the collaboration with Tesco. [Rolien]

- The indicator of conditions of work and life could be erased, as this coincides with several other indicators. [Rolien]

- Issues of energy use for example have strong overlap with issues mentioned at NGOs. In the reports [of Marc] a distinction has been made between 1. Collaborations with suppliers, which have been extensively described in the suppliers part and briefly in secondary stakeholders when relevant collaborations and 2. Partnerships with NGOs, which have been described at the secondary stakeholders part and when relevant also in suppliers part.

Marketing

- + Labels for healthy food and special product ranges as measure for the indicator 'healthy alternative in assortment'.

- + Addition of indicator: privacy of customers? When Albert Heijn introduced the 'bonuskaart' programme customers were worried what would happen with the information about the shopping behaviour derived from the programme.
- Sustainable alternative in assortment/sustainable packaging has a strong overlap with the environment/social indicators in suppliers. However this issue is relevant for multiple parties as suppliers, NGOs and customers, therefore it has been chosen to include it in all these stakeholders.

Finance

- + Maybe more general statements regarding corporate governance issues could be included? (Dutch Corporate Governance Code tackles some more issues such as: Control of company; who are major shareholders, are there voting shares etc?)
- + Litigations etc for irregularities (for example the finance scandal at Ahold) to be put as a measure in Finance or PA department indicator?
- Is a good risk management system an indicator? (Systems that are in place or identification of risk factors, such as work stoppages, CSR issues including food and product safety, attract personnel, IT.) However most of these factors are mentioned already in the model and a good risk system is a requirement of Dutch Corporate Governance Code.

Competitors

- + Add an indicator about money laundering and/or how is being dealt with trade restrictions and boycotts?
- + Next to bribery indicator, also a fraud indicator? However, fraud could also be regarded as relevant for finance as it corresponds with litigations. And for example the major fraud case of Ahold had been committed by the finance director and CEO.

Secondary stakeholders/NGOs

- + Participation in knowledge networks/development of own standards in collaboration with universities (for sustainability) as a measure for relationship with NGOs?

Specific issues: environment

- + The issue of animal welfare is only mentioned in the suppliers part, also include it here? Or only include it here and move it from the suppliers indicators?
 - + Recycling could be added as an indicator?
 - + Ozone depletion which is caused by the use of refrigerants?
 - + Genetically Modified Organisms (GMO) could be included as an issue for environment or maybe for health?
-
- Can the reduction of the use of pesticides be linked as a measure for environmental protection or rather for toxic waste?
 - Change the issue of reducing toxic waste into: reducing (toxic) waste
 - Greenhouse emissions could be subdivided into fuel usage and energy usage?

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Appendix A

Questionnaire

1. Questions PA department:

- How many people work at the PA department?
- What is the budget allotted to this department (relative to total budget)?
- Where is it positioned in the organisation of the company: central (directly linked to CEO/board), decentral, or related to one functional area?
- What are the kind of activities undertaken by this department: see active-pro-active scheme?
- Check the statement on 'corporate citizenship': what are the topics/issues and what is the approach? (see scoring table; annual reports and examples below); what strategies towards 'business-community involvement' do firms have.
- Check what the 'issue advertisement' campaign of the company has been in the last years: (a) for specific issues; (b) what kind of strategy does it reveal (see scoring table)?

2. Questions HRM department:

- How many people work at the HRM department?
- What is the budget allotted to this department (relative to total budget)?
- Where is it positioned in the organisation of the company: central (directly linked to CEO/board), decentral, or related to one functional area?
- What are the kind of general activities undertaken by this department: to what extent is this department seen as a part of the CSR strategy: active-pro-active scheme?
- In case of an international organisation: does the HRM department use different standards and benchmarks per country or is it all coordinated and according to internationally uniform standards?
- Fill out the remainder of the scheme (Table 6) where possible and in case the company has an explicit policy in this area (consult for instance the social report).

3. Questions Marketing department:

- What is it positioned in the organisation of the company: central (directly linked to CEO/board), decentral, or related to one functional area?
- What is the focus on customers: price-fighter, niche-market, quality retailer, etc. (use table 7a).
- What are the kind of general activities undertaken by this department: to what extent is this department seen as a part of the CSR strategy: active-pro-active scheme? Role towards:
 - Labels
 - Reports
 - Advertisements (relationship with PA department?).
- In case of an international organisation: does the marketing department use different standards and benchmarks per country or is it all coordinated and according to internationally uniform standards?
- Fill out Table 7b where possible.

4. Questions Purchasing Department:

- Strategic position of Purchasing Department in the retail organisation: central (joint purchasing), decentral; is there a franchise formula? Is the CEO or a member of the board of directors involved in the purchasing decisions (strategic purchasing)?
- Characterise the general purchase formula: (1) cost, control, risk aversion, (2) cost, control, quality, (3) control and quality, (4) co-development and quality.
- Characterise the general CSR formula of the purchasing department.
- Use - if possible - the Fair Food scores for this retailer: what percentage of the assortment scores well?
- Are there KPIs as regards CSR and purchasing: % of supplies in particular areas? Ambition levels: where does the corporation want to be in the coming five years?
- Fill out the remainder of the schemes (Table 8a and 8b) where possible.

5. Questions Financial Management:

- Strategic position of Financial Management department: central, decentral? Is the CEO also CFO?
- To what extent does the Financial management department play a role in the CSR strategy: (a) as a facilitator, (b) barriers, (c) stimulus, (d) new business models?
- Does the Finance department allow other departments to 'invest' in CSR or does the department uses strictly financial criteria?
- Some of the issues that have been related to the HRM department - such as wage formation and top income - are sometimes also dealt with by the Finance department: which ones?? Ambition levels: where does the corporation want to be in the coming five years?
- Fill out the remainder of the schemes (Table 9) where possible.

6. Questions Competitors:

- Does the company want to use its CSR strategy as a Unique Selling Point?
- Does the company wait for industry associations to take up the initiative.
- Joint initiatives might run the risk of 'adverse selection' (going for the lowest common denominator), might take too long as opposed to 'go-it-alone' strategies. Furthermore, cooperation in CSR has sometimes lead to anti-trust laws by governments.
- Use Table 10 as an indication of the general approach of companies on how to create sustainable competitive advantages.

7. Questions external alignment:

- Identify the most important secondary stakeholders for the company per area.
- What are their attitudes towards the company: (1) critical (shark), (2) orca, (3) dolphin, (4) sea lion (see Stakeholder dialogue booklet).
- What is the attitude of the company towards these secondary stakeholders?
- Any specific initiatives targeted?
- How well are these initiatives aligned with the internal activities?
- Use Table 11a for a general inventory.
- Use Table 11b for a specific inventory on environmental issues.

Appendix B

CSR trajectories

Albert Heijn/Ahold TRAJECTORY OF CSR

Based on the Analytical Framework and
specified basic Indicators for a Dynamic
Benchmark exercise

SdB/Transforum Project

Findings are based on:

- Ahold Annual Report (AR) 2007, 2006, 2005, 2002 (older AR not retrievable);
- Ahold CSR Report (CSRR) 2007, 2005, 2002, 1998;
- Ahold Press statements 1 September 2008 - 1 January 1999;
- Websites (www.ahold.com/ www.ah.nl);
- Ahold Global Code of Professional Conduct and Ethics (GCoPCaE) 2005, replaces earlier version of 2002 (not retrievable);
- Ahold Policy on Inside Information and Securities Trading (PIIST) 2007, replaces earlier version of 1999 (not retrievable);
- Albert Heijn Bewust en Betrokken -ondernemen in de samenleving (B&B) 2007;
- Media articles from January 1 until September 4, 2008, in the Financial Times, Economist, NRC Handelsblad, Financieel Dagblad and Elsevier.

Note: In this report, where possible, focus was placed on Albert Heijn its activities regarding CSR. When reference is made to the overall policy of Ahold, this is mentioned.

1. The position of the Public Affairs department and relationships with the community at large

Ahold stated several years -1998, 2000 and 2002 - its aim to be the best food retailer in the world. 'Mission: To be the best and most successful food retailer and foodservice operator in the world.' (CSR report 2002, p. 4) The company indulged into a major expansion in those years. However in 2003 'a crisis of extreme proportions' occurred (AR 2003) That year it appeared that large irregularities were to be found in the bookkeeping practices of the years 2002 and 2001. This has influenced the company its reputation and strategy for many years after. Adding to that also the - in the eyes of the Dutch public - excessive height of the salary of the new CEO, Mr Moberg caused much row. Ahold realized the effects of this damage to its reputation and tried to save it as much as possible. After a campaign of the Socialists Party where people could send a standard complaint letter to Albert Heijn, the directors called back all these people - 500 - in order to explain the situation. (NRC, September 12, 2003) Furthermore it can be said that the company has been rather active in its marketing policy towards customers concerning several topics, such as healthy eating, but concerning environmental practices the PA department has showed a disability to convince critical stakeholders.

Position of public affairs department and CSR

Ahold is changing its CSR strategy from a decentralised decision making, adjustable to local conditions in 1998 and 2002, towards a more common centrally coordinated CSR policy in 2007 (while maintaining some locally adjustable strategies). In 1998 CSR is often defined as environmentally responsible, while in 2007 this is much broader defined and five points of focus are determined. In 1998 an Environmental Affairs commission exists. In 2005 it is not clear whether this still exists but a member of the Executive Board - the Chief Corporate Governance Counsel - is appointed to be responsible for CSR issues. In 2007 a special CSR committee exists, consisting of directors from various departments and of various companies. Throughout the years Ahold repeatedly states that its general ambition is to become a leader in CSR related issues. Ahold defines its responsibility for many issues and states to act accordingly. CSR is regarded as a very important topic in the reports, however in some news articles the rationale behind it seems to be quite economically driven and the company also admits it is not possible for customers to gain independent information regarding CSR:

'Gezond eigenbelang is, met andere woorden, een belangrijke drijfveer om met duurzaamheid aan de slag te gaan. Energiebesparing is een van de factoren om na te denken bij een energiezuinige winkel. Bijkomend voordeel is de aangepaste koelapparaten minder belastend zijn voor de ozonlaag. (...) Alleen maatschappelijk verantwoord zijn, verkoopt niet. Je moet een voor de onderneming relevante kwestie kiezen, zoals koffie of energie, en maak daar een business-case van. Koffie is een belangrijk product voor onze winkels. We wisten dat het vraagstuk van de kleine boeren speelde. Door zelf het voortouw te nemen, kun je je onderscheiden naar consumenten.' (...) Op de vraag hoe de klant weet of deze informatie betrouwbaar is, moet Van Zijl het antwoord evenwel schuldig blijven' (*Het Financieele Dagblad*, 20 november 2003).

In 1998 Ahold is rather clear about its rather re-active motives concerning CSR as they only focus on CSR in developed countries where they can be criticized and in other developing countries only when it is related to efficiency:

'In our mature markets, we address these issues out of our sense of responsibility and in anticipation of customer demand, local circumstances and regulatory requirements. (...) In our new markets, we focus on growing the business. This means addressing environmental issues specifically related to the top priorities: opening stores and supplying them with quality products to serve our customers.' (CSR report 1998, p. 7)
The importance of CSR is stated in the following quote: 'CR is now on the agenda of every quarterly Ahold Corporate Executive Board business review meeting, with quantified, measurable targets. In addition, we are developing Ahold-wide guidelines and policies that our companies will use to shape their individual CR efforts. These include a group-wide policy on product safety and structures to check that our companies comply with the high standards we set ourselves' (website Ahold, 2008, How we manage Corporate Responsibility as a group).

CSR as a whole seems to be approached in a re-active way, although Ahold states they aim to approach it in an active or even pro-active way.

Stakeholder approach

In 1998 customer satisfaction is seen as a main goal, while in 2002 and further on all various stakeholders are defined. In 2007 the following statement is made

'Our CSR objectives grow from external research, studies on global trends, and dialogue with our key stakeholders. This dialogue takes the form of formal partnerships with organisations and governments as well as informal communications that happen at conferences or other events, or in the course of everyday business. (...) Ahold actively participates in industry organisations and partnerships with non-governmental organisations (NGOs) and other relevant bodies such as the World Health Organisation (WHO) and the World Wide Fund for Nature (WWF). Our local companies strive to be good citizens and contributing members of the communities they serve' (CSR report 2007, p. 4-5).

End of 2007 Albert Heijn announced a partnership with ICCO. In CSR report 2002 the following is stated:

'Ahold promotes an active dialog with citizens and customers as well as organisations representing communities and society at large in order to create a mutually beneficial exchange of information' (p. 35).

So the statements made by Ahold seem to indicate a rather active and proactive stance. However such specific collaborations as its competitor Laurus has is not seen and no direct information is provided on how Ahold manages these stakeholder dialogues. Therefore a movement towards an active approach is visible.

Business-Community involvement and corporate citizenship

Ahold USA considers donating money to local schools, organisations or food banks and food to food banks as an important part of their corporate citizenship. It is not reported in older reports that Albert Heijn also engages in such particular community involvement. In CSR reports 1998 and 2002 more general statements can be found. However a change towards a more active approach is being observed:

'In 2006, Albert Heijn launched a program to raise money for the World Cancer Research Fund and to educate consumers in our communities about the role of a good diet in reducing the risk of cancer. During the Fund's Cancer Prevention week, Albert Heijn and a group of five manufacturers donated to research 5% of the sales of certain products that may contribute to the prevention of cancer. In 2007, the program raised

more than €100,000 for cancer research in just one week' (CSR report 2007, p. 46).

Also a collaboration is started with KNVB, to be more active in health and sports. (*Het Financieele Dagblad*, 13 juni 2008)

Issue advertisement strategies

Ahold acknowledges its responsibilities regarding certain CSR topics:

'As one of the largest food retailers in the world, we recognise that we have to act in a responsible manner for the benefit of our millions of customers, our employees, our business and the good of our planet (...) We strive for incremental improvements in CSR. Each day brings fresh challenges, but our shared approach helps us continually achieve new successes' (CSR report 2005, p. 1).

However in 2003 the bookkeeping scandal required a lot of attention from the Public Affairs department. This has not always been very successful according to several newsarticles, such as in *NRC* on 25 February 2003:

'Een conference call van president-commissaris en waarnemend bestuurder Henny de Ruiter, geheel gericht op analisten. Gewone stervelingen mochten slechts meeluisteren. Maar vragen stellen mocht niet. Werknemers ingelicht, vakbonden op de hoogte? Dat was niet de eerste reflex van Ahold. Het publiek, Aholds klanten, geïnformeerd? Al helemaal niet. Het was een kleine moeite geweest om vanmorgen met een advertentiecampagne het publiek gerust te stellen.'

Only after more than a week leaflets were handed out to the customers explaining more. Thereafter even free packages of coffee were handed out to customers to apologise for all problems. (*NRC*, 7 March 2003) Then in September that year, in the Netherlands a major row appeared about the CEO his salary. Albert Heijn heavily tried to minimize further damage to its reputation.

'De directie van Albert Heijn is in actie gekomen tegen klagende klanten. Consumenten die een klachtenbrief over het salaris van bestuurder Moberg hebben verstuurd via de website van de Socialistische Partij, worden teruggebeld door de winkelketen' (*NRC*, September 12, 2003).

Thereafter mr Moberg decides to withdraw his bonus. 'On September 17, 2003, Ahold CEO Anders Moberg announced his agreement to adjust his remuneration package in response to public debate on the subject.' (AR 2002, p. 14-15) All these examples indicate that the PA department at first was rather inactive, but as a response to the row about the bookkeeping scandals it became rather reactive. However apparently they were not able to prevent major row occurring around the salary of the CEO and again had to react in a rather chaotic way. Although in the end the company did try to win back the trust of the customers with a certain dedication that is admirable.

Reporting

In 1995 Ahold is being criticized for not publishing enough about Albert Heijn frontrunner position regarding for example recycling. (*Het Financieele Dagblad*, 23 maart 1995) In 1997 an American union organisation -Teamsters- demonstrates against Ahold, for not wanting to include statements about human rights and environmental issues in its code of conduct. Then about 1998 and 1999 a CSR report is being published. However in the years after Ahold has been criticised for not publishing a clear CSR report, with measurable data. Ahold repeatedly responds that it can not submit this data due to its sheer size and the differences between the data management systems in the international companies. This even leads to being expelled from social investments funds and not being included in the FTSE4Good index. (*NRC*, 11 July 2001) In CSR report 2007 Ahold states to publish its CSR report annually and at the same time as its Annual Report. This can be seen as response to complaints made by VBDO that the CSR report sometimes is being published in too short notice of the Annual meetings. (*Het Financieele Dagblad*, 3 maart 2004) Moreover, in CSR report 2007 Ahold claims that it confirms to GRI guidelines. However, a thorough examination of this report does not show the same dedication to GRI reporting, as for example Laurus has done in 2005. Some indicators are supposed to be met, but are not clearly enough expressed to this author his opinion. Generally speaking it can be concluded that the reporting of Ahold has not been of desired quality for ethical investors and the like. It seems that reporting is done in a reaction to stakeholder complaints. However, it should be noted that no other Dutch retailer has been reporting about CSR topics since 1998, with the only notable exception being Laurus in 2005. With respect to the future it can be said that the company does have rather pro-active ambitions:

'Our goal is to develop a state-of-the-art climate action program, based on internationally recognized guidelines (including GRI's G3 Guidelines, Greenhouse Gas Protocol and the Carbon Disclosure Project). We plan to have this strategy in place, including our approach to reporting, by the time we publish our next year's CSR report.'

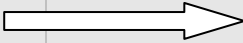
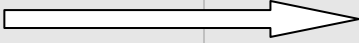
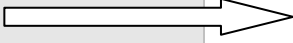
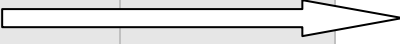

Citizenship and regulation

Ahold states in CSR report 1998 that it is environmentally responsible due to anticipation on regulation and customer demand. In AR 2006, on pages 40 to 41 an extensive overview is given on all the EU/USA/Dutch government regulations Ahold is subject to, such as labor, safety and health, labeling, zoning etc. Although nothing is being said on wholeheartedly supporting these regulations or wanting to exceed them.

Furthermore the following statement is made:

'We cooperate with government authorities to provide relevant business information in the public interest. (...) Ahold associates may serve governments and official bodies in consulting or advisory positions when their expertise contributes to effective public policy. (...) We cooperate with authorities to prevent serious threats to public health and safety' (GCoPCaE 2005, p. 29).

In the booklet *Bewust en Betrokken* (B&B) Albert Heijn explains it is participating in several associations, such as 'VNO-NCW' and 'Platform Detailhandel' to get several things done, such as standards for fruits and vegetables. Also political parties are cooperated with and invited to visit stores to see how things work in a store. (B&B 2007)

INACTIVE ←-----→ ACTIVE		RE-ACTIVE ←-----→ PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
Name:			
Orientation:			
Position :			
<i>BUFFERING</i>		<i>BRIDGING</i>	
Stakeholder approach:			
Corporate citizenship:			
Issue advertisement:			
Reporting:			
Citizenship and regulation:			

2. The position of the Human Resource department and relationships with employees

Position of HRM department and employees

The way that Ahold looks at its employees can in general be described as rather reactive and active. Some general statements make this clear: 'Associates are the key to realizing our business and environmental objectives.' (CSR report 1998, p. 16) 'Ahold recognizes the UN Universal Declaration of Human Rights as a common standard for all members of the global community. We strive to realize its ambitions everywhere we do business. Ahold also supports the principles set out in the OECD Guidelines for Multinational Enterprises, including the core conventions of the International Labor Organisation.' (CSR report 2002, p. 6) 'We foster a diverse workplace where innovation, training and personal growth are key priorities.' (CSR report 2002, p.16) 'Employees put increasing value on working for a responsible company. A commitment to CSR makes it easier for Ahold and its operating companies to attract, develop and retain talent.' (CSR report 2007, p. 5) Important to take into account is the statement of CEO mr van der Hoeven in 1997 when the Union organisation 'Teamsters' demanded that Ahold would include the human rights in its code of conduct. He stated 'We zijn niet aan de hele wereld verantwoording schuldig. We staan open voor een dialoog. Maar ik voel er niets voor om onze algemene gedragscode te publiceren en te zeggen: iedereen mag ons overhoren' (NRC, 2 May 1997) This indicates a rather inactive to re-active approach in these days and explains why the company did adopt internationally recognized labor standards such as ILO a few years later in its code of conduct.

Force

The disciplinary practices can be considered rather strict: 'Violations of this Code [of conduct, MB] 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.' (GCoPCaE 2005, p. 31).

Industrial relations

ILO codes are being regarded as basics for the associates in CSR 2002 and GCoPCaE 2005. It is likely to be in response to clashes with American union Teamsters, as was explained in the introductory part. The company declares that In the Netherlands collective bargaining agreements exists and are to be

renewed in 2008. (AR 2007) In AR 2005, 2006 and 2007 it is stated that Ahold companies in the Netherlands have a workers council. Also the role of a works council in general has been presented here, following the requirements of the Dutch mitigation structure regime, although it is unclear in what way Ahold supports this role. Nothing is mentioned at all in 1998 regarding this topic. In 2004 a whistleblowers policy is set up that meets the requirements of Sarbanes Oxley act and the Dutch Corporate Governance Code. An Ahold Check in line has been created in order to report problems anonymously and it is guaranteed that a file will not influence the employee (GCoPCaE). This can also be considered as a rather logical step after the bookkeeping scandals.

Regarding the settlement of industrial disputes no statements are made by Ahold, however a short newspaper article indicates there has been an industrial dispute: 'Vakbonden en Albert Heijn hebben donderdag een einde gemaakt aan het arbeidsconflict in de distributiecentra van het supermarktconcern.' (*Het Financieele Dagblad*, 28 July 2006) In general it does seem that the company and trade unions are able to solve the disputes together, therefore a rather (re-)active approach should be prevalent.

Albert Heijn examines grievances at employees, from CSR Report 2005 on examples are provided about satisfaction researches. Also statements are made that the company links employee satisfaction with customer satisfaction, therefore this is regarded as an important topic. However, the company has also been heavily criticized by FNV in 2004, as many complaints about working conditions and payments from Albert Heijn employees were filed in a research done by FNV.. (*Het Financieele Dagblad*, 24 April 2004).

Company internal working conditions

'We strive to provide fair remuneration to our associates aligned with the sector and local market circumstances. Salary structures are based on objective systems and comply with national and international labor standards.' (CSR report 2002, p.20), however in AR 2005 it is stated that this is a low margin sector where labour costs need to be controlled. Also in 2004 it was claimed by FNV that Polish employees at distribution centres got paid too little (*Het Financieele Dagblad*, 31 juli 2004) Therefore a drawback seems to have taken place from an active -good- wages structure towards a lower wages policy, which sometimes evokes complaints from trade unions, as reported at the examination of grievance indicator before.

In response to the major row in the Netherlands about the height of the remuneration of the CEO in 2003, mr Moberg adjusts its remuneration package.

In a press statement on 17 September 2003 he does try to explain to the public that his remuneration had been set up under chaotic conditions. In the Annual Reports afterwards it is explained that options are discontinued as part of the remuneration and replaced by a system with more focus on targets and benchmarking with industry. Interesting to see is that in AR 2005 it is stated that remuneration is benchmarked against Dutch AEX listed companies, but in the years to follow this has changed into being benchmarked against the international food retail industry. In 2006 the CEO was criticised for not meeting its targets, but retaining its bonuses.

'Ondanks dat hij zijn doelen niet haalde, hield Moberg het grootste deel van zijn bonus. Tijdens de vergadering bleek bestuurder Peter Wakkie wel een extra bonus te krijgen als beloning voor de deals die deze jurist sloot met aandeelhouders en justitie in de Verenigde Staten. De hoogte van die speciale bonus werd niet bekendgemaakt' (*NRC*, May 19, 2006).

In general it appears that the company has not altered much of its remuneration structure, since it is not under attack anymore.

Safety and health are regarded as important topics.

'Ahold operating companies strive to provide a safe workplace and monitor compliance with local occupational health and safety laws and regulations. Maintaining a safe working environment is not only our responsibility as an employer, but it makes good business sense' (CSR report 2002, p.19.)

Ergonomics of checkouts is an issue that is extensively described in CSR report 2002. Much is also being reported about stimulating employees through a 'fit and fun' programme to be engaged in sports and eat healthy. At the Headquarters office even medical assistance is being provided and ergonomics of working places are checked by physiotherapists (*Bewust en Betrokken*, 2007). Regarding safety in stores also the practices for maximising safety during raids are reported. With this regard collaborations with municipalities also takes place to fight crime in neighbourhoods. For the USA companies more specific information is provided, also rates of accidents are being reported. These numbers have been decreasing throughout the years, so it appears that the procedures are working (CSR report 2005).

With respect to the prevention of abuse of employees Albert Heijn states that harassment etc. is forbidden, that the employees should comply to laws and also that managers should take care of this and persons or places any cases can be reported to are mentioned in the code of conduct.

Research is done to work satisfaction internally in 2007 with over 15.000 employees participating. In the booklet *Bewust en Betrokken (B&B)* it is mentioned that 82 percent are satisfied with Albert Heijn as an employer and rates their satisfaction with a 7,4 out of 10 (B&B 2007, p. 18). However, in 2004 research was done by FNV and it found many complaints from Albert Heijn employees. Perhaps these researches are being done more thoroughly after these complaints, as in earlier reports no statements are being made with respect to researches to work satisfaction. More specifically also surveys are committed under high and middle level managers and the results are stated to have been positive.

Employment

- *Child care*

it seems from an article in the newspaper that distribution workers had to negotiate for child care, indicating this was not arranged well enough before. 'Ook zijn er afspraken gemaakt over kinderopvang en een verbetering van de toeslagregeling' (*NRC*, May 26, 1999).

- *Female topmanagers*

Ahold mentions that

'Ahold companies in the United States, The Netherlands and Sweden have a proactive approach to recruiting and retaining female talent (...). Ahold has many women in middle management positions, but wants to increase female representation at the most senior level' (CSR report 2002, p. 17).

This indicates that the issue is being dealt with. However, more information such as policies to further stimulate the increase of female topmanagers could not be derived from the information sources.

With respect to hiring disabled people Albert Heijn mentions that they have around 100 'Wajongers' - people who suffer from disabilities before becoming 18 years old and receiving subsidies - and expects to increase this number. Further policies are not described.

- *Foreign minorities*

The company has been awarded in 2006 for being the most ideal multicultural employer of the Netherlands (*Het Financieele Dagblad*, 28 December 2006). Furthermore the following is found:

'Ahold companies in the United States, The Netherlands and Sweden have a proactive approach to recruiting and retaining (...) talent from minority groups' (CSR report 2002, p.17).


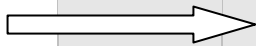
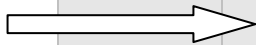

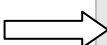
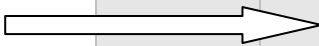


However, this proactive approach is not further described.

- *Promotion*

several programs exist to stimulate employees and train them to make promotion in the company, these have been reported about throughout all the years. This program will be used also for store employees, in order to stimulate promotion from lowest level jobs towards middle management.

Training

Training of employees seems to be regarded as important, many trainings and programs exist in order to have skilled personnel that can serve the customers well. Also instructions for safety and health are given. See for more information the safety and health indicator before. Employees at Albert Heijn are handed out a booklet regarding CSR practices at Albert Heijn - Bewust en Betrokken - and are stimulated to think about sustainability. It is the intention of the company to update all its employees each year regarding CSR issues. However, already in 1997 trainees in the Netherlands were engaged in a two day congress about CSR topics. Also the statement is made that several operating companies share information through their internal media (CSR report 1998).

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→		PRO-ACTIVE	
General	HRM policies:	HRM policies:	HRM policies:	HRM policies:	HRM policies:
	Hierarchical; employees as cost/production factor	Responsive; employees as potential 'risk factor' (ethics/whistle-blowing); competitive HRM practices	responsible; employees as possible followers of philosophy→ union information	Developmental; employees as greatest asset (continuous improvement; learning)	
	→ low wages	→ competitive wages	→ good wages	→ 'fair' wages	
	→ no unions (or loyal unions)	→ union-bashing		→ union involvement (also as monitor of codes for instance)	
Force	<i>Disciplinary practice</i>				
Industrial relations	<i>Freedom of association</i>				
	<i>Collective bargaining</i>				
	<i>Consultation with employees</i>				
	<i>Role of workers council</i>				
	<i>Examination of grievance</i>				
	<i>Position of whistleblower</i>				
	<i>Settlement of industrial disputes</i>				

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Company Internal Working conditions	Wages and benefits		←	
	Top Salaries		↻	
	Conditions of work and life	N.R.		
	Working times	N.R.		
	Safety and health		↻	
	Sickness absence rate	N.R.		
	Inflow into disability	N.R.		
	Efforts to prevent disability		→	
	Effort to prevent abuse on work floor		→	
	Research to work satisfaction		→	
Employment	Child care provisions		→	
	Preferential treatment of women		→	
	% female topmanagers		→	
	Preferential treatment of foreign minorities		→	
	% top managers of foreign minority	N.R.		

		INACTIVE ←-----→ ACTIVE		
			RE-ACTIVE ←-----→ PRO-ACTIVE	
	<i>% of disabled people hired</i>			
	<i>Security of employment</i>	N.R.		
	<i>Employment promotion</i>			
Training	<i>Individual development programs</i>			
	<i>(% wage sum spent on) education/training</i>	N.R.		
	<i>Instruction about safety/health</i>			
	<i>Instruction to make employees aware of social/environmental issues</i>			

3. The position of the Purchasing department and relationships with suppliers

In the late nineties Ahold was regarded as a good partner with suppliers, especially the larger ones such as Unilever. The company is known as a collaborative organisation

'Ahold is de propagandist van het polderdenken in de levensmiddelenhandel. Het heeft geen zin om eindeloos over marges te vechten met de leveranciers, zoals in Frankrijk en Duitsland gebeurt. Samen optrekken betekent er samen beter van worden', vindt Ahold (*Het Financieele Dagblad*, 21 september 2002).

Although some smaller fights with suppliers are also mentioned in this period, regarding logistical processes and a claim of Ahold for the damage due to the dioxine crisis. (*NRC*, August 30, 1999). However, due to the price wars initiated by Albert Heijn the focus shifts towards negotiations about price instead of collaborations with suppliers in order to enhance win-win situations for flexibility.

'Navraag leert dat het om een gecoördineerde actie gaat. Win-win, daar geloven we niet meer in. Het is nu dreigen en doen', zegt een ingewijde van Nederlands grootste supermarktketen *Het Financieele Dagblad*, 21 september 2002).

Thereafter a serious clash with suppliers are reported as Ahold sent letters to suppliers that it would pay its bills only after sixty days, contrary to the average of thirty days it did before (*Het Financieele Dagblad*, 12 April 2003).

In the years 2004-2008 Ahold several times gets mentioned in the news for its clashes with suppliers, such as Peijnenburg, Coca Cola and Grolsch regarding the prices of products that are too low according to these suppliers (cf. *Het Financieele Dagblad*, 14 January 2006).

Regarding general CSR statements relating to its suppliers Ahold states not much more than to have signed the Business Charter for Sustainable Development of the International Chamber of Commerce in its CSR report 1998. In 2002 a rather strong statement on CSR and labour conditions in general is made:

'Ahold recognises the UN Universal Declaration of Human Rights as a common standard for all members of the global community. We strive to realise its ambitions everywhere we do business. Ahold also supports the principles set out in the OECD Guidelines for Multinational Enterprises, including the core conventions of the International Labor Organisation.' (CSR report 2002, p. 6) 'Where possible we use our influence and work with suppliers to systematically improve the social, environmental and ethical quality of their products and services, particularly those sold under Ahold brand names. The priorities vary from country to country. In the long run, Ahold will favour those suppliers whose values and principles are aligned with our own' (CSR report 2002, p. 12).

This latter quote is also being used in later CSR reports. Interesting to see is however, that in later reports the Universal Declaration of Human Rights is only

mentioned to be respected for Ahold its own employees and not anymore for all members of global community with whom Ahold does business. These words seem to represent a rather active and pro-active stance and this holds true for some projects that are set up in collaboration with NGOs such as FairMatch and ICCO, and the program 'Ahold Sustainable Business Development' (ASBD) that aim to support suppliers in Africa to meet several production and quality standards. This should also enhance to a consistent supply of organic and FairTrade products to the Albert Heijn and ICA stores. But contrary to the statements and the small projects are the messages in the news about clashes with suppliers and the strong focus on lower prices. Therefore it seems that in general the stance could be described as rather reactive, moving to a more active stance recently with respect to environmental and social conditions at some suppliers.

Food Safety and Quality

In CSR report 1998 it is mentioned that food safety is a top priority and that HACCP is being used. In 2002 Ahold reports that it chaired the GFSI organisation and throughout the whole company there are food safety experts under supervision of the Food Safety Steering Committee. This policy transcends regional differences and a worldwide policy has been implemented. Companies have to self evaluate their performance against the Ahold Model Food Safety Program. Prospective suppliers have to answer a set of questions relating to food safety. However Ahold also reports this focus on food safety is a result from incidents throughout the world that have raised awareness about the importance of food safety and consequently food safety is a more important issue.

In 2007 the following is stated:

"We require our private label product suppliers to follow proper product safety practices and to demonstrate compliance with internationally accepted standards, and we support them in making improvements. (...) We provide our employees with extensive communication and training on product safety. (...) In order to achieve continuous improvement in the way we manage food safety, compliance with these standards is assessed on a regular basis by qualified auditors. (...) Ahold has been the first global retailer to specify acceptance of any food safety certification endorsed by the GFSI for our suppliers of private label food products. In addition, we also require GlobalGAP certification as an assurance of appropriate food safety management at farm level. In Europe, we are implementing the British Retail Consortium (BRC) Consumer Products

certification for private label suppliers of higher risk non-food products. In the United States, we are implementing a strict third-party testing program for high risk non-food private label products. (...) Under the supervision of our Product Safety Steering Committee, a single compliance model has been developed at Ahold and it was implemented in 2007 to further standardize the way we manage food safety. Based on this experience, we are putting in place a similar compliance model to manage the safety of non-food goods' (CSR report 2007, p. 19-20).

All these efforts seem to indicate that Ahold is moving towards a more active stance, especially since the initiatives are more extensive than several other Dutch retailers. But in other respects the policy can still be considered reactive, as it still complies to rather reactive food safety standards.

An interesting observation from all the reports is that Ahold several times reported it could not endorse a general CSR policy, due to local differences, however concerning food safety this does seem to be possible.

Labour Conditions

Albert Heijn/Ahold is not very specific about several labour conditions issues at suppliers, however in 2002 the Universal Declaration of Human Rights are recognized as 'a common standard for all members of the global community. We strive to realise its ambitions everywhere we do business.' (CSR report 2002, p. 6) And also the OECD Guidelines for Multinational Enterprises are supported. However, it should be noted that these could also be considered as a reaction to the demonstration of the Teamster Union organisation, as was described in the PA part of this report. From the CSR report 2005 and 2007 it can be derived that Ahold requires from its private label suppliers to sign the 'Ahold standards of engagement' that includes minimum standards for i.e. working conditions for their employees with respect to the International Labour Organisation (ILO) guidelines. Ahold also mentions to be implementing the BSCI program with all their private label suppliers and third party audits have been held. In 2007 a collaboration is set up with the organisations FairMatch Support and ICCO and is financed by the Albert Heijn Foundation. The foundation is based on donations from Albert Heijn and four African suppliers (website AH, de Albert Heijn foundation). Its aim is to support African farmers by giving financial support to projects focusing on education, housing and health, and to ensure that production meets internationally accepted social standards. Next to these specific projects it is stated that suppliers are to be selected whose values align

with those of Ahold. Unfortunately the Ahold standards of engagement could not be retrieved, that could have given more insights on the requirements of Ahold. Because it is difficult to gain very specific insights in the policy regarding suppliers and labour conditions from the reports or media articles, it can be decided that gradually a shift is taking place from inactive towards re-active and even in some respects a more active stance

Environmental and social issues - generic level

Concerning the environment Ahold has for many years reported rather extensively on this issue. Social aspects in the supply chain however were a lot less described. The main indications that Ahold tackles social issues on a generic level are for example the membership of Ahold in the BSCI program since early 2005. In CSR report 2007, on page 20 it is written that

'Ahold is in the process of implementing the BSCI program with all of its private label suppliers in high-risk countries. In 2007, third-party audits were performed in Asia and Africa.'

Next to the BSCI membership, Ahold also set up a partnership with Fair-MatchSupport and ICCO and has its own program 'Ahold Sustainable Business Development' (ASBD) all of which aim to support suppliers in Africa to meet several production and quality standards. It cannot be considered an active approach yet as BSCI is a business association driven standard and these projects are described rather vaguely, which seems to be done in order not to be judged too specifically by NGOs. But on environmental and social problems that are coupled with the production of specific raw materials, such as cocoa, soy and palm oil, Ahold starts to take a rather active stance through joining Roundtables and collaborations with Utz Certified and Solidaridad. However, it must be noted that some problems with these raw materials have been heavily brought under the attention through campaigns of several NGOs.

As stated before, Ahold extensively described its activities regarding environmental issues. The main topics Ahold has been reporting about throughout the years are: the use of pesticides, biotechnology (genetically modified organisms), refrigerants, recycling, waste reduction, energy and fuel. In the last years of the 20th century Albert Heijn was mainly involved in extending its recycling practices, using less pesticides through the program called 'Integrated Crop Management' (ICM) and reducing energy use through equipment that uses less energy. Also the use of refrigerants is an extensively described issue, as its

degradation effect on the ozone layer was an often discussed topic in the media in those years. Ahold's stance can be regarded as hovering between reactive and active for these matters at that time. Especially Albert Heijn was rather active in minimizing waste and recycling, through collaborations with suppliers. But on corporate level the stance was rather reactive, for example just following the Montreal Protocol for reducing the use of refrigerants. In 2002 the issue of fuel usage and global warming is more described, however throughout these years the general stance can be described as rather reactive, as barely any new initiatives are being undertaken to tackle some issues and more focus is being placed on efficiency. Then in the last few years much attention is placed on the reduction of fuel and energy usage. In 2005 reductions are being realized through technological innovations. Then in 2007 some working procedures were improved as well in order to reduce fuel usage and more collaboration took place with suppliers and energy companies to reduce energy usage. However, this mostly accounted for Ahold's other companies such as ICA and the American brands. In general also the environmental issues have been tackled in a mostly reactive way with some active exceptions.

Animal welfare is an issue that has not been described in older reports, which is also mentioned in an article from the Dierenbescherming in *Het Financieele Dagblad* on 9 March 2001

'Aan de leveranciers van vleesproducten worden in detail eisen gesteld op het gebied van gegarandeerde aanvoer, gewicht, vetgehalte en natuurlijk prijs, maar het woord dierenwelzijn komt niet voor.'

Only since CSR report 2005 the statement is being made that Ahold supports local regulations on animal welfare and often goes beyond them. This statement was not further supported by examples or policies, but in CSR report 2007 Ahold claims it is developing animal welfare indicators, of which the compliance can be assessed during food safety audits. Ahold also states it does not test private label beauty products on animals and supported the establishment of a European Animal Welfare Platform to address the concerns of stakeholders. However, this approach can not be regarded pro-active, but merely a re-active one, as only since 2005 animal welfare is mentioned as a reaction to pressure from NGOs.

Environmental and social issues - product level

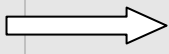
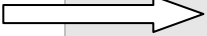

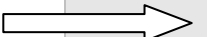


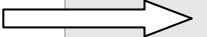
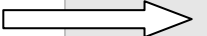
Concerning the problems around fishery Ahold already acknowledged the problems in CSR report 2002. However the issue has only been tackled in the USA in those years, as only a collaboration with American organisations, such as New England Aquarium has been mentioned. In the Netherlands the issue seems to have been addressed by Albert Heijn since 2005 and led to some collaborations with Marine Stewardship Council (MSC) and World Wildlife Fund (WWF). In 2007 Albert Heijn is stating on several of its fish products that it is putting effort in making fishery more sustainable. According to information in CSR report 2007 Albert Heijn is also selling MSC certified products. However, as Albert Heijn also mentions on page 23, the issue gained importance for the investment community and several NGOs such as Greenpeace and WWF, who published sustainability ratings for seafood producers. This indicates that Albert Heijn only acted in response to requests and clashes.


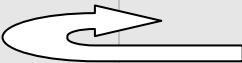
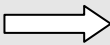

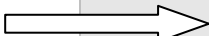

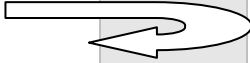

With regard to other several social and environmental trademarks on products it can be derived from the reports that especially with regards to coffee Ahold has been rather active through raising the Utz Kapeh organisation in 2002 and eventually having all of the private label coffee being Utz certified. Moreover, together with Solidaridad, Albert Heijn launched Cafe Oke, a brand that carries the Max Havelaar seal. It is expected that this brand should help to double the sale of FairTrade coffee in the Netherlands in the next few years which is now 2,5 to 3 percent. Also it is stated in CSR report 2005 that in response to consumer demand Albert Heijn carries several other FairTrade products. According to a press statement dated 7 November 2006 on the website, around 80 products are FairTrade, of which 50 are Utz Certified coffee products. Also according to a statement in CSR report 2007 the quality and quantity of these products are lower, therefore Ahold set up the Ahold Sustainable Trade Development program to support suppliers in meeting several standards.

Albert Heijn has been quite active in selling organic/biological products as it set up a private label 'AH Biologisch' years before other Dutch retailers started to do so. However, Albert Heijn has not extended its number of private label biological products and even slightly decreased this number from 185 in 2006 to 176 in 2007. (CSR report 2007) Also Albert Heijn has been criticized for not extending its range of Biological products and falling behind compared with European retailers, for example in the report 'People Planet en Profit in de supermarkt', published by the NGO Stichting Natuur en Milieu in 2004. Therefore it seems to indicate that Albert Heijn is shifting from an active approach in the early years towards a more reactive approach in 2007.

Local Sourcing

Ahold makes some remarks on supporting local farmers in 1998, however in what way this is done is not further mentioned. In 2002 and more recent years it is described that Ahold supports local suppliers and various examples of organising trade shows and focusing on supplier diversity are mentioned. However, this is only done in America, no statements are to be found with respect to the Netherlands.

		INACTIVE ←-----→ ACTIVE	
		RE-ACTIVE ←-----→ PRO-ACTIVE	
Food safety/ quality	<i>Support of food safety/quality codes</i>		
	<i>Forced labour</i>		
Labour conditions	<i>Child labour</i>		
	<i>Freedom of association and collective bargaining</i>		
	<i>Working times</i>		
	<i>Wages and benefits</i>		
	<i>Conditions of work and life</i>		
	<i>Safety and health</i>		

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Environmental and social issues - generic level	<i>Participation in environmental issues</i>			
	<i>CO₂/Waste management/Energy consumption/ Toxic waste/ packaging/nature conservation/ pesticide use/GMO/ renewable energy or substances</i>			
	<i>Participation in social issues</i>			
	<i>Welfare of animals</i>			
Environmental/social issues - product level	<i>Products have fishery standard</i>			
	<i>Products with Social standards</i>			
	<i>Products with environmental standards</i>			
	<i>% of products have standards</i>			
Local sourcing	<i>Locally sourced products</i>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">N.R.</div>		

4. The position of the Marketing department and relationships with customers

Sustainable/environmental

In CSR report 2002 an example is given that Albert Heijn informs customers through posters in the stores about the efforts to reduce environmental impact in the supply chain. However, the poster presented in the example only states that customers should eat grapefruits on room temperature, this does not seem to be relevant regarding this topic. Since the collaboration with WWF at the end of 2007, all Albert Heijn private label seafood products carry the message 'We are putting an effort into seafood sustainability' and display detailed information about the sustainability status of the product. Albert Heijn also stimulates customers in buying organic products through price promotions because 'Albert Heijn want customers who still do not shop organically to make the change to organic.' (Ahold, 2006) In a press statement in 2005 Albert Heijn claims to be one of the few Dutch supermarkets that uses bio-degradable wrapping for several organic fruits and vegetables products and this will be increased to 22 products. In the end it can be said that Albert Heijn takes a rather reactive approach, due to the only very recent effort to publish information about sustainability issues on their products.

Health

Regarding health it can be concluded that Albert Heijn has been one of the leaders in the Dutch food retail market. Since CSR report 2005 large parts of the reports are dedicated to providing information on how Ahold has been helping customers to buy healthier products. In order to enrol this strategy 'The Ahold Healthy Living Team' was set up in 2004. According to its statements this is done through 'cooperating with universities and other bodies, such as the World Health Organisation, to ensure we achieve our ambition of providing customers with healthy choices based on scientific research and good social practice.' (AR 2005, p. 12) One of the most evident examples of this is the introduction in 2005 of its own 'healthy clover' symbol on corporate brand products that are low in saturated fat, sugar and salt, and high in fiber. This is done based on experiences in Sweden and in collaboration with the Dutch Nutrition Centre. Despite recent pressure of several companies to use the 'ik kies bewust' label instead of the 'healthy clover', Albert Heijn refuses to do so. According to Albert Heijn the 'ik kies bewust' label is introduced too late and is also put on unhealthy products. (*Het Financieele Dagblad*, 6 October 2006) However, sales figures

show the clover is very successful and perhaps therefore Albert Heijn does not want to change it. (*Het Financieele Dagblad*, 28 March 2007) Furthermore Albert Heijn educates its customers through for example a program called: 'Class Lunch' in order to educate children in the last year of primary school that healthy lunches can also be tasty and fun. Approximately 75,000 children took part in the program in 2007. (CSR report 2007) Also on the website and in magazines information is provided. According to CSR report 2007 high marks were given by research agency GfK in its 2007 summer report for the information Albert Heijn provides to customers on healthy eating. Albert Heijn received the highest grade among Dutch supermarkets (p. 14).



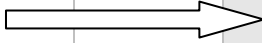
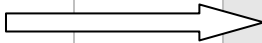



General customer relations

It is mentioned many times throughout the years that Ahold strives to deliver the highest quality and the highest satisfaction of the customer. But regarding research to the satisfaction of customers Ahold does not explain much. Only according to their research mentioned in CSR report 2002 customers are satisfied with the cleanliness and service offered. However, in the past years the Albert Heijn supermarkets seem to fail in this respect. In a research 'Zomerrapport 2006' done by GfK Panelservices the competitor Jumbo is ranked first for customer satisfaction and Albert Heijn ranked much lower. (*Het Financieele Dagblad*, 12 June 2006) Which is the same conclusion in recent research done by EFMI (*Trouw*, 2008) Also with regard to innovative capability it can be concluded that Albert Heijn is not making much progress in the last years. Many innovations aimed at improving customer satisfaction were expected after the introduction of the 'Bonuskaart' in the end of the nineties. But it nowadays appears only to be used for giving discounts to customers. Also several technological pilots are running but these are aimed mainly on making the logistics more efficient. Only the pilot in some stores where customers can scan their products themselves seems to be addressed for clearly improving the shopping experience.

Local community

Already in 1998 Ahold claims to feel responsible towards local communities. 'By building and maintaining a reputation as a good neighbour and a source of vitality in our communities, we earn our 'licence to operate'.' (CSR report 1998, p. 6) An example is given of cooperation with local governments and residents in order to improve the access to the store etc, but also another reason for this is given: 'It often requires cooperation with local governments to facilitate the

site improvement and to protect us from future liability claims.' (CSR report 1998, p. 14) Ahold also mentions throughout the years that donations of food to local food banks and money to associations and schools is an important aspect of community involvement. It should be noted that all examples provided are mainly dealing in America and nothing is described about Albert Heijn. Therefore a more active approach at Albert Heijn as Ahold in general has is not to be expected.

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Sustainable/ environmental	<i>Give information (on products/in stores) about social/environmental issues</i>			
	<i>Sustainable alternative in assortment (sustainable product, packaging etc)</i>			
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>			
	<i>Healthy alternative in assortment (lower fat/sugar)</i>			
General customer relations	<i>Procedure for complaints of customers</i>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">N.R.</div>		
	<i>Research to satisfaction of customer</i>			
	<i>Innovative capability</i>			
Local community	<i>Support local community/food desert debate/accessible for disabled people/ attainableness by public transport</i>			

5. Finance department and relation with shareholders

The relation with the shareholders has been heavily influenced by the accounting scandal in 2003. Until that time there were some clashes with socially responsible investors but in general the company was considered to be quite sustainable and surely a good investment for your money (*NRC*, 31 May 2003). Even in 2001 the company won the Dutch Investor Relations Prize for being transparent (website Ahold, press statement 16 November 2001) Then in February 2003 the company announced that some irregularities were found in the accounting principles over the years 2001 and 2002, leading to restatements with a value of 50 mln euro. This scandal led to the question whether Ahold was indeed such a good investment. Moreover during that time many investors wondered how this could have had happened and felt that they were not provided with enough information. Also the publishing of the restated AR 2002 took too much time according to some investors. In response to this the CEO, mr Moberg, said:

'In recent months, as a result of our many, continuing investigations, we have been severely restricted in the information that we could disclose to the market and the public. We realise that this too may have caused misunderstanding. We have done our best to present the facts as quickly and as openly as possible under the circumstances' (AR 2002, p. 7).

Now for some years Ahold has been involved in litigations concerning the accounting scandals and the devaluation of the stock prices which have been taking a few years already in some cases. All this represent not a pro-active stance now, but merely a rather re-active stance and in some respects moving towards an active stance.

In order to regain trust the CEO states in AR 2002 that the company will commit itself to the 'highest possible standards of compliance, disclosure and professional conduct throughout the business.' (p. 7) He also admits that apparently in the past this has not been the highest priority of the company.

Also since then Ahold started to include statements about the role of investor relations in their reports. This was at first mainly in response to the problems: 'We will do everything in our power to merit your continued support and restore a sense of pride in your association with us.' (AR 2002, p. 8) But also in all the reports from AR 2002 on the following is said 'The goal of Ahold Investor Relations is to provide timely, accurate and comprehensive information regarding Ahold's financial activities and developments to enable investors to make in-

formed investment decisions. We ensure that material information is available to all investors at the same time. In doing so, we follow, to the extent reasonably practicable, the guidelines and principles laid out in the Regulation Fair Disclosure, issued by the U.S. Securities and Exchange Commission.' (AR 2002, p. 210) In AR 2007 also the regulations of AFM are mentioned as a guideline. Also in 2007 the decision is made to delist from the New York Stock Exchange and deregister from the Securities Exchange Commission. But according to a statement in AR 2007 'the Audit Committee continued to request and receive identical updates although the provisions of the Sarbanes-Oxley Act no longer apply to the Company.' (p. 12) This all can be regarded as a movement from an inactive stance, since the company disrespected financial regulations and control mechanisms towards a reactive stance in which it wants to restore trust and promises to do their best with a further movement towards an active stance as it provides more information than legally requested.

Although Ahold was seen for several years as a very responsible retailer by some, they have had problems with being enlisted in ethical funds as such. This is for a certain extent due to the lack of clear information about sustainability practices. See for instance the clashes Ahold has had with VBDO as described in the Public Affairs section. As a result ASN bank divested its shares in Ahold in 1997 (*Het Financieele Dagblad*, 11 april 1997) and in 2001 the company was rejected from inclusion in the FTSE4Good index (*NRC*, July 11 2001). This corresponds with the fact that in none of the reports it can be found that the company developed a policy to attract socially responsible investors. Instead only the interests of both private and institutional investors and of both equity and fixed income investors are being regarded (AR 2007).

From January 2007 on the 'Ahold Policy Inside Information and Securities Trading' (APIIST) has come into effect, replacing the 'Ahold rules concerning inside information' in effect from April 1 1999. This former policy could not be retrieved from Ahold or previous versions of the website, available through www.archive.org. According to the statements the policy is in compliance with the Securities Act. Also it is intended to promote that employees act in accordance with the law, such as the Notification Act and the Dutch Corporate Governance Code and to limit the risks that the reputation of the company will be harmed due to insider trading. (APIIST 2007) This paper counts twenty pages and gives an extensive description of what is prohibited, regulations on how employees/managers should report and sanctions in case of breaking the rules.

	INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE	
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors: Search for involved shareholder:
<i>Prevention insider trading of shares</i>			
<i>Attitude towards shareholders</i>			
<i>PA function</i>			
<i>Socially responsible investment (SRI)</i>			
<i>Investment decisions on the basis of</i>			

6. Relations with competitors

In the GCoPCaE 2005 Ahold is rather extensively reporting on issues regarding competitors. It is stated that antitrust laws are to be respected and Ahold supports fair and free competition. Furthermore,

'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' (GCoPCaE 2005, p. 12).

Ahold also trains employees who are dealing with antitrust laws in their professional field. (CSR 2005)

Ahold mentions in the GCoPCaE that employees have to know what forms of gathering competitive information are wrong and can violate the law, such as the Economic Espionage Act. Thenafter an overview of legitimate and non-legitimate information sources is given.

Also in this code several pages are dedicated to statements regarding corruption or bribery. Many of these statements describe regulations and what is not allowed for employees, such as providing or receiving gifts to or from governments. In general the employees must consult a compliance officer in such cases. Also some other rather stringent statements are made as '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' (GCoPCaE 2005, p. 13). However, this seems to be stated in response to the observation of Ahold that law enforcement officials around the world are increasingly dealing with issues such as contraband and money laundering.

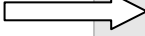
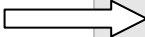
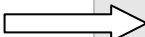
Also on behaviour towards competitors some statements are made. Ahold mentions to compete vigorously for business, but some conduct is not consistent with the law or Ahold's commitment to integrity such as stealing or misusing competitors' trade secrets or a rather bold prohibition to cut off a competitor's source of supply. (p. 17) However, further measurements and policies to prevent this from happening are not provided.

Throughout the years Albert Heijn has been under research a few times by the NMA - Nederlandse Mededingings Autoriteit - whether Albert Heijn was not getting too much market dominance when taking over some stores from competitors. The company has always received permission from the NMA, therefore it can be concluded that the market dominance is not too prevalent yet.

However, the company has been accused of unfair agreements. During the crisis related to the mad cow disease, Albert Heijn agreed with other Dutch retailers to raise their prices for milk with a small amount. These extra revenues would be donated to their farmers, who had been hardly hit by the crisis. However, the NMA forced the companies to change the prices again, as it felt that these agreements were resembling fixed-price agreements. Albert Heijn has also been known for their rather aggressively competitive behavior towards their main competitor: Laurus. This company was having financial problems due to the rebuilding of all stores into the Konmar concept and Albert Heijn wanted to gain market share from this competitor. This was done through lowering its

prices and a story is known of Albert Heijn promotion representatives who were handing over flyers to customers on the doorstep of Laurus stores.

Ahold is an active member of several business associations such as: CIES - The Food Business Forum, Efficient Consumer Response (ECR), EuroCommerce, European Retail Round Table (ERRT) and Food Marketing Institute. However, it is not clear whether this is done in order to have good relationships with competitors or rather to be able to exert more influence on general laws and policies in the retail sector.

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Do-it-alone	Pragmatic/ defensive alliances	Leader-follower alliances	Offensive alliances
	→ no/limited role for business associations	→ limited role for business associations	→ difficult relationship with business associations (adverse selection)	→ follower role of business associations
<i>Measures to prevent collusion/competition limiting agreements</i>				
<i>Respect of intellectual capital of competitors</i>				
<i>Corruption or bribery</i>				

7. Relations with secondary stakeholders

In 1994 Albert Heijn started a system for customers with which they could save for 'Air Miles'. A programme originally designed for customers to buy flight tickets on special discounted tariffs or even for free. But the program changed and could also be used for discounts on several products. This system caused concerns of environmental organisations as they felt that Albert Heijn should not stimulate air travel. However, it turned out that customers only used the Air

miles for discounts on products and therefore the concerns were withdrawn. (NRC, 31 May 2003) In 2004 the company, as well as the whole Dutch retail sector were criticised by Stichting Natuur en Milieu in their report 'People Planet Profit in the supermarket'. The main critics concerned the lack of biological and other forms of sustainable products being sold. Also the NGO 'Friends of the Earth' who hold a yearly count of how many organic products are sold in the supermarkets have been criticising Albert Heijn on this topic. However, Albert Heijn did respond to these critics in a press statement claiming that the count was not representative and selectively held. Moreover, it claims to be the leader in the Dutch supermarket sector regarding organic products (website Ahold, 07 November 2006). No information could be found whether Albert Heijn went into dialogue with the NGOs but from the press statement it can be derived the company felt being treated unfairly.

Since 2007 Albert Heijn reports about a collaboration with World Wildlife Fund (WWF) and Marine Stewardship Council (MSC) which aims to make the fish assortment more sustainable. It should be taken into consideration that this topic has been highly addressed by Dutch NGOs, which is also mentioned in CSR report 2007 on page 23:

'the issue is gaining importance for the investment community as well as environmental organisations, such as Greenpeace and the World Wide Fund for Nature (WWF), which have begun rating seafood producers' ecological sustainability levels. Growing numbers of customers and employees are asking directly about the sustainability of the products we sell in stores - including seafood.'

Albert Heijn also collaborates with WWF to encourage sustainable growing of strawberries in Spain. This is communicated by a booklet embossed on packages of Spanish strawberries, telling customers that by buying these strawberries they help to preserve wetlands in Spain. This indicates a move from a rather inactive stance towards a more reactive policy. However, there does not seem to be an overall policy to collaborate with NGOs - such as the main competitor Laurus has done - therefore it does not reflect a very (pro-)active policy.

With respect to animal rights, Albert Heijn has taken a rather re-active approach but is moving towards an active approach. In the period of 1995-2004 it seems that no any initiatives were developed. However in CSR report 2005 the first statements regarding this issue are found and in 2007 it is stated that Ahold does not commission any animal testing and no private label Health and

Beauty products are tested on animals, except where legally required. The company is involved in dialogues regarding this topic and supported the establishment of a European Animal Welfare Platform (CSR report 2007, p. 24-25).

A rather contradicting stance is prevalent at tackling issues one level deeper, at the ingredients level. Ahold claims that their efforts in working towards socially acceptable production are mainly focused on the products and not the ingredients. However, they are participating in Roundtables for responsible soy and for responsible palm oil in order to tackle the problems that prevail in the cultivation of these products. On 16 July 2008, Ahold announced that

'by 2015 Albert Heijn and Etos will use in their private label products only palm oil that has been produced on certified oil palm plantations. The companies also have the intention to support an appeal for an immediate ban on further deforestation in Indonesia' (website Ahold).

The results of the Roundtable for Responsible Soy are not yet known as the process is still in its negotiations phase.

This seems to indicate a pro-active stance, as no other Dutch retailers are participating in these Roundtables and the company has not yet been publically targeted in newspapers. However, several NGOs such as Greenpeace have been addressing these issues for some time and they were gaining momentum. Also these Roundtables are being accused that they result in lower standards, with less stringent measures. For these reasons it corresponds with the rather re-active approach Ahold displayed in other environmental issues. However, if Ahold remains committed to addressing these and other issues a movement towards a more (pro-)active stance is rather likely.

Ahold/Albert Heijn is known for its involvement in health issues as it has been addressing customers for several years to buy more ecologically produced food, which has been further enhanced by the introduction of its own healthy clover label on private label products. Also through educational programs the issue is brought under attention. See for a more detailed description the section about marketing. The focus on health became clear through the establishment of The Ahold Healthy Living Team in collaboration with universities and the World Health Organisation in 2004 Especially in the United States the company has collaborated with NGOs in educating customers and more specifically children about a healthy lifestyle and healthy food. However, in the Netherlands such collaborations do not exist.

Instead, Albert Heijn has been raising funds since 2006 for the World Cancer Research Fund. During the Fund's Cancer Prevention week, Albert Heijn and a group of five manufacturers donated 5 percent of the sales of certain products that may contribute to the prevention of cancer. In 2007, the programme raised more than €100,000 for cancer research (CSR report 2007). This indicates a shift towards an active approach, as the company has formulated its goals on healthy living and saw a potential competitive advantage. The only major reason why it cannot be considered a pro-active approach, is that Albert Heijn is not willing to change its healthy clover symbol into a more commonly known label 'ik kies bewust' and is involved in a battle with the producers who are asking the company to collaborate more. (cf. *Het Financieele Dagblad*, 6 October 2006)

On the topic of human rights this issue has been addressed in two ways.

'Ahold recognises the UN Universal Declaration of Human Rights as a common standard for all members of the global community. We strive to realise its ambitions everywhere we do business. Ahold also supports the principles set out in the OECD Guidelines for Multinational Enterprises, including the core conventions of the International Labor Organisation' (CSR report 2002, p. 6).

These statements have been made a few years after Ahold was put under pressure in 1997 by the union organisation 'Teamsters' to set up a code of conduct that complies to international regulations. In 2002 the company was positively mentioned by Amnesty International as an example of Dutch companies that explicitly refer to human rights in their codes of conduct (*Het Financieele Dagblad*, 26 August 2002).

Furthermore Ahold mentions this topic in relation with issues of labor standards at suppliers. These issues are addressed partly through collaboration with the NGOs: ICCO and FairMatch Support. This has also been described in the suppliers part of this report. However, as the collaborations were aimed at improving the general living conditions of farmers it is decided to describe the nature of these collaborations with respect to the development issue. In September 2007 Albert Heijn and ICCO announced a new partnership with FairMatch Support. The partnership focuses on improving the living conditions for African fruit and vegetable growers. This is done through giving financial support to projects focusing on education, housing and health. Also support is provided to farmers in order to meet several quality standards and deliver a more consistent supply of products to Albert Heijn's African suppliers and supply

chains. It is an interesting remark that the projects are financed through the Albert Heijn Foundation, which derives its finances from Albert Heijn as well as the major African suppliers. So it is not just the company who pays for the support, also African suppliers themselves (Albert Heijn website). Concluding this issue it can be said that due to the only very recent set up of such a collaboration with some entangled interests this reflects a rather re-active approach which seems to move towards a more active one.

	INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE	
[1] Ecology NGOs (see also suppliers)			
[2] Human Rights NGOs (see also HRM and suppliers)			
[3] Health NGOs (see also HRM and suppliers)			
[4] Development (economy) NGOs (see also finance, marketing and suppliers)			

Specific environmental issues

Ahold has been aware of its environmental impact for many years, as it has already been reporting about its environmental practices in 1998. However, the company does give mixed signals as it does claim in 2007 that

'In general, retailers have a relatively low environmental impact, when compared with the effect of the manufacture of products and the refrigeration, preparation, consumption and disposal of food by customers' (CSR report 2007, p. 31).

Throughout the years several environmental issues have been described in the CSR reports. Broadly speaking these are the main issues for Ahold in their reports:

- usage of pesticides;

- genetically modified organisms (GMO) or biotechnology;
- reducing and recycling waste;
- refrigerants/ozone depletion;
- CO₂ emissions related to fuel and energy usage.

These issues will be subdivided throughout the issues that have been specified in this report. Interesting to note is that usage of pesticides, GMO and refrigerants have not been described in CSR report 2007 and seem to have lost their importance for the management of Ahold.

The issues of GMO and usage of pesticides are relevant for the overarching environmental protection and biodiversity issue. In 1998 Albert Heijn reports about its own program 'Earth and Values' through which, in collaboration with suppliers, it is making efforts to reduce pesticide usage. In 2002 the company is also stimulating standards, such as Eurepgap, to be implemented sector wide. However, in 2007 the company apparently did not consider this topic important enough to report about. Also with respect to GMO the company stopped reporting about it. In 1998 and 2002 it did state to be encouraging the sale of GMO as long as it complies to several standards. During these years the issue was rather important for several NGOs who introduced the term 'Frankenstein food' to express their negative stance towards the usage of biotechnology. The company however expressed that customers should have the right to make informed decisions and therefore it actively promoted labelling of products made with the help of biotechnology. Due to the fact that the company is not reporting anymore on these topics it might indicate a move towards a rather inactive stance. This does correspond with the fact that Ahold decided to focus on four topics -climate action, responsible sourcing, community engagement and healthy living, in which environmental protection is not included as such. However, as could be concluded from the relations with environmental NGOs in general, Ahold still takes environmental protection into consideration, for example through participating in Roundtables, collaborating with suppliers to comply to several environmental standards, and collaborating with WWF to protect the environment in Spain (CSR report 2007). Therefore it is more likely that due to the mature phase of the life cycle some issues are in, a shift of attention has occurred to more general environmental protection issues. The approach can not be considered as pro-active yet, as there is still criticism from environmental organisations and the collaboration with WWF only concerns such a small part of the assortment.

The issue of reducing toxic waste has been altered into reducing and recycling waste in general (organic, plastics and carbon) as these issues have been more important for the company than toxic waste. Reduction and recycling of waste has been addressed by Albert Heijn already since 1990 rather actively. The company was considered to be a frontrunner in their recycling practices of plastics and paper (*Het Financieele Dagblad*, 23 March 1995). However, this focus was also caused by the fact that in the Netherlands landfills were no longer available for municipal waste. Government and industry negotiated agreements called 'covenants' to reduce packaging waste, which was further enhanced by collaborations with suppliers. Corresponding with this, the company is since a few years as one of the few Dutch retailers also making more packages biodegradable, especially those of biological products (press statement, 06 September 2005).

The issue of reducing the use of plastic bags and recycling them has been rather prevalent for the Ahold USA companies, but in the Netherlands this is much less an issue due to the fact that customers of Albert Heijn have to pay for plastic bags and as such the use is already minimized. In general it can be concluded that the company has been taking a rather active approach over time.



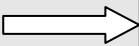
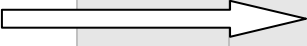
Reducing paper use has some overlap with the reduce of waste, and specifically the reduce and recycling of paper therefore the previous judgement of the stance will be taken in consideration here. However, it is interesting to note that at the offices of the USA companies a programme exists to stimulate less printing. Such a program has not been described to be prevalent at Albert Heijn. Another indicator that corresponds with this issue is the use of recycled paper or whether the reports have been printed on FSC paper. The Annual Reports of 2007 and 2006 have been printed on FSC certified paper as well as CSR report 2007 and 2005. CSR report 2004 does not mention anything, while 2002 mentions the following:

'This report was printed in waterless offset. Waterless printing has 70 to 80% less environmental impact than conventional printing (this includes energy, water and toxic chemical use). The report is printed on Reviva Mega matte machine-coated paper made of 50% recycled material and 50% chlorine-free cellulose' (CSR report 2002 p. 39).

Other CSR or Annual reports have not been stating anything about the paper use. Due to the lack of description of programs to actively stimulate reduction of paper use, the company appears to take a rather re-active strategy.

Regarding the topic of saving energy/reducing greenhouse gasses and using renewable energy sources it can be concluded that the company has been hovering between a re-active and active stance and is moving towards an (pro-)active approach nowadays.

For many years the company was criticised for not providing data about the use of energy or fuel, as has been elaborated on in the PA section. This has changed in the last reports and in 2007 tables are presented with all the usage statistics. However, the company has also been praised as already in 1998 the company published a environmental report, which was rather rare for retailers at that time. Extensive descriptions of energy saving practices have been dominating some of the CSR reports ever since. These practices were mostly based on technological innovations in e.g. cooling systems, remodelling of stores and improvements in the distribution chain. Over the last few years also education of employees in energy saving practices has been added as a mean to accomplish lower energy and fuel use. Ahold does make some ambitious statements for the future 'Our goal is to develop a state-of-the-art climate action programme, based on internationally recognised guidelines (including GRI's G3 Guidelines, Greenhouse Gas Protocol and the Carbon Disclosure Project). We plan to have this strategy in place, including our approach to reporting, by the time we publish our next year's CSR report (CSR report 2007, p. 31). Therefore it seems as the company is taking advantage of the importance this topic has in 2008 to move towards a more pro-active approach.

	INACTIVE ←-----→ACTIVE	
	RE-ACTIVE ←-----→PRO-ACTIVE	
1. environmental protection and biodiversity		
2. reducing (toxic) waste		
3. reducing paper use		
4. saving energy/ reducing greenhouse/ using renewable energy sources		

Super de Boer/Laurus TRAJECTORY OF CSR

Based on the Analytical Framework and
specified basic Indicators for a Dynamic
Benchmark exercise

SdB/Transforum Project

Findings are based on:

- Super de Boer Annual Report (AR) 2007 and Laurus AR 2006, 2005, 2000 and 1998;
- Laurus CSR report 2005;
- Super de Boer/Laurus Press statements 1 September 2008- 15 July 1998;
- Websites (www.superdeboer.nl/ www.laurus.nl/);
- Klokkenluidersprocedure Super de Boer NV 2004;
- Super de Boer Gedragscode 2007;
- Media articles from January 1 1995 until September 1, 2008, in the Financial Times, Economist, NRC Handelsblad, het Financieele Dagblad en Elsevier on Laurus or Super de Boer.

1. The position of the Public Affairs department and relationships with the community at large

Position of public affairs department and CSR

In 2005 Laurus set up a new approach towards CSR. According to a statement made in CSR report 2005 this was caused by a report of Stichting Natuur en Milieu (SNM) called 'People planet and profit in the supermarket.' In this report the Dutch retailers were criticised for not being engaged enough in CSR activities compared to European competitors. These findings made Laurus think about how to involve CSR in their strategy. However from some news articles and other communications of Laurus it also becomes clear that the company has been under pressure of NGOs. Laurus felt they could not win these fights, so they would then rather cooperate with these organisations (Kremer 2008). Therefore in 2005 a special CSR committee was set up consisting of directors and managers from several departments such as communications, marketing and purchasing. In collaboration with the NGOs SNM and Oxfam Novib and consultants the decision was made to focus the CSR strategy on four areas. Food safety and health, making the supply chain sustainable, employees, and energy. According to Laurus through the focus on CSR it could escape from solely focusing on price, as was common in those years of the price wars in the Netherlands. As other food retailers do not engage heavily in CSR activities Laurus expects to become one of the frontrunners in CSR in the Dutch food retail sector, which will give them a first mover advantage. Moreover it is stated that due to the sale of other parts of the Laurus organisation and the conversion to the Super de Boer format leading to a more focused policy should also benefit the CSR policy (AR 2005). Contradictory to this statement in 2007 a remark is placed that CSR remains an important topic in the format. But due to the transformation of Laurus towards Super de Boer less attention than desired was given to the CSR policy. (AR 2007)

Stakeholder approach

A special collaboration agreement has been put on paper and signed by Laurus, SNM and Oxfam, describing: the duties of all parties regarding effort in this project, communication with each other and externally, intentions of Laurus to make the chain more sustainable and the agreement that it lasts for one year. (CSR report 2005)

Gemiddeld wordt zesmaal per jaar per partner overleg gevoerd.' (AR 2006, p. 22). Ook is er ruimte voor initiatieven die buiten de samenwerkingsovereen-

komst om gaan (...) bilateraal contact onderhouden of samengewerkt met tal van andere stakeholders, zoals Greenpeace, Max Havelaar, de Dierenbescherming, Solidaridad en Rainforest Alliance' (CSR report 2005, p. 11). Employees are mentioned as important stakeholders throughout the years.

Business-Community involvement and corporate citizenship

Laurus makes few statements about sponsoring or donating money to charity goals and the like. This is due to the fact that Laurus rather focuses on making the assortment more sustainable and upgrading their suppliers. This corresponds with the focus points in their CSR policy. In CSR 2005 a collaboration with Dutch soccer association 'KNVB' is made in order to fight obesitas. However, no further description is given and in the years after the collaboration is not mentioned anymore.

Issue advertisement strategies

Laurus recognises its responsibility as a retailer and describes its core values:

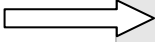



'Supermarkten zijn in de westerse samenleving het belangrijkste kanaal waarlangs consumenten zich van levensmiddelen voorzien. In die zin oefenen supermarktorganisaties een aanzienlijke maatschappelijke invloed uit. Laurus erkent dat daaruit de verantwoordelijkheid voortvloeit die invloed positief aan te wenden, of het nu gaat om de verbetering van het milieu of de bestrijding van armoede in ontwikkelingslanden' (CSR report 2005, p. 5).

Reporting

In the annual reports 1998 and 2000 no specific parts are dedicated to CSR reporting. In 2005 Laurus published a CSR report. The communications manager, mr Kremer once jokingly said this has been done in order to not be bothered anymore by VBDO, the association of ethical investors (*Het Financieele Dagblad*, 2 februari 2006). The promise was made to publish a CSR report yearly, however there have been no new CSR reports concerning the years 2006 and 2007. The CSR report 2005 is made following many guidelines of GRI, but not all. Some clear tables and figures with quantitative data show for example energy usage. However, in the years after the reports contain many same phrases as those made in 2005. Also the amount of pages dedicated to reporting about CSR has heavily decreased.

Citizenship and regulation

The research for information regarding Laurus its involvement in regulation did not bring up any results that could give a good indication. It is to be expected that the business association 'CBL' talks with governments also in name of Laurus/SuperdeBoer. It is difficult to claim whether Laurus will be as active with making their assortment more sustainable as with negotiating with governments for more sustainability in the sector. This is due to the competitive advantage they feel to have through their efforts for their company.

INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE		
'Corporate <i>Self</i> Responsibility'	'Corporate Social Responsiveness'	'Corporate Social Responsibility'	'Corporate <i>Societal</i> Responsibility'
Name:			
Orientation:			
Position:			
<i>BUFFERING</i>		<i>BRIDGING</i>	
Stakeholder approach:			
Corporate citizenship:			
Issue advertisement:			
Reporting:			
Citizenship and regulation:			
<div style="border: 1px solid black; padding: 2px; display: inline-block;">N.R.</div>			

2. The position of the Human Resource department and relationships with employees

Position of HRM department and employees

Several reorganisations in the last decade. Always influencing employees. Especially for the transformation of all stores to Konmar format concept in 2000 were employees seen as valuable assets.

'De Hoofddirectie van Laurus heeft het bij de presentatie van de nieuwe formule nog eens onderstreept: medewerkers zijn geen kostenpost, maar een succesfactor' (AR 2000, p. 13).

Also from the statements made in annual reports and articles from newspapers it seems that there has been good cooperation with workers councils in case of firing large numbers of employees. However, the numerous rounds of reorganisations and financial problems of the company has led to much stress causing a relatively high percentage of sick employees. Management style becomes more based on trust.

'Hun leiderschap zal meer coachend van aard zijn, met een sterke focus op samenwerking tussen mensen en disciplines en een groot gevoel voor wat zich in de lokale markt afspeelt' (AR 2007).

Force

'Super de Boer houdt zich aan de wetten en regelgeving. Super de Boer verwacht van haar medewerkers en relaties hetzelfde.' (CoC 2007, p. 1). That Laurus took this quite strictly can be seen from the next newsarticle:

'Supermarktconcern Laurus moet de degradatie terugdraaien van de manager van een Edah in Zaandam. De man had na sluitingstijd een pak ijsjes van euro 2,49 uit de vriezer gepakt voor vier werknemers die na sluitingstijd op hem moesten wachten voor ze naar huis konden. Laurus schorste de man eerst wegens diefstal. Later bood het bedrijf hem een baan aan als afdelingshoofd vers, wat een salarisdaling van euro 1300 bruto betekent. De rechter vindt echter dat de man zichzelf niet heeft willen verrijken' (*Het Financieele Dagblad*, 6 april 2006, 'Diefstal' ijsje geen reden degradatie).

But in 2007 the management style becomes more based on trust.

'Hun leiderschap zal meer coachend van aard zijn, met een sterke focus op samenwerking tussen mensen en disciplines en een groot gevoel voor wat zich in de lokale markt afspeelt' (AR 2007).

Industrial relations

A policy was made for whistleblowers in the end of 2004. A special position is created to whom employees can file their complaint. This file will be treated confidentially. Also from the statements made in annual reports and articles from newspapers it seems that there has been good cooperation with workers councils in case of firing large numbers of employees. No lengthy negotiations are reported. From several newspaper articles it appears that Laurus employees can collaborate and negotiate about working conditions or other things.

Company internal working conditions

'Personeel van supermarktbedrijf Laurus krijgt vanaf deze maand slechts de helft van hun loonstijging die in de laatste CAO was afgesproken uitbetaald. De vakbonden hebben gisteren na onderhandelingen met de directie een afspraak hierover gemaakt. Laurus heeft vrijwel geen geld in kas. In de nieuwste CAO is afgesproken dat werknemers per 1 juli van dit jaar een loonsverhoging zouden krijgen van 1,75 procent en per 1 januari nog eens 1,75 procent. Laurus liet vorige maand echter weten geen geld voor loonsverhogingen te hebben. Na overleg met de bonden is besloten om toch de 1,75 procent uit te betalen. Of werknemers de andere 1,75 procent krijgen, blijft onzeker. Beide partijen hebben afgesproken dat dit weer onderwerp wordt van onderhandelingen in het komende najaar. Of de uitbetaling van de tweede 1,75 procent doorgaat, hangt mede af van de financiële situatie op dat moment bij het noodlijdende concern' (NRC, July 5, 2002, 'Laurus betaalt helft loonstijging').

The height of remuneration of CEO is benchmarked with the industry. (AR 2007) The current CEO received options regardless of criteria. But a bonus depends on certain criteria, that are not mentioned. In 2005 a petition was held between the employees at distribution centre, that were not pleased with the height of an extra bonus for the CEO (NRC, July 28, 2006). However, this bonus was not certain at that time. A part of that bonus has been withdrawn after-

wards. But another bonus was not and the years after the remuneration policy has been adjusted, but in such a way that there are no more targets.

Policy made for whistleblowers in the end of 2004. A special position is created to whom employees can file their complaint. This file will be treated confidentially. No statements in it on strong support for this.

Sickness absence rate:

'Het ziekteverzuim bij supermarktbedrijf Laurus (Edah, Super De Boer, Konmar) ligt bijna de helft hoger dan bij de concurrentie. Afgelopen jaar was het ziekteverzuim er 8 procent, terwijl het gemiddelde in de branche 5,5 procent bedroeg. Dit blijkt uit cijfers van Laurus en het Centraal Bureau Levensmiddelenhandel. Albert Heijn heeft een verzuimcijfer van 5,5 procent, C1000 zit op 3,25 procent. Op een gemiddelde dag lopen 3.600 medewerkers van Laurus in de ziektewet. Bij ziekteverzuim op het branchegemiddelde zouden dat er 2.475 zijn. Onzekerheid over de toekomst van het concern is de belangrijkste oorzaak' (NRC, July 4, 2002).

However in 2005 data is presented on sickness absence rate, in line with GRI guidelines and seem to indicate lower sickness absence rate. Laurus concerns regarding safety and health of employees is expressed in 2000, but mainly with respect to 'winkelovervallen'.

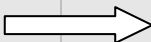



Employment

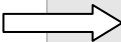





Security of employment has been a difficult issue for Laurus when taking the financial problems and reorganisations into account. Several times Laurus had to fire many employees. However, as described in the annual reports and newspaper articles this has been accomplished in good collaboration with workers councils. Reporting on the total percentage of women in organisation and split up for management (7 percent, men 93 percent, coordinating (20 percent) or functionary (32 percent) positions (CSR report 2005) Some figures that show how many women work at Laurus and whether the workers are full time or on 'call basis' and the average age. E.g. 29% female at offices in 2005. (AR 2005) No policy is described to actively increase this percentage, but as Laurus at least reports about it, it indicates that the company is aware of the issue.

Training

Training exists on the various levels. For the store employees it is focused on practical routines. Personnel is encouraged to grow within the organisation.

Programs for becoming store manager. Also training for safety in stores, plans developed in line with the CBL regulations. Interesting to note is that despite the turn towards more sustainability in 2005, no statements are made on how to involve all the employees in this trajectory.

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	General	HRM policies: Hierarchical; employees as cost/production factor	HRM policies: Responsive; employees as potential 'risk factor' (ethics/whistle-blowing); competitive HRM practices	HRM policies: Responsible; employees as possible followers of philosophy → union information	HRM policies: Developmental; employees as greatest asset (continuous improvement; learning)
		→ low wages	→ competitive wages	→ good wages	→ 'fair' wages
		→ no unions (or loyal unions)	→ union-bashing		→ union involvement (also as monitor of codes for instance)
Force	<i>Disciplinary practice</i>				
Industrial relations	<i>Freedom of association</i>				
	<i>Collective bargaining</i>				
	<i>Consultation with employees</i>	N.R.			
	<i>Role of workers council</i>				

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→		PRO-ACTIVE	
Company Internal Working conditions	<i>Examination of grievance</i>	N.R.			
	<i>Position of whistleblower</i>				
	<i>Settlement of industrial disputes</i>				
	<i>Wages and benefits</i>				
	<i>Top Salaries</i>				
	<i>Conditions of work and life</i>	N.R.			
	<i>Working times</i>	N.R.			
	<i>Safety and health</i>				
	<i>Sickness absence rate</i>				
	<i>Inflow into disability</i>	N.R.			
<i>Efforts to prevent disability</i>	N.R.				
<i>Effort to prevent abuse on work floor</i>	N.R.				
<i>Research to work satisfaction</i>	N.R.				

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Employment	<i>Child care provisions</i>	N.R.			
	<i>Preferential treatment of women</i>	N.R.			
	<i>% female top-managers</i>				
	<i>Preferential treatment of foreign minorities</i>	N.R.			
	<i>% top managers of foreign minority</i>	N.R.			
	<i>% of disabled people hired</i>	N.R.			
	<i>Security of employment</i>				
	<i>Employment promotion</i>				
Training	<i>Individual development programs</i>				
	<i>(% wage sum spent on) education/ training</i>	N.R.			
	<i>Instruction about safety/health</i>				
	<i>Instruction to make employees aware of social/ environmental issues</i>	N.R.			

3. The position of the Purchasing department and relationships with suppliers

Newspaper articles show that Laurus had problems with paying suppliers due to bad financial situation in 2001. In 2005 set up of several projects with suppliers and NGOs. Some of these projects do not seem to progress very fast or have been fairly easy to complete, others are inspiring examples.

Food Safety and Quality

'Voor het totale assortiment geldt dat ons beleid er op is gericht geen enkel risico te nemen met betrekking tot de veiligheid van producten' (AR 2000, p. 15). In 2005 compliance to HACCP, but in 2006 there is a need to further expand the CBL hygiene code, as it not stringent enough according to Laurus' opgestelde Hygiënecode gehanteerd om de voedselveiligheid te waarborgen. Gebleken is dat in de door het CBL opgestelde hygiënecode het meten en registreren van belangrijke kwaliteits- en veiligheidseisen onderbelicht is. Daarom zal in 2006 een door Laurus zelf ontwikkelde registratieset worden geïmplementeerd, die gebruikt kan worden voor alle zaken op het gebied van voedselveiligheid en kwaliteit die zich in de winkel voordoen. Om de voedselveiligheid, kwaliteit en duurzaamheid van onze huismerkproducten te waarborgen is in 2005 het protocol 'kwaliteitsborging LIA huismerkproducten' opgesteld. Open stance of Laurus in 2005, report number of complaints of customers and checking institution regarding food safety. Because of extensive monitoring system for own-branded products, no recalls are made in 2006 (AR 2005 and 2006).

Labour conditions

Super de Boer stated the following: 'Eerlijke handel is een gecompliceerde problematiek waarin vele zaken een rol kunnen spelen, variërend van kinderarbeid en eerlijke lonen tot het recht op vrije organisatie. Om daar ervaring mee op te doen, is ervoor gekozen in 2008 samen met The Greenery en Oxfam Novib een afgebakend project te starten in Egypte, dat betrekking heeft op alle afg die Super de Boer via The Greenery uit dat land betreft. Voordat het project van start gaat, zullen medewerkers van de drie organisaties een training ondergaan in de principes van het Ethical Trading Initiative' ('ETI') (AR 2007, p. 15). No other specific statements were made regarding the labour conditions at suppliers. Laurus perhaps assumes this is clear already through the dedication to fair trade in collaboration with Oxfam Novib and adding new Max Havelaar labelled

products to their assortment. At least the company acknowledges the issues and even though a plan has not been implemented yet it seems there is a start.

Environmental and social issues - generic level

Through collaboration with SNM and in certain cases with other NGOs Laurus tackles some environmental and social issues and according to AR 2007 this is also done through trainings given by ETI. It seems that Laurus is the only retailer in the Netherlands acting as such, therefore it can be regarded as heading towards a pro-active stance. However it is important to note that this is often done in response to attacks from NGOs before, such as Greenpeace concerning GMO and SNM and Milieudefensie concerning pesticide use. This accounts for several issues in this part.

Laurus describes some technological innovations to reduce energy use and bought 'Green power' in 2005. In order to contribute to recycling Laurus donated money to organisations focused on recycling, such as Stichting Ecoverpakkingen. Also organic plastic introduced on all organic vegetables. Also in stores and distribution centres cardboard, plastic and organic waste are recycled. Laurus its own-branded products are free of GMO, achieved in collaboration with Greenpeace. However, Greenpeace attacked the company before for this topic. (NRC, 16 October 2000) Together with preferred supplier The Greenery a project was started to reduce usage of pesticides, aiming to not use any pesticides anymore, unless it is not possible otherwise. Based on academic research. Independent monitoring and continuous information sharing with SNM (CSRreport 2005 and AR 2005).

In AR 2005 it is mentioned that a start would be made with Fair Trade sourcing. Then in AR 2006 the ambition is stated to investigate if it is possible to retrieve vegetables from Africa and Chile in terms of Fair Trade. In AR 2007 it is decided that together with the Greenery and Oxfam Novib a project is set up to retrieve vegetables from Egypt under Fair Trade conditions. Before the start of this project the people involved from the three organisations will participate in an ETI training. Regarding animal welfare it is stated that after research it seemed that all meat was from Ireland or France, where the conditions for animals are relatively good, so there is no need for further change (AR 2006). However in AR 2005 it was stated that due to this 'easy' sustainability achievement, the focus could be shifted towards what is in the animal feed. Soy for example is used, but it has many problems surrounding it. However in the years after no progress is to be reported. As such it seems that the active stance has retreated for this issue.

Environmental and social issues - product level

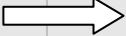

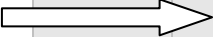



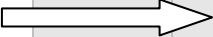

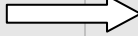



A description is given of the problems in the catch of fish in AR 2005. In collaboration with NGOS as Noordzee, Wereld Natuur Fonds and MSC and the supplier research is done in order to eventually make the assortment of fish sustainable. In 2007 some results as not selling several species anymore or only a sustainable variant are reported and this will continue in 2008.

In order to have impact on product level, several products with labels are sold. In the end of 2005 the first product with a label was banana with Rainforest Alliance trademark. Thenafter all own-branded coffee was Rainforest Alliance certified. Also several own-branded products are organically produced and replace the normal products. In 2005 1.6 percent of Laurus' sales is biological.

'Bij ruim twintig agf-producten heeft Super de Boer het reguliere aanbod vervangen door de biologische variant. In 2005 werden aan de tien vervangende producten die er reeds waren dertien producten toegevoegd. De vervanging wordt in 2006 gecontinueerd. De niet-vervangende producten meegerekend voert Super de Boer momenteel 56 biologische agf-producten in het assortiment, waarvan het merendeel huismerkproducten, die onder de naam 'Echt Heerlijk' worden verkocht. Onder dit label heeft Super de Boer ook een twintigtal biologische vleesproducten in het schap liggen. In totaal heeft Super de Boer momenteel 208 biologische producten in het assortiment' (AR 2005, p. 26).

Local Sourcing

No statements are made on selling locally sourced products. Perhaps the company rather focuses on making international supply chains sustainable.

		INACTIVE ←-----→ ACTIVE	
		RE-ACTIVE ←-----→ PRO-ACTIVE	
Food safety/ quality	<i>Support of food safety/quality codes</i>		
	<i>Forced labour</i>		
Labour conditions	<i>Child labour</i>		
	<i>Freedom of association and collective bargaining</i>		
	<i>Working times</i>		
	<i>Wages and benefits</i>		
	<i>Conditions of work and life</i>		
	<i>Safety and health</i>		
	Environmental and social issues - generic level	<i>Participation in environmental issues</i>	
<i>CO₂/Energy consumption/renewable energy or substances</i>			
<i>Waste management / Toxicwaste / packaging / nature conservation /pesticide use / GMO</i>			
<i>Participation in social issues</i>			
<i>Welfare of animals</i>			

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Environmental/ social issues - product level	Products have fishery standard		→	
	Products with Social standards		→	
	Products with environmental standards		→	
	% of products have standards	→		
Local sourcing	Locally sourced Products	N.R..		

4. The position of the Marketing department and relationships with customers

There is a mixed attitude to be seen towards customers. In 1998 the slogan was 'altijd op zoek naar het beste' In 2000 with the reorganisation towards Konmar there was a focus on high customer service. After the enormous problems in 2001 and 2002 there became a focus on price. Then in 2005 it was hoped and expected that through focus on CSR the customers would value the company and could help the company to get out of negative spiral of solely focusing on price. In 2007 however it seems that Laurus regards price again to be a major factor.

Sustainable/environmental

Super de Boer communicates about sustainability issues to customers through the store magazine. (AR 2006) In some cases however the company feels it should just substitute some products instead of offering a choice: 'Het cliché luidt dat de burger met de mond idealen belijdt waarvoor hij als consument niet bereid is de prijs te betalen. Die vlieger gaat echter niet altijd op. Zo heeft Super de Boer bij een tiental agf-producten het reguliere aanbod eenvoudigweg vervangen door de biologische variant, waarmee het prijsprobleem in zekere zin is geëlimineerd.' (CSR report 2005, p. 20) This is quite effective, but does not

show of much trust in the customer and it is unclear whether customers will accept this. Since 2005 Super de Boer has some sustainable alternatives in the assortment, as described in the suppliers chapter and this increased heavily in 2005 and seems to be slowly increasing throughout the last years. Also some products are sold with organic packaging.

Health

In the end of 2007 SdB started a collaboration with the famous food expert Sonja Bakker. On the website and in the store magazine advises will be given and in the stores signs will be placed next to products that are healthier according to the food expert. This can be considered as solely following the trend of the health issue but in the Dutch context this can be regarded as being quite active. In AR 2005 it is mentioned that Laurus collaborates with KNVB to fight obesity. In 2005 Laurus followed the law with declaring the ingredients that could have allergic effects, but went even further and stated if the product could have traces of certain ingredients. Also an easy to understand label is placed. The 'ik kies bewust' logo will be found on many more own-branded products. No further descriptions are given

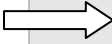

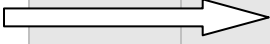
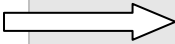
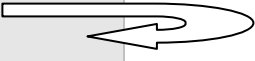
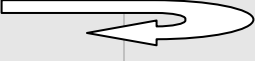


General customer relations

Laurus changed into Konmar in 2000 inhibiting an even stronger focus on customer satisfaction. An extreme example is the following story: 'Dat de band met de klanten behouden bleef, kwam ook door de service die tijdens de verbouwing werd geboden. Carla Otto: 'De klanten moesten natuurlijk elders gaan winkelen. Maar we hebben busjes naar Konmar in Leidschendam laten rijden, waar ze als compensatie voor het ongemak tien procent korting kregen op vertoon van hun klantenkaart. Ze konden in Voorburg voor onze deur instappen.' (AR 2000, p. 14) Also customer panels were to be set up in order to have direct communication with customers. In 2006 it seems that SuperdeBoer focuses on having a good assortment that should lead to customer satisfaction. Several prizes have been won in that year for the quality of the stores.

In 1999 a customer card was developed at one of the formats and other technological innovations are used in order to increase customer satisfaction. In 2007, stores can have a separate module such as a tapas bar to serve customers in specific needs.




Local community

Laurus does not report on its stance towards the local community. Therefore, it is to be expected that in this regard there is no active stance.

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Sustainable/ environmental	<i>Give information (on products/in stores) about social/environmental issues</i>			
	<i>Sustainable alternative in assortment (sustainable product, packaging etc)</i>			
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>			
	<i>Healthy alternative in assortment (lower fat/sugar)</i>			
General customer relations	<i>Procedure for complaints of customers</i>			
	<i>Research to satisfaction of customer</i>			
	<i>Innovative capability</i>			
Local community	<i>Support local community/food desert debate/accessible for disabled people/ attainability by public transport</i>			




5. Finance department and relation with shareholders

Already in 2000 Laurus refers to its policy of prevention to insiders trading which was based on the general rules. In 2006 and 2007 the policy has been adjusted to follow the rules of the Dutch Corporate Governance and Wet Financieel Toezicht. Shareholders are seen as important stakeholders: 'Super de Boer onderschrijft de doelstellingen die ten grondslag liggen aan de Code. Vertrouwen in de integriteit van bestuurders van (grote) ondernemingen is noodzakelijk. Een grotere openheid en actieve dialoog met alle stakeholders en de samenleving dragen hiertoe bij. Verwachtingen over en weer zullen gebaseerd moeten zijn op respect, goede trouw en realiteitszin.' In general it seems Laurus nowadays is building towards a good relationship with its shareholders, after the financial problems and fights in 2000 and 2001. Regarding the PA function: 'Het doel van de inspanningen van Super de Boer op het gebied van investor relations is om tijdige, nauwkeurige en volledige informatie te verstrekken over de financiële ontwikkelingen binnen Super de Boer, zodat beleggers gefundeerde beleggingsbeslissingen kunnen nemen.' This could be linked to the fact that in 1999 a campaign was launched to attract dutch people to buy shares from Laurus, as this was needed for the expansion. There are only some clashes with VEB 'U geeft aandeelhouders dus geen inzicht in de formule waarmee u doorgaat', oordeelde de vertegenwoordiger van de belangenvereniging VEB.' (*Het Financieele Dagblad*, 13 May 2006)

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors	Search for involved shareholder:
<i>Prevention insider trading of shares</i>				
<i>Attitude towards shareholders</i>				
<i>PA function</i>				
<i>Socially responsible investment (SRI)</i>	N.R..			
<i>Investment decisions on the basis of</i>				

6. Relations with competitors

'Super de Boer is voor gezonde concurrentie en ondersteunt wetgeving op dit gebied. Super de Boer verwacht van haar relaties een zelfde houding.' (CoC 2007, p. 1) Furthermore extensive description of employees not being allowed to receive several goods that could be considered as bribery. Can be seen as a reaction after the problems with bribery of the former CEO, mr Stuyts a couple of years before. The relation with competitors has been rather difficult, especially as Albert Heijn considered Laurus as its biggest threat. In 2003 Edah is being accused by Albert Heijn of false price comparisons in commercials. In 2001 the company has to withdraw the 'melkdubbeltje' as it is seen as an illegitimate agreement with other supermarkets. 'De supermarkten maken een einde aan het zogeheten 'melkdubbeltje', de toeslag op melk voor de door MKZ getroffen boeren. Dit gebeurt onder druk van de kartelwaakhond NMa, die heeft gedreigd met een boete voor de supermarkten. Albert Heijn, Laurus (onder meer Konmar en Super de Boer) en Schuitema (onder meer C1000) hebben dit vanmorgen desgevraagd bevestigd.' (NRC, 13 April 2001)

	INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE			
	Do-it-alone	Pragmatic/defensive alliances	Leader-follower alliances	Offensive alliances
	→ no/limited role for business associations	→ limited role for business associations	→ difficult relationship with business associations (adverse selection)	→ follower role of business associations
<i>Measures to prevent collusion/competition limiting agreements</i>				
<i>Respect of intellectual capital of competitors</i>				
<i>Corruption or bribery</i>				

7. Relations with secondary stakeholders

After years of clashes with several NGOs, mainly regarding residues of pesticides on fruit (*NRC*, 22 November 2003 and *Het Financieele Dagblad*, 8 juli 2000) a change is made to collaborate with these organisations which is a reactive motive. With SNM and Oxfam Novib an agreement is signed and the organisations work together in order to make parts of the assortment more sustainable. For some specific topics also collaboration with other NGOs, such as for sustainability of fish assortment: Noordzee, MSC, WNF. Animal rights: Dierenbescherming. GMO: Greenpeace. This can be considered to be heading towards a pro-active stance, especially since no other Dutch retailer seems to be collaborating with NGOs in this way. See for more information the section about suppliers.

No statements can be found regarding Laurus emphasis on environmental protection and biodiversity as being a very important topic. It seems that Laurus responds to environmental pressure and therefore collaborated in a good way with NGOs. But a strong vision or mission is missing. Reporting of CO₂ emis-

sions, calculated on the basis of Green House Gas Protocol. Reduction of energy use through technological innovations that are fairly easy to implement, so no real mission can be extracted from Laurus its policy. Increased share of 'Green power' from 5 to 10 percent. No statements on paper use, only the CSR report 2005 is printed on recycled paper, newer reports do not show anything of sustainable paper used. For the convenience of the model this remark is scored in the reducing paper use issue.

	INACTIVE ←-----→ ACTIVE		
	RE-ACTIVE ←-----→ PRO-ACTIVE		
[1] Ecology NGOs (see also suppliers)			
[2] Human Rights NGOs (see also HRM and suppliers)	N.R.		
[3] Health NGOS (see also HRM and suppliers)	N.R.		
[4] Development (economy) NGOs (see also finance, marketing and suppliers)			

	INACTIVE ←-----→ ACTIVE		
	RE-ACTIVE ←-----→ PRO-ACTIVE		
1. environmental protection and biodiversity			
2. reducing toxic waste	N.R.		
3. reducing paper use			
4. saving energy/ reducing greenhouse/ using renewable energy sources			

C1000 TRAJECTORY OF CSR

Based on the Analytical Framework and
specified basic Indicators for a Dynamic
Benchmark exercise

SdB/Transforum Project

Findings are based on:

- Schuitema Annual Reports (AR) from 2007, 2006, 2005 and 2001;
- Schuitema Press statements 1 September 2008 - 18 January 2001;
- Websites (www.c1000.nl/ www.schuitema.nl/);
- Klokkenluidersregeling Schuitema NV 2006, replaces older version of 2004 (not retrievable);
- Schuitema Reglement inzake voorwetenschap 2007;
- Gedragscode Schuitema 2004;
- Media articles from January 1 1995 until September 1, 2008, in the Financial Times, Economist, NRC Handelsblad, Financieel Dagblad en Elsevier.

1. The position of the Public Affairs department and relationships with the community at large

Position of public affairs department and CSR

No information could be found in the Annual Reports (AR) or the website on the position of the department, the number of people working at this department or the budget allocated to it. Only a general organisational map could be retrieved, which shows no evidence of the existence of a Public Affairs department or a CSR committee. In general it can be said that Schuitema does not show much dedication to public affairs. Communication with stakeholders on CSR topics rarely takes place, only some local entrepreneurs seem to be engaged in fundraising activities. It is noteworthy however that Schuitema has rarely been criticized by NGOs, perhaps the clear inactive stance has refrained these organisations from criticizing the company. It seems that Schuitema is doing well in sticking to their non-nonsense philosophy, expressed through the slogan 'Geen fratsen, dat scheelt'.

Stakeholder approach

Schuitema seems to have defined its customers, employees and local communities as the main stakeholders. CSR is regarded as something you can positively distinguish yourself with what is appreciated by the customers. Stores have numerous options to support the local communities. (AR 2007) A critical note that can be observed here is that no general policy is described to support stores in this regard. Furthermore it is interesting to see that Schuitema claims that their CSR policy is evolving towards a more pro-active CSR stance. (AR 2007) However, this research does not support this claim. In 2007, 2006 and 2005 the issues that are regarded the most important aspects of its CSR policy are food safety and safety of the employees and customers in the stores. 'Schuitema heeft zich in 2006 onveranderd bezig gehouden met onderwerpen met een hoge maatschappelijke relevantie, waaronder de veiligheid in de winkels en voedselveiligheid.' (AR 2006, p. 36) In AR 2001 no statements are made that represent the view of Schuitema on CSR.

C1000 has not often been heavily criticized by NGOs, but in 2002 the foundation 'Wakker Dier' threatens C1000 to demonstrate at its stores if it continues to sell 'legbatterijeieren'. (*Het Financieele Dagblad*, 13 March 2002) In 2007 Greenpeace demonstrated on the roof of the Headquarters building of Schuitema in order to get more information on the sale of threatened fish species at C1000. Schuitema refused further comment and referred to agreements

made with the sector organisation 'CBL'. (*Het Financieele Dagblad*, 11 December 2007) In April 2008 Schuitema was again criticized by Greenpeace for this topic, then Schuitema commented they were addressing the topic but cannot solve it very quickly. (*NRC*, 15 April 2008) These examples show that Schuitema is acting in a rather inactive way towards its secondary stakeholders, but perhaps forced by some actions it will start to respond a little more.

Business-Community involvement and corporate citizenship

Some examples of fundraising activities in C1000 stores for local charity goals or sport associations are provided in the Annual Report 2007. However, these activities are mainly set up by customers themselves or by the entrepreneur. Other reports do not mention fundraising activities or the like.

Issue advertisement strategies

On the website of Schuitema it is stated that in case a product appears to have safety risks, Schuitema has an excellent reclaim procedure. (website Schuitema, pro-activiteit) There are two other facts that show the inactive to reactive stance in this matter: besides the explanation on the website why C1000 sells biological products, nothing else can be found on the stance of Schuitema. And the statements in AR 2007, that it is good to implement CSR in the stores as customers will appreciate it also does not indicate an active stance. Moreover as CSR is only defined as food safety and safety of employees and customers in stores, which is basically the most normal issue for every food retailer in the Netherlands.

Reporting

The reporting of Schuitema about CSR related topics has been rather scarce. In AR 2007 one chapter is dedicated to CSR. AR 2006 and 2005 have a paragraph dedicated to CSR in the section: Management Report. The main CSR topics reported about is food safety. Some other CSR issues are presented, but quite briefly and are mainly described through examples. No reporting guidelines are used, no clear tables with data that could indicate performance are presented. The only references that are made refer to the Dutch Corporate Governance Code. Reporting according to this code is obliged in the Netherlands.

Citizenship and regulation

No specific statements can be found on the role of Schuitema in negotiation processes regarding regulations. Schuitema is a member of the business asso-

ciation 'CBL', that usually deals with regulation issues. It is to be expected that due to the generally relatively inactive stance of the company, Schuitema will not be a frontrunner during negotiations aiming for more sustainability in the sector as a whole.

INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE		
'Corporate <i>Self</i> Responsibility'	'Corporate Social Responsiveness'	'Corporate Social Responsibility'	'Corporate <i>Societal</i> Responsibility'
Name:			
Orientation:			
Position :			
<i>BUFFERING</i>		<i>BRIDGING</i>	
Stakeholder approach: 			
Corporate citizenship: 			
Issue advertisement: 			
Reporting: 			
Citizenship and regulation: <div style="border: 1px solid black; padding: 2px; display: inline-block;">N.R.</div>			

2. The position of the Human Resource department and relationships with employees

Position of HRM department and employees

Generally it can be said that Schuitema does not state much about their stance towards their employees. The employees are respected, as they are the connection to the customers, who appreciate a friendly service. The major indicator that shows the dedication of Schuitema towards their employees is the offering of several trainings for their personnel in several layers of the organisation. However in 2004 Schuitema has been accused several times by the FNV -Dutch union organisation- for their policy of hiring younger, cheaper employees and developing a climate that forces the older, more expensive employees to leave (*Het Financieele Dagblad*, 24 april 2004 and *NRC*, 29 December 2004).

Force

In the code of conduct which was issued in 2004, it is described that when somebody is not following the rules this should be dealt with comradely. Employees who see a colleague breaking the rules should report this to the managers. The managers should take the interests of employee as well as the company into account (Gedragscode 2004).

Industrial relations

A two pages paper published in 2006 which replaces an older one of 2004, specifies the policy of Schuitema on whistleblowers. Schuitema expresses its will that these rules will lead to a more open working atmosphere and that whistleblowers should feel able to file a complaint. Also it should lead to possibilities for managers to deal with complaints more directly. A file of a whistleblower will be treated confidentially by the secretary, and will not lead to disadvantages in the whistleblowers its rights position (Klokkeluidersregeling 2006). In Annual Report 2007 it is stated that employees in the distribution centres work in teams and that each team has a representative of the workers association in it. In 2004 the FNV -Dutch union organisation- several times openly criticized Schuitema for its policy of creating a hard climate that forces older employees to leave, in order to be able to hire younger, cheaper employees. This seems to be caused by the price wars led by competitor Albert Heijn (*Het Financieele Dagblad*, 24 april 2004 and *NRC*, 29 December 2004).

Company internal working conditions

An issue that led to a lot of commotion in the last few years in the Netherlands has been the salary of managers, and in particular the CEO. Despite the commotion, Schuitema does not give much information on the salary of its board of directors, as this is considered to be competition sensitive information. However, it is stated that there are no options or shares distributed and that the remuneration is determined while looking at the rest of the market (AR 2007). In AR 2005 Schuitema states that employees are important as the customers value a friendly service. In Gedragscode 2004 Schuitema points out that safety of the employees in the stores is an important point of attention which also includes that discrimination, intimidation or harassment are not allowed. In 2001 Schuitema was placed on a black list by FNV -a Dutch union organisation- as they have been held liable for a profession illness. However, a spokesman of Schuitema responded they were surprised and disagreed with the list as he stated that it must have been an incident as their working conditions policy is great: 'We hebben juist een fantastisch arbobeleid (...) Alle vestigingen hebben arbo-taakgroepen, we maken gedegen risico-inventarisaties en stoppen veel geld en tijd in apparatuur, stoelen en voorlichting' (*Het Financieele Dagblad*, 24 November 2001). This does mean that Schuitema complies to the rules of the Dutch working conditions agency and communicates about this topic with the employees. But it is not certain that this is done because of an active care of the employees or more in a sense of preventing that problems occur.






Employment

Schuitema does not make any statements on policies to stimulate foreign minorities or female employees. Only in 2007 a paragraph is dedicated to the fact that through special posters Schuitema hopes to attract more foreign minorities employees. However, this is only aimed for the ordinary store jobs. Security of employment can not be considered as high, since older employees are encouraged to leave the company in favour of younger, cheaper employees.







Training

With respect to education Schuitema has developed several programs, such as the 'C1000 Leerbedrijf' where 'MBO'-students are offered a temporary job to gain working experience. In order to secure a consistent supply of storemanagers, Schuitema developed in 1995 an own course in collaboration with the Retail Management School in Leeuwarden. In this program participants work to-

gether with store managers and if they succeed, they are offered a job as store manager (AR 2005).

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→		PRO-ACTIVE	
	General	HRM policies:	HRM policies:	HRM policies:	HRM policies:
		Hierarchical; employees as cost/production factor	Responsive; employees as potential 'risk factor' (ethics/whistle-blowing); competitive HRM practices	responsible; employees as possible followers of philosophy → union information	Developmental; employees as greatest asset (continuous improvement; learning)
		→ low wages	→ competitive wages	→ good wages	→ 'fair' wages
		→ no unions (or loyal unions)	→ union-bashing		→ union involvement (also as monitor of codes for instance)
Force	<i>Disciplinary practice</i>				
Industrial relations	<i>Freedom of association</i>				
	<i>Collective bargaining</i>				
	<i>Consultation with employees</i>				
	<i>Role of workers council</i>	<div style="border: 1px solid black; padding: 2px;">N.R.</div>			
	<i>Examination of grievance</i>	<div style="border: 1px solid black; padding: 2px;">N.R.</div>			
	<i>Position of whistleblower</i>				

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	<i>Settlement of industrial disputes</i>	N.R.		
Company Internal Working conditions	<i>Wages and benefits</i>			
	<i>Top Salaries</i>			
	<i>Conditions of work and life</i>	N.R.		
	<i>Working times</i>	N.R.		
	<i>Safety and health</i>			
	<i>Sickness absence rate</i>	N.R.		
	<i>Inflow into disability</i>	N.R.		
	<i>Efforts to prevent disability</i>			
	<i>Effort to prevent abuse on work floor</i>	N.R.		
	<i>Research to work satisfaction</i>	N.R.		
	Employment	<i>Child care provisions</i>	N.R.	
<i>Preferential treatment of women</i>		N.R.		
<i>% female topmanagers</i>		N.R.		

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	<i>Preferential treatment of foreign minorities</i>				
	<i>% top managers of foreign minority</i>	N.R.			
	<i>% of disabled people hired</i>	N.R.			
	<i>Security of employment</i>				
	<i>Employment promotion</i>				
Training	<i>Individual development programs</i>				
	<i>(% wage sum spent on) education/training</i>				
	<i>Instruction about safety/health</i>				
	<i>Instruction to make employees aware of social/ environmental issues</i>	N.R.			

3. The position of the Purchasing department and relationships with suppliers

The major goal of Schuitema is to help the customer in a distinguishing and pleasant way with saving money, time and effort during its daily grocery shopping. An important part of the strategy plans 2005-2009 is the aim to further reduce costs in the entire chain (AR 2007). In all it is evident that Schuitema focuses strongly on costs, but the claim is made that this is done through good collaboration with suppliers. In order to check this no articles could be found in the newspapers search that indicate major conflicts with suppliers. However,

many other indicators of the model, based on information derived from Annual Reports or the website do not show a pro-active stance.

Food Safety and Quality

This topic has extensively been described in the Annual Reports of 2007, 2006 and 2005 and on the website as being the most important part of its CSR policy. Schuitema mentions in AR 2001 that due to the 'MKZ-crisis' food safety has become an important topic for the public. In order to ensure the food safety C1000 complies to HACCP norms and supports the development of CBL hygiene code and EurepGap. In 2007 the majority of C1000 stores became CBL Hygiene code certified. Schuitema requires the suppliers of its own brand products to commit to EurepGap or Global Food Safety Initiative (GFSI) standards. (website Schuitema, voedselveiligheid) However, these certifications are in line with sector agreements in the Netherlands and do not indicate a pro-active stance by itself: 'Binnen CBL-verband is in 2006 besloten om in de toekomst uitsluitend verse producten in te kopen waarvan de primaire producent volgens de Eurep/GAP IFA voorwaarden produceert. Schuitema is in 2006 gestart met het uitvoering geven aan deze afspraak en de bijbehorende streefdata' (AR 2006).

Labour Conditions

In all the communications of Schuitema no utterances have been found that indicate the stance of Schuitema towards the issue of labour conditions at suppliers. It is uncertain whether a suppliers code exists.

Environmental and social issues - generic level

In AR 2001 Schuitema reports that it is a participant of the 'Verpakkingsconvenant', an agreement that aims to promote recycling of cardboard and plastic. Also a short statement is made that in the purchase of new equipment the usage of energy is taken into account.

Later, in the years 2007 and 2006, Schuitema is reporting mainly on a program to reduce the use of pesticides. The information on whether this is done in good collaboration with suppliers remains contradictory. 'TSN, de inkooporganisatie van Schuitema, voert hiermee een nog specifiekere beleid richting leveranciers en telers ten aanzien van de teelt en de kwaliteit van het geleverde product, ook waar het gaat om sanctionering bij afwijkingen' (AR 2006, p. 37). which contradicts a little with 'Eventuele problemen proberen we op te lossen bij de bron. Bij het samen met de leveranciers zoeken naar oplossingen neemt

Schuitema heel nadrukkelijk haar verantwoordelijkheid' (website Schuitema, samenwerking).

Animal welfare is in a very reactive way taken care of, which is in line with one of the main selling points: meat for very low prices. In accordance with an agreement that was signed between several parties and all supermarkets to not sell pork anymore from non-anaesthetised pigs, also C1000 will not sell this anymore. Interesting to note is that although many pages of the Annual Reports are dedicated to the improvement of efficiency in the distribution through for example less truck rides, only once in AR 2007 this is mentioned in connection with lower CO₂ emissions. This indicates that Schuitema does not try to 'green-wash' their operations, as can be observed from other retailers. In general it can be concluded that for some issues a small shift can be observed from inactive to reactive, however Schuitema basically only follows the agreements made with 'CBL'. Therefore it is expected that Schuitema tries to remain as inactive as possible.






Environmental and social issues - product level

The problems regarding sustainable catch of fish is gaining momentum in the Netherlands and many NGOs have shown their dedication to this topic. In order to respond to this in 2007 an agreement was signed between all supermarkets and the sector organisation 'CBL' to work towards a sustainable fish assortment in 2011. Also Schuitema signed this agreement (AR 2007) However, C1000 ranks low on lists of Greenpeace regarding the sale of sustainable fish (*NRC*, 16 April 2008) which corresponds with the lack of information provided in the Annual Reports of 2006, 2005 and the website. Interesting it is to note that Schuitema does not report anything on the sale of specific sustainable products such as with a label. However from the newspaper search it became clear that some products such as oranges or bananas with Max Havelaar trademark are sold or coffee with Utz certified (*Dagblad De Pers*, 3 January 2008 and *De Tijd*, 7 June 2005).

Local Sourcing

No statements are made by Schuitema regarding the topic of local sourcing.

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Food safety/ quality	<i>Support of food safety/quality codes</i>	➔			
	<i>Forced labour</i>	N.R.			
Labour conditions	<i>Child labour</i>	N.R.			
	<i>Freedom of association and collective bargaining</i>	N.R.			
	<i>Working times</i>	N.R.			
	<i>Wages and benefits</i>	N.R.			
	<i>Conditions of work and life</i>	N.R.			
	<i>Safety and health</i>	N.R.			
	Environmental and social issues - generic level	<i>Participation in environmental issues</i>	N.R.		
<i>CO₂ / Waste management / Energy consumption / Toxic waste / packaging / nature conservation / pesticide use /GMO / renewable energy or substances</i>		➔			
<i>Participation in social issues</i>		N.R.			

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Environmental/social issues - product level	<i>Welfare of animals</i>				
	<i>Products have fishery standard</i>				
	<i>Products with Social standards</i>				
	<i>Products with environmental standards</i>				
	<i>% of products have standards</i>				
Local sourcing	<i>Locally sourced products</i>	N.R.			

4. The position of the Marketing department and relationships with customers

The mission of Schuitema is to help the customer in a distinguishing and pleasant way with saving money, time and effort during its daily grocery shopping. (AR 2007) Throughout the years Schuitema has always expressed it does what the customer wants. And according to Schuitema, the customer wants the best price/quality ratio, products that are always available, good and cheap fresh assortment (website Schuitema, logistiek) Another clarifying statement of how Schuitema judges its customer is: 'We lopen niet voorop. Onze formule is: een minder breed assortiment tegen scherpe prijzen.' C1000 zegt te luisteren naar de klant: 'Die kiest het goedkope vlees' (NRC, 14 June 2003). Also the slogan that has been used from 2001 on: 'geen fratsen, dat scheelt' (AR 2001) indicates that Schuitema positions C1000 as a no-nonsense, low price supermarket. However in 2007 a small change can be witnessed: 'Het element consumentenprijs ontwikkelde zich van een onderscheidende factor tot een randvoorwaarde voor succes. Onderscheid op meerdere fronten is nodig. C1000 voegt daarvoor aan haar uitgekende prijsstelling nieuwe elementen toe

als: inspiratie, verrassing, het bieden van gemak en oplossingen' (AR 2007). Also the main slogan has changed into: 'we hebben er zin in!' with more focus on the importance of the nice moments in life and that C1000 wants to add something extra to these moments.

Sustainable/environmental

Schuitema communicates on the website of C1000 to the customers what biological products are and explains that due to customer demand it becomes more profitable to have these in the assortment. No other information is given on communication to customers about these topics and it is not expected this does take place.

Health







Following other supermarkets in the Netherlands, such as Albert Heijn or Super de Boer also Schuitema is focusing more on healthy products. This is done through joining the 'Ik kies bewust' organisation (AR 2006) and in 2007 over 500 own-branded products are labelled with the 'Ik kies bewust' sign. In order to do so, C1000 had to lower some of its products their salt level, but this should never come at the cost of taste: 'Een product kan nog zo gezond of verantwoord zijn, als het niet lekker is, verkoopt het niet' (AR 2007). According to its statements made in 2007, Schuitema will listen to the customers in which parts of the assortment they want healthier products. But further statements on how this is done are not to be found. In line with legislation imposed in 2005 all C1000 branded products have labels with more information on the ingredients of the products (AR 2007).

General customer relations

In the reports throughout the years it is stated that C1000 listens to the customers and gives them what they want. However, in 2007 a change is made that next to quantitative data research, now also qualitative customer research will be applied, so that Schuitema can dig into the skin of the customer and anticipate on changed preferences (AR 2007). Innovations are extensively described in the various annual reports and website of Schuitema. These innovations are mainly focused on logistical processes and technological advances in the operations, like RFID. This should lead to reduced costs and prevents that products are out-of stock or not fresh anymore, which is one of the main concerns of the customers according to Schuitema (AR 2005).

Local community




In Annual report 2007 some examples are given of fundraising activities for local charities, such as sports associations. Due to the structure of Schuitema in which many C1000 stores are owned by local entrepreneurs, these entrepreneurs have the freedom to adjust to local situations. But there does not seem to be a policy to support these entrepreneurs in this regard.

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→		PRO-ACTIVE	
Sustainable/environmental	<i>Give information (on products/in stores) about social/environmental issues</i>				
	<i>Sustainable alternative in assortment (sustainable product, packaging etc)</i>				
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>				
	<i>Healthy alternative in assortment (lower fat/sugar)</i>				
General customer relations	<i>Procedure for complaints of customers</i>	N.R.			
	<i>Research to satisfaction of customer</i>				
	<i>Innovative capability</i>				
Local community	<i>Support local community/food desert debate/accessible for disabled people/ attainableness by public transport</i>	N.R.			

5. Finance department and relation with shareholders

The decision has been made to present the analysis of this section of the model in a summarized way, unlike the clustered issues structure in the previous sections. This is done because this section of the model does not contain many indicators and also not a lot of information is available about Schuitema its stance towards the shareholders.

In order to prevent insider trading of shares Schuitema set up a 'reglement inzake voorwetenschap' in 2007. This document has been created in order to comply with the law -Wet financieel toezicht- and the Dutch Corporate Governance code (Schuitema Reglement inzake Voorwetenschap 2007). In the years before a statement was made in the Annual reports that following the code *Taktsblat* there were no irregularities reported (AR 2005). The attitude towards shareholders can be seen as fairly inactive. Schuitema complies to the Dutch Corporate Governance code for most instances, however in some cases it refuses to follow this code when the board of directors does not think it is necessary. An example of this is that Schuitema for several years thinks that webcasting their shareholders meetings or place the presentations on the website afterwards is yet a step too far (AR 2007). A rather recent example that demonstrates the attitude of Schuitema is that the Dutch association for stockholders -VEB- is having a clash with the new owners of Schuitema, as the price paid to the previous major shareholder -Ahold- of the shares seems to be rather low, leading to a low price for some smaller shareholders. No information is given to the shareholders and VEB about the arrangements made with Ahold, which makes it resemble a black box for VEB (*Het Financieele Dagblad*, 4 July 2008). Also in 2003 no information was provided to shareholders after the unexpected departure of the CEO and financial director which lead to a lot of speculations and uncertainty (Elsevier, 17 June 2006).

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors:	Search for involved shareholder:
<i>Prevention insider trading of shares</i>				
<i>Attitude towards shareholders</i>				
<i>PA function</i>				
<i>Socially responsible investment (SRI)</i>	N.R.			
<i>Investment decisions on the basis of</i>	N.R.			

6. Relations with competitors


Schuitema does not provide clear information about their relation with competitors. In general it can be concluded from the Annual reports and newspaper research that Schuitema takes notion of its competitors behavior and adjust to them accordingly. However this is mainly regarding price reductions. Also Schuitema follows agreements made with the business association 'CBL'. Schuitema has been in the news as Ahold owned the company, what led to a strong market dominance of Ahold. However an investigation of NMA -the Dutch Competition Authority- in 2006 following complaints about the power of retailers in the price war, led again to the conclusion that there was no problem with this ownership structure (*Het Financieele Dagblad*, 16 January 2006).

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→		PRO-ACTIVE
	Do-it-alone	Pragmatic/ defensive alli- ances	Leader- follower alli- ances	Offensive alli- ances
	→ no/limited role for busi- ness associa- tions	→ limited role for business associations	→ difficult re- lationship with business as- sociations (adverse se- lection)	→ follower role of busi- ness associa- tions
<i>Measures to prevent collusion/competition limiting agreements</i>	N.R.			
<i>Respect of intellectual capital of competitors</i>	N.R.			
<i>Corruption or bribery</i>	N.R.			

7. Relations with secondary stakeholders

Besides a press statement about a demonstration of Greenpeace on the roof of the Schuitema Headquarters, no other information is given on collaborations or the like with NGOs. From the article in the newspaper *Het Financieele Dagblad* on 11 December 2007, about the demonstration of Greenpeace it can be concluded that Schuitema has been rather inactive in its communications with Greenpeace. The environmental organisation felt they did not receive enough information about the sustainability of the fish assortment. After the demonstration the statements made again are that Schuitema follows the agreements with the business association. However, the demonstration did have some effect as the CEO came to talk with the activists. (Schuitema website, Actie Greenpeace over duurzame vis bij C1000) The inactive stance from Schuitema towards sustainability issues corresponding with the major slogan used 'Geen fratsen, dat scheelt' could have Another problem arose in 2002 as the foundation 'Wakker Dier' threatens C1000 to demonstrate at its stores if it continues to sell 'legbat-terijeieren' (*Het Financieele Dagblad*, 13 March 2002). No other statements or

news articles are found with respect to clashes with NGOs. It could be that NGOs are aware of the inactive stance of Schuitema, as expressed clearly with the 'Geen fratsen, dat scheelt' slogan of C1000 and do not see much potential in public campaigns directed at this company.

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
[1] Ecology NGOs (see also suppliers)				
[2] Human Rights NGOs (see also HRM and suppliers)	N.R.			
[3] Health NGOS (see also HRM and suppliers)	N.R.			
[4] Development (economy) NGOs (see also finance, marketing and suppliers)	N.R.			

KESKO TRAJECTORY OF CSR

Based on the Analytical Framework and
specified basic Indicators for a Dynamic
Benchmark exercise

SdB/Transforum Project

Findings are based on:

- Kesko Annual Reports (AR) from 1997-2007, CSR reports 2000-2007, environmental reports 1997-1999;
- Media articles from January 1 1995 until September 1, 2008, in Talouselämä, Kauppalehti, Taloussanomat, and media announcements from Kesko's internet pages www.kesko.fi. (Search from the international media, such as Financial Times and Economist was not very successful.);
- Interviews of the Kesko's CSR advisor, CSR developer, and stakeholders (NGO and governmental).

1. The position of the Public Affairs department and relationships with the community at large

Position of public affairs department and CSR

Kesko's corporate responsibility team is part of the Corporate Communications and Responsibility Unit bearing the main responsibility for development, coordination and performance. The team's (three members') work is supported by a Corporate Responsibility Advisory Board, consisting of Kesko's management, appointed by the Corporate Management Board. The duties of the Advisory Board include determining the responsibility strategy and the operating policies and systems needed for its implementation, and monitoring the implementation of objectives. The Corporate Responsibility Unit operated earlier under the Corporate Executive Vice President. The size of the unit is rather modest in relation to the size of Kesko, although Kesko emphasizes that Corporate responsibility is integrated into management system and implemented as part of normal daily activities in the line organisation.

Kesko has been working hard in order to convince the investors that Kesko is a responsible company. In the future the goal is to move the emphasis to the store -level and familiarise the customers with the concept of responsibility. 'Reporting is now in order. Now responsibility is being integrated to be part of the management, crystallizing the roles of the chains and bringing customers advice on sustainability issues' (Lasse Mitronen, Kauppalehti 27.5.2007).

Stakeholder approach

Kesko has received very little criticism from its stakeholders. Kesko has good relations to its well-defined stakeholder groups in its internet pages www.kesko.fi/responsibility and Kesko is actively following coming trends and possible issues that might be of importance. In this sense Kesko is pro-active in handling stakeholder relations and possible rising issues. Customers' opinions seem to make a difference as Kesko is closely reacting to wishes and demands stated towards it. Customers are seen as one of Kesko's key stakeholder groups, and customer satisfaction with the Group's performance is measured systematically. Overall in Finland the civic organisations and other NGOs are not as critical as in other European countries. Their opinions come clear, but they are not aggressive. Kesko has established good channels to different stakeholder groups, and is in constant discussion with them.

Business-Community involvement and corporate citizenship

Kesko is cooperating with a number of institutions, both governmental and NGOs as well as business community in order to develop solutions and contribute to societal issues. In Kesko's annual report 2000 is stated, that a company must be efficient, profitable and competitive in order to help generate social well-being. Besides shareholders' profit expectations, good performance provides a foundation for developing operations, creating jobs, paying taxes and financing social security. The extent of the corporate social and environmental responsibility in practice depends on the profitability of operations. Kesko's traditional corporate reporting provides information on financial performance, whereas the report on corporate responsibility will focus on the indicators essential for generating economic well-being. AR 2000 p. 38 To enable stakeholder groups to feel that Kesko meets their expectations and for Kesko to benefit from cooperation in developing its operations, Kesko and its stakeholders need to interact on a regular, systematic, and measurable basis (CSR 2006 p.13).

Furthermore, in order to be a pioneer and leader, Kesko seeks to actively monitor and foresee changes in society, and offers expertise for the benefit of its business sector and for the society as a whole. To be able to do this, Kesko has close contacts with NGOs, authorities and other decision-makers, and actively participates in the operations of national and international organisations in the trading sector and in the economy as a whole (CSR 2000 p. 9).

Issue advertisement strategies

Kesko has been bringing up health related campaigns as well as sustainability issues, such as energy saving and recycling with different partners. The Young Finland Association is one of Kesko's major partners among organisations that work for the good of society. The common target of the partnership is to increase the physical exercise and overall health of children and young people. 'Let's get the toes tapping' was one of four campaigns the association and Kesko carried out in 2006 (CSR 2006 p. 38). One of our priority areas in 2007 will be to draw up a climate change target programme for Kesko to guide our efforts in respect of energy consumption and the methods used to generate the energy that we purchase. Kesko wants to be part of the solution in combating this global problem (CSR 2006 p.3).

K-food stores and Chiquita donated the huge sum of 221,274 euros to the 'Give Children a Life' campaign in its anniversary year. This was the tenth time K-food stores and Chiquita took part in the 'Give Children a Life' campaign. The

funds collected will be used to buy intensive care equipment for premature babies to the children's clinics at Finland's five central university hospitals (Kesko's media announcement 10.9.2008).

Reporting

Kesko published its first CSR report 2000 using GRI framework, and since 2002 Kesko has also used external verification.

In six successive years, Kesko has been listed in the Dow Jones sustainability indexes DJSI World and DJSI STOXX. In the 2008 assessment, Kesko's environmental work was rated the best in the specific industry. Measured by eco-efficiency indicators, Kesko got the full score for its work to cut energy consumption and carbon dioxide emissions, among other things (Kesko's media release 8.9.2008).

- Kesko's responsibility work qualified in the silver class in the food and drug retail sector in the Sustainability Yearbook 2008. Kesko has been included in 'The Global 100 Most Sustainable Corporations' list four times, i.e. every year.
- With a score of 73 points, Kesko was ranked on the 5th place in the Carbon Disclosure Leader Index of low carbon intensive companies.
- The 2003 Kempen/SNS Smaller Europe SRI Index listed 69 companies from 12 countries from among the total of 1,700 participants. The assessment was repeated in autumn 2005 and the latest time was in spring 2007.
- Kesko is included the ASPI Eurozone® (Advanced Sustainable Performance Indexes), which is the European index of reference of companies and investors wishing to commit themselves in favour of sustainable development and corporate social responsibility.
- In 2007 oekom research has assigned Kesko an overall grade of C+. This means Kesko is classified as 'prime' and ranks among the world's best companies within the same industry and fulfills the sector-specific minimum requirements. As a result oekom will recommend Kesko's shares for environmental and social-oriented investments to their clients.
- The Norwegian banking group Storebrand restructured its analysis methods to focus more extensively on high-risk industries in February 2007. As Food and Staples retailing industry no longer belongs to the target group, the 'Best in class' status granted to the Kesko Group in 2003 was withdrawn from the Food and Staples industry area as a whole. The Kesko Group continues to be qualified for investment by Storebrand and is a member of Storebrand's investment universe.

- Nordic Sustainability Index, which is initiated by the Nordic Council evaluates the performance of the 500 largest companies listed on the Nordic stock exchanges in terms of corporate responsibility. The 2005 index includes 50 companies.

Citizenship and regulation

Responsibility and honest working methods allow one to make a full and active contribution in a changing society was one of the six basic values stated in AR 1998 p.6. In annual report 2003, is also stated that: 'We play an important role in the daily lives of Finnish citizens. The decisions we make have wide repercussions, which sets particularly high responsibility requirements for our activities. Corporate responsibility and transparent operations are firmly established in the values and daily operations of the Group' (AR 2003 p. 7).

INACTIVE ←-----→ ACTIVE			
RE-ACTIVE ←-----→		-----→ PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social Responsiveness'	'Corporate Social Responsibility'	'Corporate <i>Societal</i> Responsibility'
BUFFERING		BRIDGING	
Stakeholder approach:			→
Corporate citizenship:		→	
Issue advertisement:		→	
Reporting:		→	
Citizenship and regulation:			→

2. The position of the Human Resource department and relationships with employees

Position of HRM department and employees

Kesko Group's HR management is based on Kesko's values and Code of Conduct. In 2007, the basis of Kesko's HR management was revised as the HR policy and HR principles were updated and the revised guide 'Our responsible Working Principles' was published. It contains two elements - the Code of Conduct and day-to-day responsibility. The corporate HR Unit is responsible for defining the HR strategy as part of the annual Kesko Group's strategy process (CSR 2007 p.63-65). Kesko states that the employees' motivation, diversified competencies and job satisfaction are a guarantee of continued success (AR 2006 p. 7).

Kesko monitors how it is perceived as an employer in Finland through a number of surveys conducted among students and the young working population. Kesko's ranking among business students has risen since 2000, with the exception of 2006. In 2007, Kesko's ranking as an ideal employer in the Universum survey rose considerably with business students ranking Kesko 23rd (42nd) out of the 100 companies surveyed. T-media's survey categorises students as job seekers into four segments: career oriented, work oriented, ethical and those who avoid stressful situations. Among ethical job seekers, Kesko's ranking was considerably higher (23rd) than among students in institutions of higher education in general (CSR 2007 p.67).

Kesko has announced that it is planning on taking responsibility as part of the criteria for management bonuses in Kauppalehti 28.5.2007. By 02.05.2008 this initiative had not advanced according to Marjut Lovio, corporate responsibility advisor.

Force

Kesko's Guidebook on Working Practices explains the significance of Kesko's basic values. It outlines Kesko's ethical principles that guide employees' behaviour with regard to customers, other stakeholders and other employees (AR 2000 p. 34).

Compliance with legislation, regulations, agreements and Kesko's ethical principles is an important basic value. Non-compliance may result in fines, compensation for damages and other financial losses, and a loss of confidence or reputation. The Group has specific Compliance programmes to avoid this (AR 2007 p. 64).

Industrial relations

In Finland there is a strong tradition on labor unions and possible disputes will be solved by negotiations and using mediators. The Kesko Group has a company-specific shop steward system in place at all its major subsidiaries in Finland. Kesko Ltd's site-specific shop stewards also represent the employees of other division parent companies at their sites. There are also department store-specific shop stewards at Anttila Oy and Citymarket Oy. Finland's Court of Appeal had one case and the district courts four cases pending concerning disputes related to the termination of employment. One case was found in favour of Kesko, one was settled in 2007 and one at the beginning of 2008.

Company internal working conditions

All the salaries, options and bonuses the board of managers are granted, are presented in annual report. Kesko's Board of Directors has approved the principles of a performance-based bonus system for the Group's management for the year 2007. Depending on the requirements for and profit impact of each management position, the maximum bonuses can vary up to an amount corresponding to a manager's salary for 3-8 months. The bonus system criteria consist of Group-level and responsibility area specific profit targets, customer and personnel indicators, and an overall assessment. The bonus system covers about 80 executives of the Kesko Group (AR 2007 p. 60). No Board members have been appointed with specific responsibility for corporate responsibility matters. Compensation of Board members is not linked to the Group's performance in the area of corporate responsibility (CSR 2006 p. 19). The occupational health service is focusing more on activities that maintain work capabilities. In the long run, this will reduce the need to use the resources of the occupational health service for medical treatment (AR 1998 p.28). In addition to normal rehabilitation programmes, two pilot 'job attitude' courses for superiors, run by the Social Insurance Institution, were held in Kesko Group in 1998. These courses prepare superiors to handle both their own job pressures and the welfare and working capabilities of their subordinates (AR 1999 p. 28).

Opportunities for unhealthy phenomena, crime or malpractice are minimised through operating principles, controls and supervision(AR 2007 p. 63). Anttila's HR manager, Sini Syväjärvi, and Staff Development Manager, Eeva Kukkonen, conducted a series of on-site training sessions at Anttila's department stores at the beginning of 2005. This led to developing 'The Should we talk?' model describes the characteristics of a good working community, explains the basic

rules of working with other people and behaving at work, and defines what is meant by harassment and how it can be prevented. Harassment is a key issue - legislation on occupational safety requires employers to eliminate harassment. The model gives advice to those who feel they are being harassed, and to managers whose employees claim harassment (CSR 2006 p.59).

Work satisfaction survey is conducted on annual basis. For management, the job satisfaction in each unit is another contributing factor, and it is hoped it this will promote an open management style. It measures:

- satisfaction with one's own job;
- satisfaction with one's superior's performance;
- satisfaction with one's own unit's operations;
- satisfaction with Kesko's operations (AR 2004 p. 24).

Kesko has not determined the position of the whistleblowers, but personnel have several opportunities to give feedback, even directly to the top management. The 'Keskonet' intranet has a channel titled 'mail to the CEO' and a 'direct channel' where employees may, anonymously or with their name, comment on matters related to Kesko. (AR 2001 p. 15)

Employment

Kesko Corporation has an equality plan, which was prepared in 1996 and the implementation of which has since been evaluated annually. Its targets include promoting equal application of women and men to open positions, promoting equal opportunities for women and men in training and advancing in their jobs, increasing the equality in the salary level and eliminating attitudes that make it difficult to reach equality. (AR 2002 p.16) Finland is a very homogenous country. Discussion on minorities is scarce according to Marjut Lovio, Kesko's corporate responsibility advisor, interview 02.05.2008. Kesko has produced no statistics on equality on other grounds than gender. (CSR 2005 p. 54) In addition to gender equality, the plans also cover other aspects of equality, such as equality between people of different ages and cultural backgrounds. (CSR 2006 p. 60)








- Women in top management 16.2%;
- Women in middle management 21.6%;
- Women superiors/specialists 42.6% (CSR 2007 p. 68);
- Board of directors 14%, corporate management board 25% AR 2007.














About 3% (157) of employment contracts in Finland and about 11% (524) elsewhere were terminated for production and financial reasons or other reasons based on the Contracts of Employment Act. The corresponding figures in 2006 were 137 and 310 respectively. In all operating countries Kesko applies the minimum notice periods in operational changes which are specified in labour legislation. In Finland, the minimum notice period is 0.5-6 months depending on years of service. Major HR risks include the shortage of sales personnel in Finland and experts in Russia and the Baltic countries.







Training

In-house job rotation makes it possible to offer a great variety of different career alternatives in the trading sector. A controlled rotation of duties and jobs is also adopted for developing multiple skills and productivity (AR 2006 p. 48, 50). The Kesko personnel's competencies are developed on a long-term basis and systematically. Areas of emphasis include expertise in retailing and international commerce, customer and service competencies, and training future managers (AR 2006 p.15).

The goal of K-instituutti Oy is to be Finland's leading institute specialising in retail trading. K-insituutti Oy has been responsible for the practical implementation of KQ (Kesko Quality) training. (AR p. 27) In 2000, about 7,000 employees of Kesko and the K-stores attended courses at the K-instituutti, which is one of the biggest Finnish institutes awarding qualifications in the trading sector. About 800 K-store employees studied with a view to gaining a vocational qualification (AR 2000 p. 35). In Finland, recruitment in the K-Group is supported by the K-trainee programme and the K-retailer trainee programme. Annually, Kesko selects some 20 new university or polytechnic graduates to be trained for managerial and specialist positions in the trading sector. The first K-trainee programme, which commenced in 2007, was an outstanding success receiving more than one thousand applications (CSR 2007 p. 66).

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
General	HRM policies:	HRM policies:	HRM policies:	HRM policies:	
	Hierarchical; employees as cost/production factor	Responsive; employees as potential 'risk factor' (ethics/whistle-blowing); competitive HRM practices	responsible; employees as possible followers of philosophy→ union information	Developmental; employees as greatest asset (continuous improvement; learning)	
	→ low wages	→ competitive wages	→ good wages	→ 'fair' wages	
	→ no unions (or loyal unions)	→ union-bashing		→ union involvement (also as monitor of codes for instance)	
Force	<i>Disciplinary practice</i>				
Industrial relations	<i>Freedom of association</i>				
	<i>Collective bargaining</i>				
	<i>Consultation with employees</i>				
	<i>Role of workers council</i>				
	<i>Examination of grievance</i>				
	<i>Position of whistle-blower</i>				

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Company Internal Working conditions	<i>Settlement of industrial disputes</i>				
	<i>Wages and benefits</i>				
	<i>Top Salaries</i>				
	<i>Conditions of work and life</i>				
	<i>Working times</i>				
	<i>Safety and health</i>				
	<i>Sickness absence rate</i>				
	<i>Inflow into disability</i>				
	<i>Efforts to prevent disability</i>				
	<i>Effort to prevent abuse on work floor</i>				
	<i>Research to work satisfaction</i>				
Employment	<i>Child care provisions</i>	N.R.			
	<i>Preferential treatment of women</i>				
	<i>% female topmanagers</i>				

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	<i>Preferential treatment of foreign minorities</i>				
	<i>% top managers of foreign minority</i>	N.R.			
	<i>% of disabled people hired</i>	N.R.			
	<i>Security of employment</i>				
	<i>Employment promotion</i>				
Training	<i>Individual development programs</i>				
	<i>(% wage sum spent on) education/training</i>				
	<i>Instruction about safety/health</i>				

3. The position of the Purchasing department and relationships with suppliers

In Finland the arrival of Lidl caused changes in the Finnish retail branch. At Kesko's supplier meeting in 1995 Kesko's CEO Matti Halmesmäki made it clear for the suppliers that a supplier, who ruins its image of quality by cooperating with discount stores, cannot be Kesko's strategic partner. 'This is not just our doctrine, but all of those chains that are based on quality ' (Talouselämä 18.11.1995).

Kesko was categorising its suppliers according to how much value partner brings to the Kesko group and customers. 'We have over 2 000 suppliers, but 200 brings 90% of the sales. We have close partnerships with our biggest suppliers, although the volume is not the only criteria. Local, small suppliers can be crucial in bringing the customers in the store ', according to Terho Kalliokoski (Talouselämä 7.12.2007).

In 1998, an ethical assessment of the implementation of the value 'responsibility and honest working methods' was made among the personnel. The purpose was to provide a basis for the ethical code being prepared. The code will be connected to the corporate values and will address the operations of the personnel. Along with this, Kesko Group is preparing an ethical code for all purchasing operations, primarily based on the recommendations and agreements of the International Labour Organisation (ILO). (AR 1998 p.7).

In 2007, Kesko established a steering group to develop and coordinate responsible purchasing. During the year the group launched several projects to improve the efficiency of Kesko's supplier audits in developing countries (AR 2007 p. 55).

Kesko believes safety, reliability, and ethics will gradually rival price in communications and marketing. Researchers, non-governmental organisations, and the media can be expected to pay increasing attention to investigating the true costs behind low prices, helping consumers to distinguish between responsible and irresponsible competition (CSR 2006 p.9).

'Anttila wants to see an increasing number of suppliers in developing countries included in BSCI auditing, and this is why we have included responsible procurement indicators in our buyers' scorecards,' says Marketing Director Anu Pihlaja. 'By doing things like this, we want to ensure that our entire organisation realises that responsibility is an integral part of purchasing.' (CSR 2007 p. 83).

Food Safety and Quality

Kesko ensures the quality of the products purchased and develops its own brands. The Product Research unit has a regular staff of 16. Its operations are based on the quality system in accordance with the ISO 9000 standard. ...The Product Research unit assesses the safety and quality of products using sensory, chemical, physical and microbiological criteria (AR 2000 p. 41).

Quality control in respect of purchasing, particularly that with a risk component, such as imports from developing countries, is carried out in compliance with the principles of the European Business Social Compliance Initiative and the international Social Accountability SA 8000 standard (CSR 2005 p. 16) Nearly all producers of imported fruit and vegetables are EurepGAP-certified for good agricultural practices (CSR 2005 p. 30). Kesko Food carries out active product research with a special focus on the safety of private label products and corporate responsibility (AR 2006 p. 22).

Quality control in purchasing is implemented by auditing the operations of product manufacturers and analysing product composition and quality. In 2007,

the Product Research Unit audited 28 suppliers, 14 of which were Finnish. These companies mainly included suppliers of Kesko's private labels (AR 2007 p. 56).

Labour Conditions

Kesko wants to ensure that suppliers comply, at minimum, with national labour protection legislation. In cases where international labour standards - mainly the key conventions of the International Labour Organisation (ILO) - ensure a better position for employees than national legislation, suppliers are required to comply with international norms (CSR 2007 p.77). In practise monitoring of the labour conditions in supplier tiers that are not part of SA8000 or BSCI standards is almost impossible. Kesko does not have resources to control all of its suppliers. It can only try to persuade as many suppliers as possible to be involved in international standards.

Social issues - generic level

Since the 1980s, Kesko's internal directions have, among other things, included a prohibition against buying goods from companies using child labour. Surveillance in this regard has been intensified in the Far East, where the companies responsible for the purchase of home and speciality goods and their quality control for Kesko have included the condition concerning prohibition of child labour in the written purchasing agreements made with manufacturers (AR 1998 p.7). Kesko has been a pioneer in the ethical standardisation of its purchasing operations. Kesko was the first Nordic company to publish its compliance to the international SA 8000 standard in 2000 (AR 2000 p. 10). Kesko sees that only through audits by an independent certification body and continuous monitoring is it possible to fulfil the ethical requirements. Regular monitoring is also necessary (AR 2000 p.41). As social responsibility is one of Kesko's basic values, Kesko personnel are responsible for controlling the ethical basis of the products they purchase in the best possible manner. In this respect, the use of child and forced labour has been the most in the limelight. Working hours, wages, occupational health and safety at work are also among the key issues when corporate ethics and social conditions are evaluated and solutions for decreasing the use of child labour in a responsible and systematic manner are sought (AR 1999 p. 33).

Kesko suppliers, who had started or were about to start BSCI auditing, had been entered in the BSCI database as of the end of 2005 (CSR 2005 p. 59). Of

the available monitoring tools, SA 8000 is the most demanding, and the most expensive, and complies completely with Kesko's principles (CSR 2006 p. 67).

At the end of 2007, BSCI members had a total of 2,582 supplier audits either underway or completed, mainly in Asia. Nearly 30 of these were Kesko's suppliers, and audits have 56 Kesko's year 2007 been carried out with 22 of them. Kesko also has 28 suppliers with SA 8000 certification (AR 2007 p. 55-56).

Although, compliance with SA8000 standard or BSCI is not seen as prerequisite for conducting business with Kesko, as only a fraction of the suppliers have been audited so far.

Environmental issues - generic level

Most producers - representing around 91% of total imports of these products - of the fruit and vegetables imported by Kesko Food have obtained GlobalGAP (good agricultural practices) certification, granted by an independent agency for fulfilling the traceability, product safety, and environmental requirements set for production by the Euro-Retailer Produce Working Group. Kesko Food reported the same ratio of GlobalGap and non-GlobalGap producers in 2006 (CSR 2007 p. 56). The number of packages was further decreased due to reusable Trans-box plastic cases. Annually, they replace over 10,000 tons of disposable packaging materials. Nearly three million of these cases, first introduced by Kesko, have already been manufactured for transportation between farms, industry and trade. Last year they were used for about 30 million round trips (AR 1998 p. 2). Waste management is incorporated into its terminal model, for monitoring material, energy and waste flows in warehousing and terminal operations as well as the financial data related to this. The environmental calculation model KELO (short for 'sustainable logistics' in Finnish) has been successfully used for real estate waste monitoring and management. The KELO model will be introduced in its entirety in 2001 (AR 2000 p. 39). Kesko has applied for a patent covering the whole of the EU for the KELO model software (AR 2001 p. 19).

K-food stores' operating system pays attention to the environment, seeking to minimise the burden of packaging and transportation on the environment (AR 2006 p.22).

With no production-related operations of our own, Kesko's direct impact on global warming at national level is minimal. Kesko accounts for some 0.8% of Finland's total electricity consumption, for example, and around 0.2% of the country's greenhouse gas emissions. Carbon dioxide, - at over 270,000 tons in

2006 - is Kesko's most significant environmental emission, and one that we need to work to reduce (CSR 2006 p. 3).

Carbon dioxide emissions are among the key indicators of Kesko's environmental impact. However, Kesko does not have sufficiently accurate information about all the carbon dioxide emissions associated with its operations. It is difficult, for example, to compile statistics on purchasing transportation or on fuel consumption related to delivery transport in Finland. Statistics on business travel by air, including related CO₂ emissions, was collected for the first time in 2007 (CSR 2007 p. 53).

Kesko's principles for sustainable fishing are being developed together with WWF Finland (CSR 2006 p. 14). Discussion on transportation of animals is not very active in Finland and therefore the retail sector has not been involved in solving these issues. Kesko has not been commenting on it either.

Members of the Association for Animal Rights contacted Kesko in spring 2006 asking the company to stop selling items with fur decorations. As stores belonging to the K-Group do not sell fur, and the number of items on shelves with fur decorations was extremely limited, the company felt that it was not the right target audience for the request. In Kesko's opinion, the Group's policy against fur and breeding of animals would not have the type of influence in society wished by the Association. Animal breeding is also a legal entrepreneurship in Finland and under statutory supervision. As a result, no Kesko policy on fur or fur animal breeding was published. Stores selling a few products with fur decorations were advised to inform the consumer of the fur origin. The members of the Association have repeated their request for policy throughout the year, and some demonstrations outside Anttila stores have taken place (CSR 2006 p. 14).

Environmental and social issues - product level

The selection and marketing definitions related to organic and Fairtrade products and environmentally labelled products are included in K-food stores' chain concepts. Kesko Food offered a selection of around 500 organic products and around 700 products with environmental labelling as of the end of 2006. CSR 2006 p.50 A new coffee - UTZ-certified Pirkka Costa Rica - replaced K-food stores' original Costa Rica coffee in April 2007, and quickly became Finland's most widely drunk responsibly produced coffee. It also made K-food stores one of the country's leading retailers of responsibly produced coffee (CSR 2007 p. 82).

Kesko currently offers the widest range of Fairtrade goods of any retailer in Finland: 64 product names, of which eight are Pirkka products. The new agree-

ment aims to see Kesko Food become Finland's largest seller of Fairtrade products by the end of 2008. The plan includes doubling the number of Pirkka-branded Fairtrade products (CSR 2007 p. 83). Kesko Group announced a set of purchasing principles covering wood and wood products of tropical origin. Under these, Kesko prefers purchasing wood and wood products that are FSC-certified or carry the Nordic Ecolabel, or such species as eucalyptus, acacia, and the rubber tree that can be cultivated in tropical conditions. Endangered species from rainforests will be avoided (CSR 2006 p. 14).











Swiss-based Switcher is a pioneer in ethical and ecological fashion, and its range is sold exclusively in Finland by Anttila department stores and NetAnttila. Ensuring that responsible practices are followed throughout the production chain is central to Switcher's philosophy (CSR 2007 p.82). K-citymarkets launch doogood, an own, environmentally aware clothing brand. In the production process of the doogood collection, unnecessary chemicals are avoided, consumption of energy and water is monitored, and wastewater treatment is applied both in the production of cotton and in the dyeing process. Criteria concerning non-toxicity and biodegradability have been set for the entire manufacturing process. Strict limits concerning chemical residues, for example, have been set for all accessories, such as sewing yarns, zippers and buttons (Kesko's media release 04.08.2008).

However, the number of products with social or environmental labels is still modest, and Kesko is not promoting the products very actively. According to Marjut Lovio, corporate responsibility advisor, it is impossible to estimate the percentage of the labelled products because of Kesko's wide range of products in several sectors. There are no measurements even though the importance is emphasised. The aim is not to get 100% as it is not realistic. The goals are set by product groups, for example in Fair Trade products the target is to be the leader in Finland (interview 02.05.2008).

Local Sourcing

K-retailers also offer a wide selection of organic foods from local suppliers. In the 'best organic stores of Finland' competition organised by Finfood, 13 out of the 18 stores chosen for the final were K-stores (AR 2001 p.20).

'Buying from local producers and suppliers is part of Kesko's social responsibility. When products are sourced locally, it's easier to know where they come from, and provides employment for local people as well.' (CSR 2007 p. 21).

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→		PRO-ACTIVE
Food safety/ quality	<i>Support of food safety/quality codes</i>			
	<i>Forced labour</i>			
Labour conditions	<i>Child labour</i>			
	<i>Freedom of association and collective bargaining</i>			
	<i>Working times</i>			
	<i>Wages and benefits</i>			
	<i>Conditions of work and life</i>			
	<i>Safety and health</i>			
	Environmental and social issues - generic level	<i>Participation in environmental issues</i>		
<i>CO₂/Waste management/Energy consumption/Toxic waste/packaging/nature conservation/pesticide use/GMO/ renewable energy or substances</i>				
<i>Participation in social issues</i>				

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Environmental/social issues - product level	<i>Welfare of animals</i>		→		
	<i>Products have fishery standard</i>		→		
	<i>Products with Social standards</i>			→	
	<i>Products with environmental standards</i>			→	
	<i>% of products have standards</i>			→	
Local sourcing	<i>Locally sourced products</i>				→

4. The position of the Marketing department and relationships with customers

Kesko measures the quality of its operations with a variety of stakeholder surveys. These include consumer-customer satisfaction, store satisfaction and personnel satisfaction surveys, and satisfaction surveys of supplier-customer relationships within the Kesko Group. Stakeholder surveys are used in the continuous development of operations. Customer information is used in analysing and monitoring the development of customer relationships separately for Kesko, each division, chain and store. Customer relationships are organised in segments that best serve business purposes. The Plussa customer data is complemented with information from outside sources in order to have sufficiently comprehensive descriptions of the relationships. The analysed data is used in the development of business concepts and product selections and in marketing (AR 2004 p. 28) Key requirements for the trading sector include understanding and responding to the wishes of a diversified and changing customer base. Data management and information technology have provided new opportunities and tools for identifying customers and their purchasing behaviour, which is impor-

tant for maintaining the right offering (AR 2005 p. 9). Customer satisfaction with the K-Plussa loyalty programme is measured twice a year. Mystery shopping is also used to measure store-level performance and customer service. Subsidiaries have direct lines for customer feedback. Comments and requests can be forwarded to the Kesko Group by emailing the Corporate Communications Unit (CSR 2006 p. 13). Customers are seen as one of Kesko's key stakeholder groups, and customer satisfaction with the Group's performance is measured systematically. Kesko's major retail chains all set quantitative customer satisfaction targets annually, based on the satisfaction levels obtained through external satisfaction surveys conducted by professional research companies. Customer satisfaction with the K-Plussa loyalty programme is measured twice a year. Mystery shopping is also used to measure store-level performance and customer service. Subsidiaries have direct lines for customer feedback. Comments and requests can be forwarded to the Kesko Group by emailing the Corporate Communications Unit (CSR 2006 p.13).

All feedback is answered and Kesko follows a two hour rule in responding to media requests. Issues raising specific customer concerns, such as the alleged use of child labour, are publicly discussed on the Group's Internet site (CSR 2007 p. 15).

A new-generation K-market was opened in Vuosaari in eastern Helsinki in December 2007, planned in cooperation with local residents. Johanna Alastalo, the retailer who would run the store, contacted the local residents association during the planning process to learn what residents wanted (CSR 2007 p. 19).

Sustainable/environmental

As a retailer, Kesko recognises its key role in facilitating sustainable production and consumption by offering sustainable alternatives. At the same time, however, Kesko faces the fact that sustainability is often not the key driver behind the purchasing decisions of the average customer. Nevertheless, Kesko continues to strive to offer more sustainable alternatives in a number of product groups (CSR 2006 p.13-14).

Kesko aims to create the most environmentally friendly merchandise chain possible, from producer to customer. A part of this will, in the future, incorporate providing customers with information on how ecologically efficient their local store building is (AR 2000 p. 40). K-food stores are actively developing their expertise in responsibility, too. All K-food chains all over Finland include K-environmental stores. In these stores, selections for a better environment have also been made easier for the customer: they offer a wide selection of organic

and environmental products, their employees have been trained to answer customers' questions, and environment-related material is available in-store (AR 2004 p. 39).

Environmental aspects must be accounted for in all major business activities: store site and real estate solutions, retail concepts, logistics, products, packaging and marketing (AR 2000 p. 39).

The effects of environmental and ethical values on consumers' purchasing decisions have been studied in surveys. About 90% of Finnish consumers think corporate ethics are important and as many as 70% say that they either reward or punish companies through their purchasing decisions. About 80% of shoppers have tried organic products and nearly 70% have tried Fair Trade products. Sales of organic foods continued to grow. Pirkka 100% biodegradable shopping bags and Pirkka non-disposable bags as an alternative for plastic bags were introduced to K-food store checkouts in autumn 2007.

The aim of these concrete actions is to support customers' health-promoting and responsible choices. AR 2007 p.15 Another example of sustainable choices are reusable nappies, which were included in the K-citymarket range in 2006 (CSR 2006 p.51).

Health

Consumers' interest in healthy, natural food was reflected in a growing choice of organic foods. Environmental effects of products have also gained importance as a criteria in consumer in-store selections (AR 1998 p. 15).

Responsible management delivering performance improvement is seen as an opportunity, and promoting healthy living has been identified as a key opportunity (CSR 2006 p. 10).

Health and responsibility are increasingly important for Finnish consumers. Kesko Food makes healthy choices easier and actively develops responsible operating practices, products and services (AR 2007 p.15).

The GDA (guideline daily amounts) label was introduced to the Pirkka range, and the amount of salt was reduced in six and the amount of fat in four Pirkka products. The reformulation of Pirkka products with respect to their salt, fat and sugar content will continue during 2008 (AR 2007 p. 56).

General customer relations

Kesko's Plussa system is the most comprehensive and diversified customer loyalty system in Finland. It offers Plussa benefits in the K-Alliance stores and in co-operation with a number of partners. The system is run by a Kesko subsidi-

ary, K-Plus Oy. The system contains customer information on more than three million Finnish people. The customer information of the Plussa cardholders plus 220 million annual card transactions constitute a customer register at Kesko. Data collection and handling is carried out in absolute confidentiality and every Plussa employee is under a secrecy obligation. In 2004, the management process of Plussa customer information received a QWEB quality certificate (AR 2004 p. 28).

Customer expectations concerning products and services guide the operations of Kesko and its stores. Alongside products, demand for services related to their use will grow considerably. Satisfied and loyal customers enable Kesko to achieve profitable growth, annual profit targets and growing shareholder value (AR 2005 p. 5).

Local community

New service functions must also be sought for neighbourhood stores. For example, a postal service point has been installed in over 80 K-neighbourhood stores (AR 1999 p. 8).

Consumers evaluate the responsibility of the store on the basis of such things as the availability of services. Together with K-retailers, Kesko aims at providing a nationwide and versatile store network in Finland, complemented by mail order and e-commerce. 47% of all Finns live at a distance of no more than one kilometre from a K-food store (AR 2001 p. 18).

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Sustainable / environmental	<i>Give information (on products/in stores) about social/environmental issues</i>		→	
	<i>Sustainable alternative in assortment (sustainable product, packaging etc)</i>		→	
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>		→	
	<i>Healthy alternative in assortment (lower fat/sugar)</i>		→	
General customer relations	<i>Procedure for complaints of customers</i>			↻
	<i>Research to satisfaction of customer</i>			↻
	<i>Innovative capability</i>		→	
Local community	<i>Support local community/food desert debate/accessible for disabled people/attainableness by public transport</i>		→	




5. Finance department and relation with shareholders

Every year since its establishment in 1940, Kesko has made a profit and distributed dividends, with the exception of 1967. For its shareholders, Kesko has given a good annual return even during recession (AR 2002 p.19).

Kesko is a listed company, whose shares are held by K-retailers, enterprises and companies, institutions and private investors (CSR 2000 p. 13). The highest decision-making power in Kesko is exercised by the company's shareholders at a General Meeting. Kesko is managed by the Board of Directors and a Managing Director, who is the President and CEO. Shareholders are invited to a General Meeting by a notice published in at least two nationwide newspapers, specifying the time and place and listing the matters on the agenda. The notice and the proposals of the company's Board of Directors to a General Meeting are also published in a stock exchange release and posted on the company's Internet pages (AR 2007 p. 57).

Kesko had 24,496 shareholders at the end of 2000. CSR 2000 p. 5.

Kesko's web pages have been ranked the best online pages for investors in Finland in the competition organised by the Finnish Foundation for Share Promotion, the Finnish Society for Financial Analysts, and *Talouselämä* magazine in 2002 and 2003, and the second best in 1999, 2001, 2004, and 2005 (CSR 2005 p.20-21).

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors:	Search for involved shareholder:
<i>Prevention insider trading of shares</i>				
<i>Attitude towards shareholders</i>				
<i>PA function</i>				
<i>Socially responsible investment (SRI)</i>	N.R.			
<i>Investment decisions on the basis of</i>	N.R.			

6. Relations with competitors

International competition has become well-established in every product line in the Finnish trading sector now that Finland's accession to the European Union has made us a genuine part of the European market. National protective measures or our remote location no longer prevent active international competition from taking root in our home market (AR 2002 p. 7).


Many international chains that have succeeded in Finland concentrate on a very narrow operating system and uniform store concept, for example the German Lidl in the grocery market and the British Gigantti in the home electronics trade. Internationalisation is reflected in the focus being on price competition, particularly in the grocery trade. Kesko Food has responded to the development by increasing the number of house brands, improving the efficiency of opera-

tions with a new operations control system, and by lowering the prices of a thousand Pirkka products (AR 2003 p. 15).

In spring 2000, Kesko suggested to all importers operating in Finland that they draw up ethical principles for imports. The proposal for common principles has since been formulated by a working group with members from six companies, and the target is for this to be published during spring 2001 (AR 2000 p. 41).

The commitment was signed by 13 companies, including all major food trading groups and many clothing and shoe manufacturers and importers. Practical co-operation, chaired by Kesko, will continue as part of the operations of the Central Chamber of Commerce (AR 2001 p. 21).

Kesko has always opposed the giving and taking of bribes in any shape or form. Kesko's position in this area has been included in 'Our working practices - Ethical principles for personnel', the most recent version of which has been in use since 2002. The issue has been discussed at training events for senior management. No cases of malpractice were identified during 2005. Kesko is a member of Transparency International, Finland. Among Kesko's operating countries listed in the Transparency International Corruption Perceptions Index 2005 (CSR 2005 p. 65).

	INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→			PRO-ACTIVE
	Do-it-alone	Pragmatic/defensive alliances	Leader-follower alliances	Offensive alliances
	→ no/limited role for business associations	→ limited role for business associations	→ difficult relationship with business associations (adverse selection)	→ follower role of business associations
<i>Measures to prevent collusion/competition limiting agreements</i>	N.R.			
<i>Respect of intellectual capital of competitors</i>	N.R.			
<i>Corruption or bribery</i>				





7. Relations with secondary stakeholders

Civic organisations tend to have relatively narrow agendas they strive for e.g. FCS certification for wood and Fairtrade products. In both issues there has been rapid development and the communications have been vibrant between Kesko and the civic organisations according to Hento (22.05.2008) and also Lovio (02.05.2008). Single civic organisations and other interest groups are not as loud, but they do contact Kesko, and express their concerns clearly. Additionally Kesko is actively attending joint projects.

The joint project of European trade for implementing social quality control was launched in autumn 2004, by the Foreign Trade Association (FTA), Brussels (AR 2004 p. 33). Kesko is an Organisational Stakeholder of the Global Reporting Initiative (GRI) and complies, in its corporate responsibility reporting with the sustainability guidelines drawn up by the GRI (AR 2007 p. 52). Participation in national and international efforts to develop the trading sector and the economy

as a whole forms part of corporate responsibility. Kesko has been involved in these types of efforts through numerous national and international organisations and groups for decades. In 2005, these included:

- Confederation of Finnish Industries - EK (Vice Chairman);
- Central Chamber of Commerce - (Board member, Chairman of the Social Responsibility in Importing network);
- Federation of Finnish Commerce - (Board member);
- Association for Finnish Work (Board member);
- Finfood (Chairman);
- Finnish Business & Society network - (Board member);
- EuroCommerce, the retail, wholesale and international trade representation to the EU (environmental committee and CSR experts);
- UGAL, EU organisation of groups of independent retailers (Vice Chairman, member of the team of legal experts);
- Business Social Compliance Initiative - BSCI (Board member);
- International Chamber of Commerce - ICC (members of the environmental committee and corporate responsibility committee, National Committee of Finland: Board member);
- CIES - The Food Business Forum - (members of the Supply Chain Management, Food Safety and Food Business in Society programmes) (CSR 2005 p. 12).

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
[1] Ecology NGOs (see also suppliers)				
[2] Human Rights NGOs (see also HRM and suppliers)				
[3] Health NGOS (see also HRM and suppliers)				
[4] Development (economy) NGOs (see also finance, marketing and suppliers)				

COOP TRAJECTORY OF CSR

Based on the Analytical Framework and
specified basic Indicators for a Dynamic
Benchmark exercise

SdB/Transforum Project

Findings are based on:

- Coop annual Reports (AR) of 2003 and 2007;
- Coop Sustainability Report from 2007;
- Media articles from January 1 1998 until September 4, 2008, in the Financial Times, Economist, NRC Handelsblad, Financieel Dagblad and Elsevier;
- Garry Cronan, Corporate Social Responsibility: the cooperative difference, 2006.

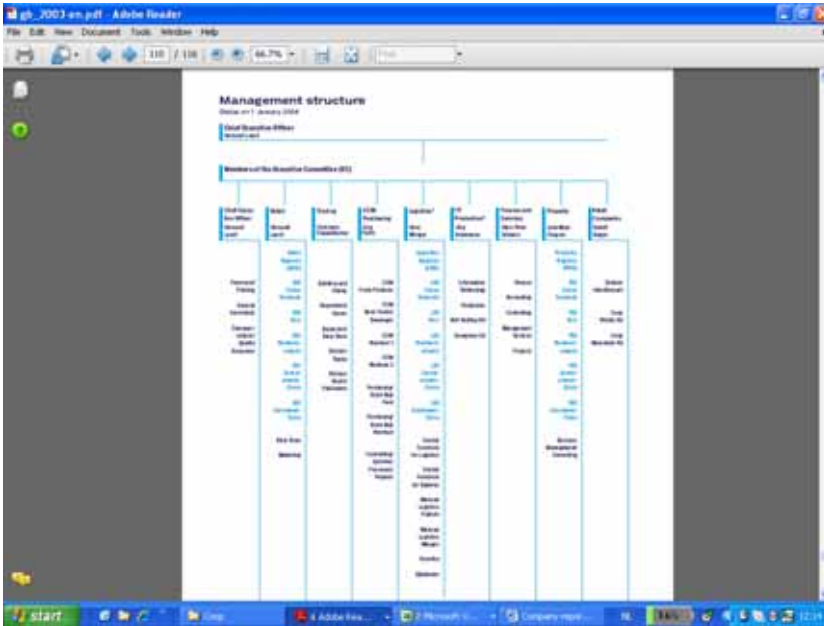
Introduction

Coop (pronounced 'kohp') is a Swiss cooperative which operates the second largest supermarket chain in Switzerland after Migros. In 2001, Coop merged with 11 cooperative federations which had been its main suppliers for over 100 years.

Coop's strong member base comprises some 2.3 million households, putting the supermarket in an excellent position among Swiss consumers. Six regions were created to maintain contacts with members of COOP and the public. All cooperative-society members of Coop have the right to vote and to stand for election and through their respective regional councils can exert an indirect influence on both the statutes and on the election of the Board of Directors. The members elect their respective regional councils, which represent their interests and uphold contacts with the elected authorities and the business sector. Each regional council appoints a committee of twelve from among the members. Each committee is self-constituting and submits a proposal to the delegate assembly for one of its members to be appointed to the Board of Directors. If elected the member becomes President of both the Regional Council (RC) and its Committee (RCC). The 60-strong Delegate Assembly is elected from the members of the regional councils. This Assembly is endowed with the legal powers vested in the Annual General Meeting and the powers assigned to it in the Articles of Association. It elects in turn the members of the Board of Directors and approves the annual financial statements and the annual report. The Board of Directors appoints the Executive Committee, which runs the Coop Group's operations. (Coop business profile, 2007)

Position of public affairs department and CSR

The position of the department is mentioned in the organisational structure as part of the tasks of the CEO. The annual reports do not describe specifically the number of people in charge of public affairs.



None of the departments nor management positions in the Coop structure have the name CSR or sustainability. Social and environmental responsibilities are divided according to the main management tasks of each corporate activity. F.e. retail is responsible for marketing activities, including launching new environmental and social labels, while purchasing is responsible for all activities that relate to voluntary standards.

Coops Sustainability Report takes into account the principles of the Global Reporting Initiative's 2007 Sustainability Reporting Guidelines (Coop Sustainability report , 2007).

Business-Community involvement and corporate citizenship

One of the tasks of the PA department is to restore the public's trust in the company as fast as possible, in case firms are faced with a critical incident. Regarding critical incidences Coop had been involved in, only several recalls of toys made in China on account of their lead content, unauthorized plastic softener and inflammability were mentioned. In the case of Coop its supplier Eurogroup is responsible for obtaining the necessary documents and quality certificates from their suppliers. Coop in turn examines whether the documentation required by law is complete. However due to the risk involved with these

toys and the extra attention in the press, circumstances required Coop to additionally carry out random checks of its own. At the same time Coop puts emphasis in the importance for Switzerland to pass a product quality safety law on the model of that in force in the EU, which clearly establishes the manufacturers liability for the safety of its products (Sustainability report, 2007, p. 43).

Further, Coop most news is more than positive about the way Coop incorporates social and environmental issues in its business model. For this Coop has received already different awards in the last ten years.

Milestones on Coop's path to sustainability. Its awards:

- 1997: GfM Swiss Marketing awards Coop its Prize for exceptional innovation in recognition of Coop's leading role in the marketing of food from organic farming and humane animal husbandry, making it the first large distributor to receive this accolade;
- 1997: The Natur & Wirtschaft (Nature & Economy) foundation awards Coop's Schafisheim distribution centre the quality label 'Nature Park'. This label is awarded to companies which, by giving their premises a natural setting, help preserve the native biodiversity of industrial and business estates;
- 1999: The Coop distribution centre in Wangen is awarded the 'Nature Park' label by the Natur & Wirtschaft foundation for its natural setting;
- 2001: The 'Legacy of the Future' Foundation of the Environmental Institute in Freiburg, Germany, awards Coop Naturaline its prize for sustainable products;
- 2002: Coop Naturaline receives the Intercot Organic Textile Award for trade in organic textiles at the 3rd International Conference on Organic Textiles in Düsseldorf, Germany;
- 2002: In connection with Coop Naturaline, Coop and Remei AG are awarded a prize for sustainable partnerships at the UN Earth Summit in Johannesburg;
- 2003: The Esprix Foundation set up by the Swiss Association for Quality (SAQ) awards Coop's subsidiary, Swissmill, the Esprix Award, an annual prize awarded to companies notable for their pursuit of excellence;
- 2004: The Swiss animal-welfare organisation STS awards Coop the title of 'Swiss Animal-Welfare Champion' for its systematic guidelines on the rearing of animals and the high share of sales accounted for by meat from humane, free-range animal husbandry;
- 2005: Coop's first Sustainability Report is awarded First Prize by the Swiss Association for Ecologically Aware Company Management (öbu);

- 2005: The Naturaline project is awarded the Hans E. Moppert Prize (second place) by the Hans E. Moppert Foundation for Sustainable Development;
- 2006: Coop and its Naturaline partner Remei AG receive the Swiss Award for Business Ethics. The prize is awarded by the Competence Centre for Business Excellence in cooperation with the newspaper Cash;
- 2006: Coop is singled out as the best retailer in the sustainability rating performed by WWF and the Vier Pfoten animal welfare organisation;
- 2007: 'Public Eye on Davos' confers the Public Eye Positive Award on Coop for its commitment to organic farming;
- 2007: Coop again tops the animal-welfare rating of the STS and is awarded the title of 'Swiss Animal-Welfare Champion';
- 2007: Top place for Coop Building & Hobby in the WWF building supplies rating. The position of the Public Affairs department and relationships with the community at large (SR, 2007).

Besides that, Coop has created funds to support environmental and social project. On 27 may 2003 Coop launched the Coope Naturaplan Fund. The objective of the fund is to promote long term thinking and measures that will contribute to a sustainable society. Between 2003 and 2012 Coop will donate 10 million Swiss francs a year to support activities and projects focusing on sustainability (annual report, 2003). In 2007 Coop began offsetting its CO₂ emissions from business trips and the air freighting of Coop products with contributions from its own carbon offsetting fund. Coop will be merging these two funds in the course of 2008 to create the Coop Sustainability Fund, whose annual endowment will be increased in steps to a total of 15 million francs in 2011. The sustainability fund will also have a new strategic orientation, its overriding goal being to promote environmental awareness and sustainable consumption (sustainability report, 2007).

Finally, Coop supports a number of social initiatives through sponsoring. In 2003-2005 Coop sponsorship collaborated with the Swiss red cross on the working poor project (annual report, 2003). In 2007 Coop sponsorship raised a total of 2.8 million francs which was used for sponsorship for Mountain Regions, a cooperative society with some 25,000 members and ZEW0 certified aid agency. The Promotagna line promises customers products that are made and processed in Switzerland's mountain regions and thus help to keep jobs there. When it comes to sponsorships of sports, Coop focused particularly on mass-participation events (CSR report 2007), which relate to its interests to create consumer awareness regarding healthy food habits and life styles. Last but not

least, every day dedicated voluntary helpers in refrigerated delivery vans pick up donations of food for needy people at sales outlets. The food is of excellent quality but can no longer be sold because its sell-by date, but not its use by date has expired (annual report, 2003).

Citizenship and regulation

Coop voluntarily applies the provision of the Swiss federal Stock Exchange Law and largely follows the guidelines of SWX Swiss exchange on corporate governance (annual report, 2007). These have been in effect since 2002 for joint-stock companies and companies that have issued participation certificates or non-voting dividend rights certificates, which does not apply to Coop as a cooperative society.

Coop searches for opportunities to apply existing regulation to fulfill its internal sustainability strategies. In the absence of regulation, it cooperates to apply voluntary standards. For example, Coop installed new R744 installations in new stores to diminish energy use and greenhouse emissions. These installations were built following the guidelines of the Swiss 'Minergie' standard. This voluntary quality label for new and existing buildings is acknowledged by the industry, all Swiss regions and the federal government. It evaluates comfort levels for occupants of buildings and the construction quality. More importantly, Minergie installations must prove a rational use of energy while enhancing living standards and reducing environmental burdens.

If Coop complies with the CO₂ emission targets that meet the requirements of these standards, it will be exempted from the emission charge to be imposed as of 2008. Both the Coop group as a whole and its individual sales outlets, distribution centers and manufacturing companies were on target for compliance throughout 2006/2007 measurement period. Once the measurement have been implemented, Cop will not just meet but actually exceed the agreed targets for combustibles (Sustainability report, 2007).

Stakeholder approach

Coop has an interactive stakeholder dialogue. 'COOP cultivates regular and intensive dialogues with diverse stakeholders. Our stakeholders help us to spot both issues and risks early on. And they support us in the efforts too build up a sustainable range of products and services. Especially important to us are the long standing partners of Coops flagship labels, such as Bio Suisse, the Swiss animal welfare associations STS and Max Havelaar, as well as WWF, with which

COOP has entered into a wide ranging environmental partnership (sustainability report, 2007).

In autumn 2003 the Pro specie Rara Foundation and Coop organised a large exhibition of products in Zurich Main Station with wine tasting and a travelling exhibition that was shown in 17 Coop sales outlets. Coop plans to give greater space in its product range to heirloom varieties of vegetables, fruits, and cereal as well as breeds of economically useful animals that pro Specie rara has saved from extinction (annual report, 2003).

The annual reports nor the sustainability report provide inside information which department manages these relations, though it can be assumed that this is done by the CEO as part of its communications duties.

Issue advertisement strategies

According to Coop retailers have a twofold responsibility for sustainability. Besides being responsible for the successful, long term development of their company, their choice of business partner and their range of products play a crucial role in achieving a level of sustainable consumption. Coop has therefore invested in raising awareness about sustainability in advertisements, posters and brochures. And the COOP press, which is read by some 2.4 million households, has reserved a double page in the most prominent position for sustainability issues (CSR report, 2007). A TV commercial in which the rapper Stress sings about taking more responsibility for the environment against the backdrop of the dry bed of the almost extinct Aral Sea attracted particular attention.

Reporting

Coop published its first sustainability report in 2005. This report was awarded first prize by the Swiss Association for Ecologically Aware Company Management (öbu). The reporting of Coop Annual Report and Sustainability report is based closely on the indicator list of the Global Reporting Initiative (GRI) (Coop analysis, 2006).

INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE		
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
Approach			Involve me/ engage me
Orientation:			Cooperation
Position :			Important, strategic but also interaction with stakeholders, active 'issue' advertisement campaign, semi-autonomous ¹
<i>BUFFERING</i>		<i>BRIDGING</i>	
Stakeholder approach:			→
Corporate citizenship:			→
Issue advertisement:		→	
Reporting:			→
Citizenship and regulation:			→

¹ Twijfel hier alleen omdat de communicatie vanuit CEO aansturing gebeurt, dus niet semi autonoom. Rest van de indicatoren van pro actief komt wel overeen met Coop beleid.

2. The position of the Human Resource department and relationships with employees

Position of HRM department and employees

The position of HRM department and training is part of the CEO responsibility. As of 2007, Coop operates 1437 shops and employs almost 48.200 people, 6.1% more than 1 year before. Rising prices for energy and raw materials, increased government regulation or financial incentives and greater awareness among both customers and employees have resulted in more importance being attached to environmental protection and sustainability issues in the Group. After the Executive Committee had approved the 14 sustainability principles in 2006 and made them binding throughout the Coop Group, the emphasis in 2007 was on making them known to employees.

Force

The annual reports and sustainability report analysed do not provide specific information about punishment and force procedures. However, from the information provided it becomes clear that Coop focuses on investing in recruiting new employees, developing the capacity of the existing workforce and trying to maintain these people as long as possible within the organisation.

Coop attaches great importance to fostering potential successors from among its workforce and goes on to employ over 60% of its trainees within the Coop Group - in the IT and technical fields as well as in sales - after they qualify. For young people whose school performance does not, or at least not yet, permit a certified two-year traineeship, Coop offers approximately 120 one-year internships that make it easier for them to integrate into working life. Coop stimulates the development of its personnel by programs, changes of branch and group coaching sessions. They hope to increase in this way the importance of 'learning from one another', thereby enabling staff to think and act in terms of the larger context and promoting a customer-focused, service mentality. Also a lot of weight will be attached to the systematic encouragement of potential successors and to management training of staff with supervisory functions.

The reason for this is that Coop is worried about impact of the ageing of the society on the companies long term development. At the same time, it will become increasingly difficult to recruit young staff. For this, Coop considers that knowing how to benefit from older employees' potential will become a success factor. Coop therefore launched its '50+' project in 2007. Measures and concepts are being drawn up to maintain the performance capabilities of older em-

ployees for as long as possible. Coop will also take action to counteract the drain of strategic know-how and experience away from the Group (annual report, 2007).

Industrial relations

Around 35000 employees are covered by the collective agreement which Coop and its social partners have. Coop has a new collective agreement with its contractual partners Unia (trade Union), KV Schwiez (Swiss commercial association), Syna/ OCST (trade union) and Vdac (Association of salaried employees of Coop). This agreement is renewed every three years. In 2007 it was renewed for a new period of three years. The main new features that were included are one week paternity leave and eight weeks of paid leave for employees aged over 63. In addition, reference wages have been increased across the board by 100 francs (annual report, 2007).

Coop doesn't publish statements about the position of whistleblowers or how industrial disputes are settled in their annual or sustainability reports.

Company internal working conditions

The annual reports and sustainability report do not provide specific information about the basic internal working conditions other than the new features agreed on in the three years Collective agreement. However, one can assume that this agreement offer a highly competitive package of pay and benefits to all the staff. One of them is that Coop has also increased its minimum wage by 100 francs, while the total payroll for 2008 is set to be 2.5% higher than in 2007. Coop's focus is therefore on the lower wage segments and on women's wages. The Coop Child Care project that helps single parent employees to meet the costs of child care is to be continued (sustainability report, 2007).

Additionally, Coop attaches great importance to the continuing education of its employees and managers. With more than 2000 apprentices, Coop is one of the leading corporate trainers in the Swiss retail industry (annual report, 2003).

The '50+' project includes a pilot scheme aimed at keeping older logistics employees in good physical shape for their duties. Many jobs in logistics make hard physical demands on employees, and absences from work among the over-45s in this area are much more frequent than among their younger colleagues. On the basis of an analysis and with the collaboration of employees, the pilot project will draw up and implement appropriate measures such as ergonomic training, health and nutrition workshops or the definition of age-appropriate jobs. In addition to physical fitness, however, the '50+' project is

also concerned with mental fitness and will therefore look into ways in which Coop can hold on to the knowledge and skills which, on account of the changes in society, are to be found mainly in older employees.

Besides the Collective Agreement, Coop also conducts an annual survey to measure employee satisfaction. The results are considered by management and incorporated in their annual plan of the following year. For example, the critical points highlighted in the employee survey conducted under the project name 'Veritas' in 2002 were addressed in 2003. The concerns in this period focused in particular on Coop's wage-bracket policy and the topic of a healthy working place. A list of measures to remedy health concerns was drawn up by a national working group and implemented throughout the Coop Group. The steps of institutionalizing the measures in corporate practice and raising the awareness of all the affected employees and managers led to a drop in illness-related absences from work (annual report, 2003).

Employment

Coop has further increased the number of traineeships. Coop employed 2,728 trainees at the end of 2007, 405 more than in the previous year and over 40% more than in 2004. Trainees thus account for almost 6% of the overall headcount. A large proportion of them are completing the new basic sales traineeship, which prepares them either for a position as a retail assistant (after a certified two-year course of training) or a retail specialist (after three years of training). For the first time, 14 sales trainees are also working towards a baccalaureate-level vocational certificate. Coop hopes to raise this number in the near future. Coop attaches great importance to fostering potential successors from among its workforce and goes on to employ over 60% of its trainees within the Coop Group - in the IT and technical fields as well as in sales - after they qualify. For young people whose school performance does not, or at least not yet, permit a certified two-year traineeship, Coop offers approximately 120 one-year internships that make it easier for them to integrate into working life. Coop launched in 2006 a new internship for school leavers in French speaking Switzerland to enable them subsequently to complete a course of basic training or at least have the possibility of becoming integrated into working life. Since 2007, Coop's sales regions in German speaking Switzerland have also been able to employ a total of about 120 young people for such internships if their grades are not good enough, or not yet good enough for them to qualify for a two year traineeship.

The ageing of society means that Coop, too, can expect to see a rise of over five years in the average age of its workforce in the next ten years. At the same time, it will become increasingly difficult to recruit young staff. Knowing how to benefit from older employees' potential will become a success factor. Coop therefore launched its '50+' project in the year under review. Measures and concepts are being drawn up to maintain the performance capabilities of older employees for as long as possible. Coop will also take action to counteract the drain of strategic know-how and experience away from the Group.

Training

Coop attaches great importance to the continuing education of its employees and managers. After all, staff training is crucial for a company that provides services and has such extensive customer contacts. Professional training these days has to meet a wide range of social and cultural challenges.

In 2007, Coop implemented a new training strategy for the 2007-2010 period. The strategy lays down guidelines on staff, management and organisational development. Greater emphasis is placed on needs, i.e. the training will be more individual and job-specific. Tools such as internships, benchmarks, exchange programmes, changes of branch and group coaching sessions increase the importance of 'learning from one another', thereby enabling staff to think and act in terms of the larger context and promoting a customer-focused, service mentality. And a lot of weight is attached to the systematic encouragement of potential successors and to management training of staff with supervisory functions. This is to be further improved by providing practice-based training and by professional collaboration between Staff Development and line managers in the sales regions. Coop's aim is to meet at least 70% of its personnel needs from within the Group. Line managers will increasingly become providers and facilitators of personal development for employees and will therefore be encouraged to work on the leadership and social skills needed for this task.

Since 2004, Coop has responded proactively to the growing problem of youth unemployment by increasing the number of traineeships it provides by more than 40% to 2,728. This means that trainees now account for just under 6% of the workforce. As recruitment of young successors from its own ranks is important and even crucial in some cases, Coop wants to maintain this high percentage in the years to come, despite falling numbers of school-leavers. More than 60% of trainees will then be able to continue working for Coop after completing their traineeship. The rise in the number of trainees is due in no small part to the new basic sales training, which Coop had a key role in develop-

ing. This aims to make working in sales more attractive and has already met with a positive response from young people. Approx. 30% of trainees complete the two-year program for certified retail assistants, while 70% opt for the three-year basic training program for retail specialists. Coop also offers its trainees a chance to obtain a baccalaureate-level vocational certificate. About 14 trainees are currently availing themselves of this opportunity, a percentage that is to be increased significantly in the medium-term.

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	General	HRM policies:	HRM policies:	HRM policies:	HRM policies:
Force	<i>Disciplinary practice</i>				
	<i>Freedom of association</i>				
Industrial relations	<i>Collective bargaining</i>				
	<i>Consultation with employees</i>				
	<i>Role of workers council</i>				
	<i>Examination of grievance</i>				
	<i>Position of whistle-blower</i>				
	<i>Settlement of industrial disputes</i>				
	<i>Wages and benefits</i>				
Company Internal Working conditions	<i>Top Salaries</i>	N.R.			
	<i>Conditions of work and life</i>				

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	General	HRM policies:	HRM policies:	HRM policies:	HRM policies:
	<i>Working times</i>				→
	<i>Safety and health</i>				→
	<i>Sickness absence rate</i>				↻
	<i>Inflow into disability</i>				↻
	<i>Efforts to prevent disability</i>	N.R.			
	<i>Effort to prevent abuse on work floor</i>	N.R.			
	<i>Research to work satisfaction</i>				→
Employment	<i>Child care provisions</i>				↻
	<i>Preferential treatment of women</i>	N.R.			
	<i>% female topmanagers</i>	N.R.			
	<i>Preferential treatment of foreign minorities</i>	N.R.			
	<i>% top managers of foreign minority</i>	N.R.			
	<i>% of disabled people hired</i>	N.R.			

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	General	HRM policies:	HRM policies:	HRM policies:	HRM policies:
	<i>Security of employment</i>				→
	<i>Employment promotion</i>				→
Training	<i>Individual development programs</i>				→
	<i>(% wage sum spent on) education/training</i>	N.R.			
	<i>Instruction about safety/health</i>	N.R.			
	<i>Instruction to make employees aware of social/ environmental issues</i>				→

3. The position of the Marketing department and relationships with customers

Position of Marketing and customer relation department

The position of marketing and customer relation is assigned to the Marketing and Purchasing division, and is called market research, consumer services and sales planning.

The customer is the focus of Coops attention. Their satisfaction is always Coops most important concern. Coop focuses increasingly on the consumer trends of enjoyment/quality, ecology/sustainability and health by creating new offers with specific added value in these areas (annual report, 2007). The findings of the price monitor conducted by ACNielsen revealed that Coop is keeping up with its main competitor in all price segments and even regularly undercuts it, particularly in the own brand sector.

Coop offers the most comprehensive brand mix in Switzerland, targeting a wide range of specific customer needs. Coop continues to be the most important partner of the Swiss branded-article industry. It generates about 45% of its

sales with branded articles, offering the biggest all-round range and the most attractive brand mix - for many consumers a reason itself to shop at Coop. Besides the biggest selection of branded articles, it also offers a variety of own brands in all price segments.

Besides price and diversity, the sustainability of its offerings is also important to Coop. It recognized the need for organically produced food early on, the first major retailer to do so (annual report, 2007). According to Bio Suisse, the Swiss organic producers' association, Coop accounts for half of all the organic food sold in Switzerland. Coop's four primary organic brands are Coop Oecoplan, Coop Naturaline, Coop Naturaplan, and Max Havelaar. One of the most motivating factors for Coop is its wish to supply products that meet its customers daily needs on a reliable, long-term basis. (sustainability report, 2007). Coop wants to address customers who not only value the ecological, social and ethical added value of products, but also attach importance to enjoyment or fashionable appearance. Credibility and transparency as well as added product value are important to Coop, for instance in the context of climate protection. Since September 2007, it has therefore been labeling air freighted products and offsetting the CO₂ emissions caused by these air transports.

Sustainable/environmental

Environmentally and socially responsible flagship labels

Coop's flagship labels

Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar are success stories with a history extending back over ten years. With these flagship labels, Coop has taken environmentally and socially responsible products out of their niches and made them attractive to a broad public.

In April 2007, Coop launched eggs and meat from humane animal husbandry (Coop Naturaplan's former 'blue line') under the new Naturafarm label. The offering is more transparent and the specific added value such as Swiss production, access to range, inspection by independent bodies and GMO-free feed is communicated more effectively. In April 2007, Coop launched eggs and meat from humane animal husbandry (Coop Naturaplan's former 'blue line') under the new Naturafarm label. The offering is more transparent and the specific added value such as Swiss production, access to range, inspection by independent bodies and GMO-free feed is communicated more effectively the Swiss animal-welfare

organisation STS, above all for its systematic guidelines and the high share of sales accounted for by Coop Naturafarm.

In 1995, Coop launched the sale of organically produced cotton from fair trade under the Naturaline label. 'Today, Coop is the world's largest retailer of organic and fair-trade textiles.' The training centre in the cotton-growing area of Maikaal, India, was financed by the Coop Naturaplan Fund. Naturaline's success story is taking on an international dimension: Naturaline clothing has been available in Finland's SOKOS chain of department stores since autumn 2007, and the French Coopernic partner E.Leclerc wants to include Naturaline textiles in its range in future.

Fair-trade products

Coop is the world's biggest provider of fair-trade products and is constantly adding new items to this range - most recently Max Havelaar avocado and Bio Noisette chocolate. At the end of 2007, Coop added 70 Max Havelaar products to the range, 20 of them bearing the Bio Suisse bud label. As of March 2008, Max Havelaar products will carry the new, internationally uniform fair-trade logo.

Regional products

Coop has been selling food products from Swiss mountain regions under the Pro Montagna label since February 2006. The items now number some 60 and consist primarily of dairy produce, bread, cheese, meat, pasta, tea and wine. They have to be produced and also largely processed in mountain regions. Coop's aim is for Swiss mountain regions to retain the added value they create: traditional processing activities such as mountain- and Alpine cheese-making and family-run artisanal and other small businesses should be maintained and jobs secured. In February 2007, Coop launched the first Slow Food products in approximately 100 supermarkets. Coop has formed a long-term partnership with Slow Food Switzerland. With some 70 such products now in its offering, most of them seasonal, Coop is demonstrating its commitment to sustainable, yet tasty, food.

Health

Coop has to help promote a healthy diet by offering its customers a well-balanced range at affordable prices and providing nutritional information on the product and packaging and in the various media. Offering a plentiful supply of fresh fruits and vegetables is very important for this goal.(sustainability report,

2007). In 2007, Coop expanded the Weight Watchers range of low-sugar, low-fat, low-calorie products by a further 80 to the present number of some 340.

Coop launched the first nine modern, organic products that correspond to the new LOHAS (Lifestyle of Health and Sustainability) consumer trend, among them the first probiotic yoghurt in organic quality.

The fresh convenience products developed jointly by Coop and Betty Bossi benefited in the year under review from the continuing demand for uncomplicated meals with products that are either ready to eat or can be prepared rapidly. Alongside new high-quality, balanced, ready-made meals, Betty Bossi also launched fruit and vegetable shots, a new functional-food item: a small bottle of these fruit and vegetable juices each corresponds to a portion of the recommended five-a-day fruit and vegetables.

The new JaMaDu own brand label underscores Coops long-time commitment to a healthy, balanced diet and plenty of exercise for children in particular. The label now offers 40 products with portion sizes appropriate for children (Sustainability report, 2007, 41).

Coop expanded Free From, the label for people who suffer from lactose or gluten intolerance or a food allergy, to 50 products in the year under review. They include 27 gluten-free products from DS, Dietary Specials, the European market leader in this segment. Besides lactose-free foodstuffs, the 23 Coop items now include products such as seasonings and celery free bouillon, egg-free mayonnaise or mustard-free salad dressing that are geared to specific food allergies. The gluten-free beer sold under the Free From label is also a new development from one of Coop's business partners.

General customer relations

December 1 2003 the Customer Service became the first and only customer service in Switzerland to be certified ISO 9001: 2000 (annual report, 2003, p. 37).

Coop conducts regular customer satisfaction surveys. It also supports effective measures to protect young people and promotes sustainable projects in mountain regions. Age and ageing are becoming increasingly important issues in the world of work (Sustainability report, 2007, 62). In 2002 Coop conducted its first national wide survey of its members. In 2003 the Customer service answered 79750 queries an increase of 22.7% year on year (annual report, 2003, p. 37). In 2007 Coop conducted another large-scale customer survey, in which over 15000 customers from all parts of the country took part. Coop took a different approach to this particular survey which was conducted not by external

parties, but by Coop employees from all departments and all levels of the hierarchy. Coop has already implemented a number of improvements in 2007 (Sustainability report, 2007, 67).

Coop worked together with a jury of children and their parents to develop the JaMaDu own-brand label. Children and parents met in separate groups to evaluate ideas on products and on marketing and communication of the children's line. The children and parents group will continue to be consulted when Coop wants to launch a new food product or implement medium-term plans to expand the JaMaDu line to include near-food products and educational toys (Sustainability report, 2007, 42).

Coop publishes a weekly magazine called *Coopzeitung* (in German), *Coopération* (in French) and *Cooperazione* (in Italian). In August 2007, the Coop member press, whose over 3.3 million readers make it Switzerland's most widely read weekly, was given a new look. This makes it easier for readers to find what they are looking for, and the content is now closer to the shopping universe of Coop's customers. According to market surveys of readers, the five sections 'food & drink', 'home style & enjoyment', 'buy & benefit', 'children & family' and 'leisure & entertainment' are going down well with the public, particularly among younger readers and the older generation.

Coop's website, www.coop.ch, was visited some 16 million times in 2007, making it one of the most popular in Switzerland and the most successful in the retail sector. The focal points in the year under review were the development of the wide-ranging children's portal to the JaMaDu label and the launch of the Online Coach and the Family Coach. www.coop.ch ensures that Coop offers customers topical added value.

Local community

In recent years, people have grown more aware that Switzerland, too, has a rich trove of traditional specialities. Interestingly, it was the market liberalization and successful marketing of foreign regional and traditional specialities that opened people's eyes to the riches in Switzerland's own back yard. To use the AOC (Appellation d'origine contrôlée) label, products have to be manufactured according to a set of standards recognized by the Federal Government and come from a defined area of origin. These products are protected against imitations produced in Switzerland or abroad. Coop markets a broad range of AOC products. It supports and promotes AOC labels, provided that they are not used to force existing competitors out of the market (www.aoc-igp.ch).

At the beginning of 2007 Coop launched its Pro Montagna line with the goal of using successful marketing in the valleys to keep added value in the mountain regions. The raw materials for the products sold under the Pro Montagna label are sourced and processed in the mountain regions in accordance with the Federal Ordinance (BAIV) governing the use of the terms 'mountain' and 'alpine' to label foods. For every Pro Montagna product sold, a specific sum goes to Coop Sponsorship for Mountain Regions, which supports the infrastructure of small mountain farms.

Finally, by promoting Slow Food in Switzerland, Coop is demonstrating its commitment to supporting particularly traditional and rare specialties. Slow Food is an international non-profit organisation. Its goal is to rediscover forgotten foods, preserve regional products and natural production techniques and to carry on local traditions passed down through generations. Coop has supported the establishment of three new groups in Switzerland: the short crust pastry biscuits known as 'pastefrolle' from the Valle Bedretto, the original rye bread from the Valais, and 'paun sejel', a type of flat, or pitta, bread from Val Müstair. This is another example of how Coop promotes Swiss culinary diversity.

INACTIVE ←-----→ACTIVE		RE-ACTIVE ←-----→ PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
		Inside-out	
		Customer as 'CSR interested buyer'	
Consumer labels:			Interactive labelling: overcoming information asymmetries and improving co-consumption
Reporting aim:			Consumer engagement; development of goals; stakeholder orientation
Advertisements:		Some low prices, but many CSR issues; Value and vision oriented (explanation of the core values of the organisation); offensive issue advertisements	Higher prices but make shopping an experience with interaction on CSR issues. Participative issue advertisement campaigns (see PA)
Efficiency		Equity/Ethics	Effectiveness

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→		PRO-ACTIVE	
Sustainable/environmental	<i>Give information (on products/in stores) about social/environmental issues</i>				→
	<i>Sustainable alternative in assortment (sustainable product, packaging etc)</i>				→
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>				→
	<i>Healthy alternative in assortment (lower fat/sugar)</i>		→		
General customer relations	<i>Procedure for complaints of customers</i>			↻	
	<i>Research to satisfaction of customer</i>			→	
	<i>Innovative capability</i>				→
Local community	<i>Support local community/food desert debate/accessible for disabled people/ attainability by public transport</i>				→

4. Purchasing and supplier relations

Position of purchasing and supplier relations

The position of purchasing and supplier relations is divided over the marketing/purchasing division and logistics.

On 1 January 2004, the functions Coop Category Management (CCM) and purchasing for the food channel and department stores, which were formerly part of the Retail and Trading Business Units, were integrated into the newly created CCM/Purchasing Business Unit headed by Jürg Peritz. (annual report 2003). The integration of CCM and purchasing ensures effective use of existing human and organisational resources. Decision-making paths will also be shorter. In mid-2004, the Logistics and IT/Production Business Units integrated into the new Logistics/IT/Production Business Unit.

The sustainability sourcing steering committee has been replaced by the sustainability steering committee in which all business units are represented. The committee supports and monitors the implementation of Coops sustainability targets within the Coop Group. This will be addressed and also communicated by a greater group wide focus on ecological concerns in building standards, logistical improvements, mobility choices and the implementation of Coops CO₂ reduction targets. Important decisions will be reflected in the relevant, generally binding guidelines (Sustainability report, 2007, 9).

To maximize the impact of its efforts, Coop has chosen to focus its commitment to sustainability on just a few key issues. These were selected in a comprehensive internal and external evaluation process that took account of the relative urgency of the problems, their proximity to Coop's core business, and the specific opportunities for action. One of the most important motivating factors for Coop is its wish to supply products that meet its customers' daily needs on a reliable, long-term basis. But it is also aware that the Swiss population of today is living at least in part at the expense of future generations - and that those countries and peoples whose modest standard of living makes them the least to blame for our environmental problems are now suffering the most on account of them. The issues are: climate change, biodiversity, overfishing of the world's oceans, drinking water, fair working conditions, a healthy diet and plenty of exercise.

Climate

As a retailer, Coop is duty bound in two respects: not only must it reduce, or at least offset, the CO₂ emissions caused by its own operations and those of its suppliers, but it must also help consumers to reduce their CO₂ emissions too.

Biodiversity

Coop makes a conscious contribution to the preservation of biodiversity by promoting organic farming both in Switzerland and abroad, supporting biodiversity and sustainable forestry projects, taking part in efforts to combat illegal logging, collaborating with ProSpecieRara and marketing regional products.

Overfishing of the world's oceans

Coop supports the WWF Seafood Group for sustainable fisheries by promoting organic fish farms and the MSC label and by refusing to stock the most acutely endangered species.

Drinking water

Somewhat overshadowed by the impending shortage of fossil fuels is what, for many regions, will be the much graver shortage of drinking water. Ground water levels are falling drastically as more and more water is siphoned off for irrigation, tourism and ever larger cities. The desalination of sea water is a very energy intensive, and hence increasingly costly, process. The growing shortage of drinking water is not yet acute in Switzerland. Coop is nevertheless looking into ways in which it can contribute as a retailer to the solution of this problem.

Fair working conditions

Coop's commitment to fair trade is most clearly in evidence in its flagship labels Max Havelaar, and Coop Naturaline for textile products made of organic cotton. Coop also supports various initiatives aimed at ensuring that certain minimum social requirements are met even in its standard range.

Standards:

Coop considers itself indirectly responsible for the working and production conditions of its suppliers and their subcontractors (annual report, 2007). As set out in the corporate profile, sustainable sourcing is an integral part of Coop's wide-ranging product responsibility. Coop's practice is laid out in its Guideline on Socio-ethical and Ecological Sourcing, which is being extended to cover wood and paper products and fish and seafood.

Coop is compiling a business-partner data base that will allow to evaluate their quality management, quality standards and environmental and social management (annual report, 2003).

Food Safety and Quality

Swiss legislation on animal welfare is strict by international standards. In particular, consumers attach great importance to the general ban on battery hens introduced in 1980. Coop has signed agreements with suppliers to ensure that eggs from battery hens are not used even in processed own-brand products sourced abroad. This voluntary step goes beyond the statutory requirements. Swiss regulations on pig farming and calf rearing have stricter requirements than many other countries regarding space, light and freedom of movement. Although this increases production costs, it has a positive effect on animal health. Coop sells meat from producers that fulfill the conditions of both programmes under the Naturafarm label. Compliance with these conditions is monitored by specially trained inspectors of the Swiss animal welfare organisation STS much more frequently than is required in the official programme.

State controls of fruit and vegetables are inadequate to fulfill the increased statutory requirements of documentation, traceability and hygiene. In 2006, the obligation of self-monitoring was extended to agriculture. Because it is impossible to exclude the possibility of traces of pesticides even in Swiss products, since the beginning of 2008 Coop has required its Swiss suppliers to be certified to GlobalGAP.

Besides laboratory analyses, Coop's Quality Assurance department carries out quality checks at Coop's own operations and those of its business partners. The results of the checks are centrally administered and statistically evaluated. The total of 1,210 checks in the food sector at Coop Group sales outlets, restaurants and distribution centres focused primarily on hygiene, freshness and compliance with internal and statutory requirements. Suppliers of Coop's own-brand food products must be certified to a recognized GFSI (Global Food Safety Initiative) standard. In addition, the Quality Assurance department carried out 57 product-related audits in the year under review - in particular at small and medium-sized companies, which have difficulty obtaining a GFSE certification owing to their size.

In 2007, in connection with the introduction of the internal audit system (IKS), quality management processes were subjected to a systematic risk analysis, audited and then documented in a 'process map'. The goal is to adapt quality management - and other central business processes of the Coop Group - to

new internal and external requirements and to steadily improve performance in this respect.

Labour Conditions

Seven Naturaline suppliers have already been certified to the highest social standard SA 8000, and others will follow suit in 2006. Many products have certifications such as Swissmill (Products: flours, flour mixtures, semolina, maize, oat flakes, extruder products, durum wheat semolina. Certifications: ISO 9001: 2000, ISO 14001, SA 8000.

Environmental and social issues - generic level

The most important channel for organic products are the two retail chains COOP and Migros. They control 69 percent of the market for organic food. The process of aggregation towards few companies still continues. The Swiss market leader of organic products COOP was able to raise its sales share by 28% compared to the previous year (Rickter and Sanders, 2000).

Coop seized the initiative in 1993 with a groundbreaking effort in favor of organic agriculture and gave important impetus to the positive development of the organic farming business. Without Coop, organic products would certainly not have achieved the same significance they have today. The uncompromising marketing of organic products through Coop moved other wholesalers to enter the organic business, setting off an organic boom in Switzerland (speech Pfenninger, President of the Executive Committee of Bioterra (Zurich), 24 January 2007 in Davos).

In 2003 Coop celebrated 10 years of Coop Naturaplan. They consider these 10 years just the beginning. Ten years ago, Coop started selling food products from organic farming and humane animal husbandry under its Coop Naturaplan label. In 2003, Coop sold - on an absolutely routine basis - a range of more than 1500 Coop Naturaplan products. Moreover, before the launch of Coop Naturaplan there were roughly 1000 organic farmers in Switzerland; today there are more than 6 000. And about 1600 producers have been integrated into the humane animal husbandry programme as suppliers for Coop Naturaplan. At the launch, Coop set itself what appeared to be very ambitious growth targets.

In January 2005, Coop became a member of the Business Social Compliance Initiative (BSCI), an association of European retailers set up to implement social-accountability standards. In parts of the textile sector, membership of BSCI has the advantage that the code of conduct, which is based on the 'Clean

Clothes Campaign' in existence since 2000, can be implemented more efficiently and to greater effect.(coop analysis, 2006).

Coop is duty bound in two respects: not only must it reduce or at least offset the CO₂ emissions caused by its operations and those of its suppliers but it must also help consumers to reduce their CO₂ emissions too (Sustainability Report, 2007).

Coop makes a conscious contributions to the preservation of biodiversity by promoting organic farming both in Switzerland and abroad supporting biodiversity and sustainable forestry projects, taking part in the efforts to combat illegal logging, collaborating with ProSpecies Rara and marketing regional products (Sustainability Report, 2007).

Coop has opened a new supermarket using the natural refrigerant CO₂ for medium- and low-temperature applications. The refrigeration systems in the 'Coop Megastore', inaugurated on 25 June in the Swiss town of St. Gallen, use CO₂ (R744) as a refrigerant, according to a local news service. Besides reducing direct emissions, the installations for medium and low temperatures meet latest energy efficiency standards, as the refrigeration system's rejected heat is taken to generate hot water and provide heating to the customer area of the 5000 m² megastore.

The latest system is yet another step to come close to Coop's commitment to be carbon neutral within the next 15 years. Energy-saving refrigeration equipment and the increased use of heat pumps are key tools to achieve significant greenhouse gas emissions reductions (news article anonymous, 2007).

Coop also relies on Swiss business partners in the non-food segment. Price alone is not enough to survive in the cut-throat world of international competition. Other important factors include exceptional service and innovative products. Flawa AG, Flawil, for example, collaborated closely with Coop and Remei AG in its pioneering work that led to the development of all of the cotton-wool products for Coop Naturaline. Techno Bloxx AG, Zug, produces, in Switzerland, a very innovative, high-quality learning-by-playing building system for children of various age groups that uses building blocks that can be either plugged or screwed together.

The Coop Group's manufacturing companies in Switzerland employ a total of 858 people, including 37 trainees. All Coop manufacturing companies satisfy high standards in both the efficiency and the quality of their work processes. Swissmill and Reismühle Brunnen, for instance, are both certified to SA 8000, which means that they meet the highest social standards. The proximity to Coop, their main market, also makes the manufacturing companies competitive

in export markets. All manufacturing companies are active exporters and will expand these markets in the future. Coop invested around twelve million francs in the manufacturing companies in the year 2007. This includes significant investments in environmental protection and energy saving.

Environmental and social issues - product level

Overfishing

Already in its Fish Guideline of 2000, Coop set itself the long-term goal of switching its full product range of marine fish, crustaceans, mussels and fresh-water fish, whether farmed or wild-catch, to aquacultures and fisheries that are sustainably operated and environmentally compatible and preserve stocks. As the first member of the WWF Seafood Group, Coop critically reviewed its entire offering of fish products. As an immediate measure, it stopped selling the following acutely endangered species: groper, skate, alfonsino and bluefin tuna. Coop had stopped selling shark, sturgeon and caviar from wild-catch years ago. It has undertaken to search for alternatives by the end of 2008 for other fish whose stock has been heavily overfished, such as swordfish, cod, John Dory and halibut. In the absence of alternatives, Coop will also remove these fish from its offering.

Coop goes further than simply removing endangered fish species from its offering. It supports fish from sustainable breeding and sustainably operated fisheries. In particular, organic fish and organic seafood from aquacultures offer genuine alternatives. All organic fish farms comply with the strict Bio Suisse guidelines and use only certified feed. The feed for predatory fish is prepared from waste obtained from edible-fish processing. The bycatch of proven sustainably operated fisheries, for instance those with MSC certification, can also be used. Coop is a pioneer in this field: besides the well-known organically farmed fish such as Swiss trout and Irish salmon, Coop has also sourced other species of organically farmed edible fish such as sea bream and sea bass from the south of France and pangasius from Vietnam. It has also found a solution for the popular, but similarly endangered cod: for the past two years cod has been organically farmed on the Shetland Islands. The first organic cod farm in the world has signed a cooperation agreement with Coop. The fish are farmed in conditions that are very similar to their natural environment.

Coop has carried products with the MSC label since 2000. In this field, too, Coop regularly expands its offering as soon as further fisheries are certified. At

present, 19 articles in the Coop product range carry the MSC label - eight fresh fish products and eleven in the frozen food range.

Sustainable wood

Coop is switching most of its paper offering to FSC label products. FSC-quality paper guarantees that wood from FSC-certified forests is used to make fresh pulp. This includes household and toilet paper, paper handkerchiefs, cosmetic wipes and stationery products - all in all a sales volume of some 20 million francs. The switch to the FSC label for fresh pulp paper is not taking place at the expense of recycled paper. Coop continues to carry the Oecoplan line of paper products made entirely from recycled waste paper. Now, more than 40% of the hygiene paper and stationery products in the Coop range carry the FSC label or are made entirely from recycled paper.

Labour conditions

Organic cotton products are still the core items of the Coop Naturaline range. Today, these include a broad collection ranging from men's, women's and children's outer garments and underwear to bed linen and terrycloth wear, all of which continue to enjoy rising demand. With a requirement of 850 tonnes a year, Coop is the world's largest customer for organic cotton. The bioRe projects in Maikaal, India, and Meatu, Tanzania, benefit in particular from the close partnership between Coop and Remei AG.

The partners' holistic approach applies to all stages of the production process and also involves ecological and social aspects: toxic heavy metals are not used in dyes and chlorine is not used as a bleaching agent. All items are produced without child labour, in clean and safe working places, under correct working conditions and for fair wages.

In 2006 the multiyear GRASP project organised by Coop and the German Society for Technical Cooperation (GTZ) to integrate social requirements into the international standard for good agricultural practice (GlobalGAP) was concluded. The project report as well as an implementation manual for farms and a checklist for auditors were approved by the Board and published. Coop is currently applying GRASP's findings to the training of suppliers in southern Spain and Morocco. At the same time, efforts are being made in these two risk areas to determine how best to network BSCI's requirements for suppliers with GlobalGAP's voluntary social requirements for farming.

Animal Welfare

The Swiss animal welfare organisation STS performed a broadly based study of animal protection in the Swiss retailing sector, awarding Coop the highest number of points and the accolade of being Swiss champion in animal welfare - a success deriving from years of development work on the Naturaplan flagship label. Thanks to consumers and the excellent collaboration with BIO SUISSE, the Swiss foster and suckler cow breeders' association (SVAMH) and the Swiss society for animal protection (STS), it met them within an unexpectedly short time. Given these developments, it was always clear that the tenth anniversary of Coop Naturaplan's success would have to be celebrated in an appropriate manner - with Coop's customers, its business partners, employees and the general public (Annual report, 2003).

Since spring 2007, meat and eggs from humane, free range animal husbandry but not produced by organic methods have been sold under the new Coop Naturafarm flagship label. These products were previously distinguished from the green-packed organic products by their blue packaging. By marketing the former 'blue line' as a separate brand, Coop is able to position it more clearly and ensure more transparent communication: all forms of animal-friendly meat production in Switzerland are sold under the Coop Naturafarm label, whereas Coop Naturaplan is an exclusively organic label - and carries the Bio Suisse bud logo (annual report, 2007).

Climate change

Coop's decision to identify all products transported by air freight with a special 'By Air' label and to offset the associated CO₂ emissions in future has attracted considerable attention in Switzerland and abroad. It immediately triggered three positive developments. Clear labelling enables consumers to decide consciously for or against air freighting of goods. In addition, wherever possible Coop studies the potential for shifting freight from air to sea/river, and, finally, it offsets the remaining CO₂ emissions by promoting renewable sources of energy.

Local Sourcing

The Swiss market is important for Coop, which therefore seeks to make a conscious contribution to the variety of products and services available in Switzerland. The fifth of Coop's sustainability principles states: 'We contribute to a high level of added value in Switzerland through our sourcing policy'. The background to this statement is the three dimensions of sustainability: it is ecological to keep transport routes short, it is social to keep jobs in the regions, and Swiss

products have potential for success because consumers attach importance to domestic production, particularly of food. Quality is another factor that favours Swiss-made products.

In 2004 Coop launched its regional organic specialities. Since 2006, the Coop Organic-fresh from the region line has offered regionally grown, seasonal organic vegetables and organic fruits for all people that value local products. Farmers deliver their produce daily direct from the farm to the region- nearest point of sale. In 2007 Coop expanded this offering to more than 200 supermarkets (Sustainability report, 2007, 30).

Coop sources a large part of its fresh produce in Switzerland and highlights this with the Suisse Garantie label of origin and quality. Suisse Garantie stands for food products that originate on farms in Switzerland, satisfy the requirements for ecological certification (ÖLN), do not use any form of genetically modified organisms and are processed in Switzerland. Coop has supported Suisse Garantie from the outset and is convinced that credible labelling of Swiss products is important for both consumers and producers.

Preference is given to Swiss products wherever possible, and there is a general ban on the air freighting of products carrying the Bio Suisse bud logo (Sustainability report, 2007).

INACTIVE ←-----→ACTIVE			
	RE-ACTIVE ←-----→		PRO-ACTIVE
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
		Chains on the basis of fair prices and high quality; suppliers are selected on the basis of their approach towards e.g. labour conditions	
			Co-development and quality
			Upgrading according to joint and/or open standards (cf. Van Wijk et al., 2008)
			60-100% CSR as aim
			'cooperate'
			'local'
Supplier's codes of conduct strategy:			
		General supplier codes	
			Specificity: high
			Compliance: high
			Implementation likelihood: high
Labels/trade-marks			Interactive labels: joint development of 'appropriate practice' approach towards products and information asymmetries
Chain Liability		Chain Responsibility	

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE←-----→ PRO-ACTIVE			
Food safety/quality	<i>Support of food safety/quality codes</i>			Embrace codes + Own developed food safety codes. Verification audits.	
Labour conditions	<i>Forced labour</i> [UNDHR, art 4; ILO C29 art 2.2, 12, 13; C98 art 1, 2]			Forced labour is a bad thing, embrace codes and develop own standards and extensive measuring. Suppliers are selected on good practices.	
	<i>Child labour</i> [Conventions on right of child, art 32; ILO C138, art 2, 3 and 7]			idem	
	<i>Freedom of association and collective bargaining</i> [ILO C87 art 2, 11 and C98 art 1, 2]				Actively stimulate association

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE←-----→ PRO-ACTIVE			
	<i>Working times</i> [UNDHR art 24; ILO C1 art 2; C14 art 2]				Together with employees look for fair working schedules
	<i>Wages and benefits</i> [UNDHR art 25; ILO C131, art 3]				Fair wages; In consultation with several parties.
	<i>Conditions of work and life/all workers standard of living sufficient to meet basic needs</i> [UNHDR art 25]				Investigate what employees need besides wages and provide this.
	<i>Safety and health</i> [ILO C155 art 1, 4, 16]				Stimulate coalitions with societal groups (WHO, other NGOs) and working together with suppliers to stimulate general safety and health awareness

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE←-----→ PRO-ACTIVE			
Environmental and social issues - generic level	<i>Participation in environmental issues</i>			Embrace codes + development of own codes 'Environment comes first'	
	<i>CO₂/Waste management/ Energy consumption/Toxic waste/packaging/nature conservation/pesticide use/GMO/renewable energy or substances</i>		Mentioning of support to Kyoto? (Extensive) Reporting on examples of energy/waste reduction programmes	No GMO products	
	<i>Participation in social issues</i>				participation in Ethical Trading Initiative base code, SA8000
	<i>Welfare of pigs/hens/chickens/ transport of animals → Research on codes??</i>				

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE←-----→ PRO-ACTIVE			
Environmental/social issues - product level	<i>Products have fishery standard</i>			Promote sale of seafood harvested in friendly way.	
	<i>Products with Social standards</i>			Extra own developed codes; e.g. Sara Lee's Supplier guidelines, (Starbucks Green Coffee)	Fair Flowers and plants/Forest Stewardship Council or Extra codes developed with 3 rd parties and support suppliers to achieve codes
	<i>Products with environmental standards</i>			Extra own developed codes. E.g. Nature and More, Sara Lee's Supplier guidelines, (Starbucks Green Coffee)	Fair Flowers and plants/Forest Stewardship Council or Extra codes developed with 3 rd parties and support suppliers to achieve codes

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	<i>% of products have standards (%s??)</i>			40-70% of inactive labels and/or 25-50% of reactive labels and/or 10-25% of active labels and/or <10% of pro-active labels	
Local sourcing	<i>Locally sourced products</i>			Many locally sourced products. Own label locally sourced products	Together with local farmers a set up of production (IF customers want this?)

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
Food safety/quality	<i>Support of food safety/quality codes</i>				→
Labour conditions	<i>Forced labour</i>			→	
	<i>Child labour</i>			→	
	<i>Freedom of association and collective bargaining</i>				→
	<i>Working times</i>			→	

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	<i>Wages and benefits</i>			→
	<i>Conditions of work and life</i>			→
	<i>Safety and health</i>			→
Environmental and social issues - generic level	<i>Participation in environmental issues</i>			→
	<i>CO₂/Waste management/Energy consumption/Toxic waste/packaging/nature conservation/pesticide use/GMO/renewable energy or substances</i>			→
	<i>Participation in social issues</i>			→
	<i>Welfare of animals</i>			→
Environmental/social issues - product level	<i>Products have fishery standard</i>			→
	<i>Products with Social standards</i>			→
	<i>Products with environmental standards</i>			→
	<i>% of products have standards</i>			→
Local sourcing	<i>Locally sourced products</i>			→

5. Finance department and relation with shareholders

From the Annual and Corporate Social Responsibility Reports the position and the role of the Financial Management department in the CSR strategy is not clear.

Coop does not view sustainability as an end in itself but as a contribution to cost management, to setting Coop apart from its competitors and to safeguard long term sourcing (Sustainability report, 2007, 9).

In 2006 the Executive Committee approved the 14 sustainability principles and made them binding throughout the Coop Group. The emphasis in 2007 was on making them known to employees. Also the mission of Coop is revised: enthusiasm, ecology, and ethics, dynamism, innovation and profitability (Sustainability report, 2007, p8-9).



Prevention insider trading of shares

In the annual reports and the sustainability report Coop does not specifically mention the way they deal with insider trading of shares. This is probably mainly due to the fact that Coop is not a company that has issued participation certificates or non-voting dividend rights certificates. The only company in the Coop group that has issued SWX-listed equities is Bel Holding AG.

Socially Responsible Investment

In 2003 Coop set up the Coop Naturaplan Fund with an annual endowment of ten million francs. In 2007 Coop began offsetting its CO₂ emissions from business trips and the air freighting of Coop products with contributions from its own carbon offsetting fund. Coop will be merging these two funds in the course of 2008 to create the Coop Sustainability Fund, whose annual endowment will be increased in steps to a total of 15 million francs in 2011. The sustainability fund will also have a new strategic orientation, its overriding goal being to promote environmental awareness and sustainable consumption (Sustainability Report, 2007).

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
				Search for involved shareholder:
<i>Prevention insider trading of shares</i>	Na	Na	Na	Na
<i>Attitude towards shareholders</i>	Na	Na	Na	Na
<i>PA function</i>				Active involvement of responsible investors;
<i>Socially responsible investment (SRI)</i>				100% SRI as means of providing relevant capital
<i>Investment decisions on the basis of</i>				

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors:	Search for involved shareholder:
<i>prevention insider trading of shares</i>	<input type="text" value="N.R."/>			
<i>Attitude towards shareholders</i>	<input type="text" value="N.R."/>			
<i>PA function</i>				
<i>Socially responsible investment (SRI)</i>				
<i>Investment decisions on the basis of</i>	<input type="text" value="N.R."/>			

6. Relations with competitors

Coop makes a point of consistently distinguishing itself from its competitors across the entire retail channel, i.e. across products, product ranges, points of sale, services and communication. Coop also intends to maintain the crucial difference between itself and its competitors in the future as well, and for this reason aims to focus even more strongly on sustaining a distinctive profile: by optimising its unique brand mix, by maintaining the high quality of Coop flagship labels and by further rapid implementation of its new retail outlet concept.

Swiss retail prices are considerably higher than in the rest of Europe. For years the Swiss have been crossing over into neighbouring countries to do their shopping. Competition has hardened in the Swiss retail sector, especially with the arrival of German so-called hard discounter Aldi and it is expected to further

intensify when Lidl also crosses the border from Germany. This price war will have a major impact on retailers' margins, as suppliers - especially in agriculture - enjoy protected prices. The shaving of profit margins will directly affect added value and jobs. 'This has led to a substantial correction and a general decline in the cost of a grocery basket,' said James Bacos, a retail analyst at Mercer Management Consulting in Germany. 'This has been good for the Swiss consumer but has also cut margins for the supermarkets.' (swissinfo.ch,16-2-2006).

To overcome the competition, Coop is betting on Copernic to negotiate lower prices for the products it buys, save on logistics costs and cut out the middlemen it says drive up costs. 'Coop has made a very smart move in an extremely competitive market,' Bacos told swissinfo. 'By pooling their purchasing power they have made a quantum leap in the leverage they can exert with respect to their pricing discussions with manufacturers.' The distributor also expects to overcome one of its major handicaps until now: the small size of the Swiss market. 'Swiss retailers have historically been asked to pay more for products than many retailers in other European countries,' said Bacos. 'In the past, this was less of a problem because the Swiss market was more stable and profitable than neighbouring countries.' (swiss info.vh, 19-8-2005)



Already in 2007 Coop concluded that the European sourcing alliance Copernic, which Coop joined in 2006 along with French, Italian and Belgian retailers, is a success. The reason for this is that it has already concluded over 150 agreements with providers of major international brands, negotiating substantial price reductions in exchange for optimum, internationally coordinated sales-promotion services and the largest possible purchases volumes. In addition, pooling of information makes it easier for Copernic members to deal with the high prices on the raw material markets. Coop passes on any price cuts achieved by the purchasing alliance straight to the customer. (annual report, 2007, p. 9).

The COOPERative Europeenne de Referencement et de Negoce des Independants Commerçants (COOPERNIC) alliance is established by Colruyt (Belgium), CONAD (Italy), COOP (Switzerland), E.Leclerc (France) and REWE Group (Germany). This is the first independent European distributor alliance. The main reason for this initiative is to respond to the growing concentration of the consumption food industry. Currently 3 to 4 big multinationals provide 80% of the supply to hyper markets This concentration trend also has its impact on the distribution industry. The main purpose of the alliance is to exchange know how, to decrease logistical costs, to expand their supply, to improve their performance within their internal national market, etc. (NRC, 16-02-2006). At the same

time, other competitors are leaving the scene. For example, French supermarket chain Carrefour ended its seven-year presence in Switzerland by selling its 12 hypermarkets to Swiss number two chain Coop. The SFr470 million (\$390 million) deal further consolidates the market in Switzerland. But experts believe consumers will not be hard done by with German discounters Aldi and Lidl enhancing competition.

Carrefour and partner company Maus Frères both sold their 50 per cent stakes in Swiss hypermarket operator Distributis to Coop on Tuesday. The enterprise has a 1.1 per cent share of the Swiss market, located mainly in the French-speaking part of the country, with 2,200 employees. The French giant said it had not been able to gain enough critical mass in the difficult Swiss market. It has also withdrawn from a number of other countries around the world. Carrefour's plans were hampered by market restrictions and a failure to adapt to Swiss consumer demands, according to Professor Thomas Rudolph at St Gallen University (swissinfo.ch, 21-8-2007).

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
					Offensive alliances → follower role of business associations
	<i>Measures to prevent collusion/competition limiting agreements</i>				Describes problems, actively search with other parties in order to set up measures
	<i>Respect of intellectual capital of competitors</i>	N.R.			
	<i>Corruption or bribery</i>	No statement			

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Do-it-alone	Pragmatic/defensive alliances	Leader-follower alliances	Offensive alliances
				
<i>Measures to prevent collusion/competition limiting agreements</i>				
<i>Respect of intellectual capital of competitors</i>	N.R.			
<i>Corruption or bribery</i>	N.R.			

7. External co-alignment: issues and secondary stakeholders

Coop cultivates regular and intensive dialogue with diverse stakeholders. These groups are so important to Coop that they have been accorded a special place in the sustainability report of 2007 presenting on the illustrative pages representatives of various stakeholder groups whom describe their own personal experience of Coop. Coop considers that the stakeholders help to spot both issues and risks early on. And they support them in their efforts to build up a sustainable range of products and services.

Especially important to them are the long-standing partners of Coop's flagship labels such as Bio Suisse, the Swiss animal welfare association STS and Max Havelaar, as well as WWF, with which Coop has entered into a wide-ranging environmental partnership. In February 2006, the WWF and the 'Vier Pfoten' animal welfare organisation presented Coop with the Golden Shopping Basket for the best performance in the field of sustainability. An overview of Coop's stakeholders and of our successful ventures with them in the year under review is available online: www.coop.ch/sustainability/stakeholder

In 2007, Coop's environmental partnership with WWF was effectively extended to the field of sustainable sourcing. The founding of the WWF Seafood Group resulted in detailed definitions of targets and measures for Coop's fish offering. Within the framework of the WWF Wood Group, the focus was on sourcing paper products that complied with FSC guidelines or were made from 100% recycled material. Thanks to the Climate Group, the range of energy-saving lamps was substantially expanded and prices reduced. Coop will continue to actively participate in all three groups to optimise product improvements.

To achieve the Cofederations CO₂ emission targets, Coop is working closely with the Business Energy Agency EnaW. With money from its climate fund, which it supports to the tune of 2 millions francs a year, Coop offsets CO₂ emissions caused by air freighting of goods, the first European Retailer to do so. In addition, a special label 'by air' shows customers which products are involved and thus creates transparency. In Schonewerd in December 2007 Coop opened its first supermarket to satisfy the Minergie low-energy standard. all newly built sales outlets will have to meet this standard (annual report, 2007).

Coop implemented a new packaging concept for fruit and vegetables by combining data on the variety of the product, a recipe and information about ProSpecieRara in a leaflet affixed to the packaging. Coop's many sponsorship activities on behalf of ProSpecieRara included support for the celebrations in Berne to mark the organisation's 25th anniversary. Coop also published a series of articles in the Coop member press throughout the anniversary year. The aim of the ProSpecieRara Foundation is to promote the revival of heirloom native plants and prevent threatened breeds of domestic animals from becoming extinct.

	INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE			
[1] Ecology NGOs (see also suppliers)				Develop with NGOs products with labels. Join roundtables (e.g. for Responsible Palm Oil/Soy/Cocoa etc.) Support establishments of independent platforms; environmental care
[2] Human Rights NGOs (see also HRM and suppliers)			Very few/ no clashes	
[3] Health NGOS (see also HRM and suppliers)				Collaborating in informing consumers about health issues etc.
[4] Development (economy) NGOs (see also finance, marketing and suppliers)				Partnership: upgrading of supply chains, etc.

Reducing waste

After a marginal decline in the previous year, the quantity of waste increased again in 2007, thus signaling that there had not been a turnaround in trend. Some of the increase in waste, however, can be attributed to increased output. The recycling quota was virtually unchanged at more than 70%. Cardboard and paper account for half of the recycled waste. On a positive note, the collection of PE milk containers rose by 14% in the year under review - a trend that has continued to improve over the years. The trend in battery returns was particu-

larly positive. But customers need to return more used batteries to the points of sale because the battery recycling rate in Switzerland is unsatisfactory. Coop has also started recycling its plastic gift vouchers, enabling another valuable recycling material to be used again.

Litter is becoming more and more of a scourge. Coop has therefore teamed up with the Swiss retailers' organisation IG DHS to take a new approach to combating this problem. In several towns and municipalities, IG DHS has entered into a dialogue with the local authorities and local trade and industry on how best to tackle the problem of litter together. What is important is that the polluter-pays principle - the polluter being the person who throws the litter away - be upheld and that the measures adopted be cost-effective and maintain a level playing field. The efforts already being made by retailers must also be taken into account. In Basel, agreement on a voluntary package of measures has been reached. Essentially, each sales outlet is responsible for keeping its own immediate vicinity clean and tidy in areas in which the litter problem is most acute. What this means in practice is that sales staff regularly empty the public litterbins and clean the area immediately in front of the outlets. Copycat behaviour is therefore prevented and there is always enough space in the litterbins. Similar agreements have been reached in Dietikon between the authorities and the individual sales outlets.

Following several political initiatives, the problem of litter is now to be the subject of a national roundtable discussion. One solution that is frequently suggested is the introduction of a deposit on drinks containers. But these account for only a small percentage of total waste. According to a survey by the Federal Office for the Environment, such a deposit would be very costly to the economy, would not solve the problem, and would be complicated for traders, shops and consumers to implement. In Berne, IG DHS, together with local trade and industry, has lodged a complaint against the new system of waste disposal charges. There is no legal basis for levying a charge to finance the disposal of waste in public spaces. Such charges would have to be passed on to the customer in the form of higher product prices, which would unfairly penalize all customers, including those who do not drop litter.

Reducing paper use

Coop is switching most of its paper offering to FSC label products. FSC-quality paper guarantees that wood from FSC-certified forests is used to make fresh pulp. This includes household and toilet paper, paper handkerchiefs, cosmetic wipes and stationery products - all in all a sales volume of some 20 million

francs. The switch to the FSC label for fresh pulp paper is not taking place at the expense of recycled paper. Coop continues to carry the Oecoplan line of paper products made entirely from recycled waste paper. Now, more than 40% of the hygiene paper and stationery products in the Coop range carry the FSC label or are made entirely from recycled paper.

Saving energy/reducing greenhouse/using renewable energy sources

The Executive Committee has stepped up the measures adopted to lower CO₂ emissions and approved important basic principles, for instance that all new supermarkets will have to meet the Minergie low-energy standard. A pilot project on the achievement of this standard in new Building & Hobby centres is currently in progress. The touchpoints between construction and operation that are critical to energy consumption have been regulated. The continued use of green electricity has been confirmed. A trial of a truck that runs on biogas is also being initiated. These decisions did not impact on the period July 2006 to June 2007, however, which is when the energy data were collected. Furthermore, the relevant consumption data have not been climate-adjusted - unlike the figures the Business Energy Agency (EnAW) uses for monitoring the extent to which the emission targets agreed with the Federal Government have been achieved.

Social conditions

On the basis of the experience gained with vegetable producers and their suppliers in Southern Spain, Coop has entered into a joint project related partnership with the GTZ (German Society for Technical Innovation) and GlobalGAP. The project is entitled GRASP (Good and Risk-oriented Social Practices in Agriculture) and aims to improve social conditions for plantation and seasonal workers in agriculture.

	INACTIVE ←-----→ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
1. environmental protection and biodiversity				Both environmental protection and biodiversity are part of the same global economic and ecological system. Firms are not only responsible for their direct environment, but also for the protection of the whole ecological system
2. reducing toxic waste				The polluter develops together with environmental organisations new rules and practices to prevent toxic waste from appearing. Leads to different and strict international standards
3. reducing paper use				Paperless office as a co-education project for other environmental projects as well. Active pursuit of recycled paper in the short run. We can walk the talk now!
4. saving energy/reducing greenhouse/using renewable energy sources				Active pursuit of technological and organisational innovations to save energy and reduce greenhouse gases in collaboration with NGOs, governments and other stakeholders

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
[1] Ecology NGOs (see also suppliers)				→
[2] Human Rights NGOs (see also HRM and suppliers)		↻		
[3] Health NGOS (see also HRM and suppliers)				→
[4] Development (economy) NGOs (see also finance, marketing and suppliers)			↻	

Tesco TRAJECTORY OF CSR

Based on the Analytical Framework and
specified basic Indicators for a Dynamic
Benchmark exercise

SdB/Transforum Project

Rolien Wiersinga

Findings are based on:

- Tesco Annual Reports (AR) from 2008, 2007, 2006, 2000 and 1995. The reports are reporting on the previous year until February of the title year.
- Tesco Corporate Responsibility Review (CRR) from 2008, 2007, 2006 and 2002. The reports are reporting on the previous year until February of the title year.
- Media articles from January 1 1998 until September 4, 2008, in the Financial Times, Economist, NRC Handelsblad, Financieel Dagblad and Elsevier

1. **The position of the Public Affairs department and relationships with the community at large**

Position of public affairs department and CSR

The organisational structure of Tesco is not described in their Annual or Corporate Social Responsibility reports. The position of the department (and departments) of the other ones), the number of people working at the department or the budget allotted to the department is not shared with the public in general through their reports.

Tesco has a Corporate Responsibility (CR) Committee comprising of 16 senior executives from across the business, and is chaired by the Executive Director of Corporate and Legal Affairs. The Committee meets at least four times a year to develop the CR strategy, review relevant policies and practices, identify opportunities to improve the sustainability of the business, agree and monitor the Key Performance Indicators (KPIs) for CR, and engage with internal and external stakeholders on CR issues to raise awareness. Twice a year, external speakers are invited to address the CR Committee and comment on the CR strategy, performance and reporting. Each of the international businesses also has a Corporate Responsibility Committee led by the Chief Executive of that country or another senior Director (CRR, 2008). The Corporate and Legal Affairs department and the Trading Law and Technical department provide assurance and advice on legal compliance, health and safety (AR, 2008). Tesco's Corporate Responsibility Report takes into account the principles of the Global Reporting Initiative's 2007 Sustainability Reporting Guidelines (CRR, 2007).

Business-Community involvement and corporate citizenship

One of the tasks of the Public Affair department is to restore the public's trust in the company as fast as possible, in case firms are faced with a critical incident. Critical incidences with Tesco are rarely occurring or rarely reported. Since a few years critics from the community are increasing. Tesco's success is reflected in a large increase in the number of shops. At the same time small family shops are being closed, creating dissatisfaction in local communities. This is not only occurring in the UK itself but even in Thailand where Tesco is spreading all over the country (Econ110108). In 2006 the Competition Commission started a research on the monopolising of fallow land by the four major retailers (including Tesco) in the UK as distortion of competition (see also section on competitors). Tesco reacted immediately in person of the Chief Executive himself by presenting a plan 'Tesco in the community' covering promises as reduc-

ing the energy use with 50%, more regional products and improving the consultation with local communities when new shops are being opened (FD, 120506).

Another more re-active approach of Tesco is to tend to opt for solutions to inadequacies in the public sphere that are relatively easily linked to their own interests. Tesco is for example supporting education by providing computers for schools for already 17 years in a row (CRR, 2008).

Tesco's Corporate Social Responsiveness has been underlined by their Dow Jones Sustainability and Ethibel Indices (AR, 2008), Business in the Community (sector leader in 2005), CR Index and Business in the Environment Survey (CRR, 2006). In 2006 Tesco was ranked 1st for Social Responsibility and 3rd for quality of products and services in 'The World's Most Admired Companies' survey conducted by Fortune magazine (CRT, 2006). The more pro-active corporate societal responsibility of Tesco is shown in their independent survey of key opinion formers. In 2005/06, in-depth qualitative interviews were carried out with 70 such opinion formers, including NGOs, politicians, journalists, academics, corporate responsibility managers from other companies and consumer groups. Respondents felt the integration of corporate responsibility at Tesco had improved but wanted Tesco to do more to communicate their commitment to corporate responsibility to their customers and increase their engagement with NGOs (CRR, 2006).

One of the seven corporate objectives of Tesco is 'supporting the well-being of the community and the protection of the environment' (AR, 1995). As mentioned before Tesco introduced the Community Plan in 2006: Be a good neighbour & Be responsible, fair and honest. Tesco uses a balanced scorecard approach called the Steering Wheel. This integral management tool directs the focus of their business towards the delivery of their core purpose. In 2006 the Community segment has been added to the other four business drivers (customer, finance, people, operations) of the Steering Wheel. Each segment has a set of KPI with targets (CRR, 2006). Two years later the Community Plan has been further developed and its aim phrased as 'to put social and environmental issues at the heart of our business' (CRR 2008).

Tesco has grown into a more proactive corporate citizenship as it is collaborating with the civil society in building local capacity. Examples are the Regeneration Partnerships in the UK in which new stores are opened that help to revitalise disadvantaged communities where lack of economic opportunity has led to a range of social problems and low investment. Tesco was also one of the original six signatories to the UK government's Local Employment Partnerships scheme (CRR, 2008).

Tesco actively supports communities through sponsoring certain activities like the collaboration with Age Concern to raise £2 million for projects including 'Fight the Freeze' - buying blankets and heaters for the elderly; paying for volunteers to regularly call the elderly to stop them feeling isolated, and raising money to pay for meals and provide company for the elderly (CRR, 2006). Tesco aims to give at least 1% of pre-tax profits to charity. In 2007 they succeeded with 1.95% (CRR, 2008) and in 2006 as well with 1.63% of pre-tax profits to charities and good causes (CRR, 2007). Tesco has also supported communities in crisis. In 2007, 250,000 pound was donated to people affected by extreme weather conditions such as hurricanes and floods (CRR, 2008).

Citizenship and regulation

One of the Tesco's seven corporate objectives is to 'participate in the formulation of national food industry policies on key issues such as health, nutrition, hygiene, safety and animal welfare' (AR, 1995).

According to Tesco they don't give political donations, but do sponsor a small number of events at annual party conferences (AR, 2000). According to the Financial Times the thirst of companies for political insight (in 2002) is so great that 'nothing short of hiring their own government insider will do' and states that Tesco snapped up David North, an agriculture adviser to Mr. Blair. Also think-tanks are used by companies to link with relevant policy issues. Demos, a British think-tank received core funding from among others Tesco as well (FT, 030402). In 2007 contributions of £45,023 were made in the form of sponsorship for political events of which £16,000 to trade unions (AR, 2008). Tesco's Government- and Corporate responsibility teams work closely together to ensure that their responses to Government consultations are aligned to their corporate responsibility policies and practices (CRR, 2006).

Tesco states in their recent reports of 2007 and 2008 that they do not employ political consultants to lobby governments on their behalf. Tesco's Annual Report of 2000 doesn't mention the government at all.

Stakeholder approach

Tesco has an interactive stakeholder dialogue. Tesco pro-actively seeks shareholder views on a range of issues. This shareholder communication is mainly coordinated by the Investor Relations department. During the year, Tesco met with shareholders representing over 70% of the issued shares of the Company (AR, 2008). Tesco chooses to communicate with all stakeholders to ensure understanding of what is important to them, to allow themselves the opportunity to

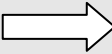
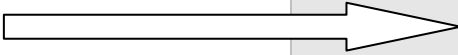



present their position and to identify new risks and opportunities to ensure that the long-term strategy is sustainable and state that 'We know that customers need to be able to trust our business and they will only trust us if we do the right thing by all our stakeholders' (AR, 2008).

Examples of initiatives developed in response to stakeholder feedback include launching of improved nutritional labelling to help customers make healthier choices and promoting Bag for Life to reduce carrier bag use (CRR, 2006). Investors mentioned they would like to hear more detail on Tesco's international approach (CRR, 2007).

Issue advertisement strategies

Tesco does have some issue advertisement strategy. Some global issues are reported as well as issues that are being treated by the OFT. Section on marketing elaborates further on this topic.

INACTIVE ←-----→ ACTIVE			
	RE-ACTIVE ←-----→ PRO-ACTIVE		
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsive-ness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Social</i> Responsibility'
Name: 'public relations' 'entrepreneurship' 'principal-agent'	'public affairs'; 'community/investor/government relations' 'issues management' 'corporate reputation' 'corporate philanthropy'	'corporate communication' 'business ethics' 'responsible entrepreneurship' 'corporate identity'	'strategic corporate communication' 'strategic issues management' 'strategic philanthropy' 'strategic management' 'leadership'
'trust me'	'proof it to me'	'tell/explain it to me'	'involve/engage me'
Orientation: Control	compliance	commitment	Cooperation

INACTIVE ←-----→ ACTIVE		RE-ACTIVE ←-----→ PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsive-ness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Social</i> Responsibility'
Position : Marginal position - limited staff, no executives	More important: Lobbying oriented - investor relations (more personnel, but still low in hierarchy)	Important, related to board (CEO involvement); helps develop internal visions and active communication	Important, strategic but also interaction with stakeholders, active 'issue' advertisement campaign, semi-autonomous
BUFFERING		BRIDGING	
Stakeholder approach:			
Corporate citizenship:			
Issue advertisement: 			
Reporting:			
Citizenship and regulation:			

2. **The position of the Human Resource department and relationships with employees**

Industrial relations

Tesco supports the right of all their employees to join a trade union. In the UK Tesco signed an agreement with Usdaw in 1998. Every store in the UK has a

union representative. In the other countries in which Tesco operates employees are free to join unions.

In the Annual Reports of 2006 and 2005 the Protector Line is mentioned. This is a telephone number which is open to employees to confidentially file abuse of company codes. However, more information has not been provided and references are made to Corporate Responsibility Review 2002, in which nothing is written about this whistleblower policy. This indicates a re-active approach.

Tesco doesn't publish statements about how industrial disputes are settled in their annual or CRR reports nor about examination of grievance.

Company internal working conditions

According to Tesco, they 'offer a highly competitive package of pay and benefits to all staff' (CRR, 2008). Senior managers receive bonuses on a sliding scale based on performance against the KPIs. Through share ownership and share incentive schemes, over 170,000 people have a personal stake in Tesco. The pension arrangements are part of the UK employees' overall benefits package.

At Tesco there is a Remuneration Committee's which determines and recommends to the Board the remuneration policy for the Chairman and Executive Directors and monitors the level and structure of remuneration for senior management. Method of Remuneration for top management is extensively reported. In 2007 the Committee concluded that a rebalancing of incentives was required, which resulted in the introduction of a Group New Business Incentive Plan which focuses on long-term business development, extending the Performance Share Plan with targets for the performance of existing international business and adoption of a new US Long-Term Incentive Plan. The Committee considers external independent remuneration surveys.

Each store has a Staff Forum, which meets to discuss issues that affect the staff in the store. The Staff Forums result from the pioneering partnership agreement with the Union of Shop, Distributive and Allied Workers (Usdaw), and take place every four months in all UK stores. At a national level working groups with managers, Usdaw and other staff are held. In 2005/06 the focus of these working groups were on staff pay and benefits, improving attendance at work, and flexible working hours.

Staff opinions are researched through surveys and store visits, and management seeks to respond positively to the needs of employees. In 2005/06 88% of all staff completed the Viewpoint survey, a year later 90%. The 'Pulse' survey also tracks staff views on how they feel about working for Tesco. From a

recent 'Pulse' survey it became clear that staff would like to see more local initiatives and events, more schools, more education and environmentally friendly projects. A year later Tesco did focus on communities around their stores, engaging staff in schools projects and involving staff in energy saving and recycling initiatives. The annual staff survey Viewpoint is anonymous and confidential. Staff gives direct feedback through Staff Question Time sessions and Staff Forums. Tesco has implemented a number of ways to assess and manage the risks of stress in their business such as regular updates with line managers to know what each individual wants from their job, staff forums (see above) and anonymous viewpoint surveys asking all staff whether they feel the amount of work they have to do is manageable. In 2005/06 a guidance document for employees on managing their own stress and for managers on supporting their employees was developed.

Tesco supports flexible hours (in the UK) including family-friendly shifts, maternity leave for full and part-time workers, paid paternity leave, equal training and development opportunities for full- and part-time workers, childcare vouchers and career breaks. Tesco encourages job sharing, flexi-time and compressed hours, shift swaps, home working and part-time working when practical.

Compliance with health and safety laws and internal policies are monitored by the compliance committees in the UK and abroad. Tesco works together with the Dundee City Council to help improve their health and safety standards in their business and to share learning throughout the industry. All Executive Board Directors have been trained on health and safety issues and the Executive Director of Corporate and Legal Affairs is responsible for health and safety at Board level. The safety and health performance is monitored using reportable accident rates as one of the key measures on the corporate Steering Wheel. Although Tesco claims that their 'daily procedures and checks are of the highest standards in the industry', Tesco was taken to court by the London borough of Merton in 2004. The court fined Tesco for selling mouldy food and failing to stop rats from gnawing at produce at a store in south-west London (FT, 161104).

Employment

Outcome of one of the surveys is that female workers asked for more information on flexible working hours. As a result Tesco is training managers on offering flexible working and tries to promote such schemes throughout the business.

It is not clear from the reports how many top level managers are women. One of the seven Executive Directors is a woman and two of the eight Non-Executive Directors are women. Tesco has a Women's Network to help female managers and directors to progress.

Tesco wants to attract people of all races, religions and backgrounds, people with disabilities, part-timers, young and older people. The Diversity Advisory Group meets every six weeks to monitor the workforce composition and to mirror that of the UK population. Tesco's target is to have no statistical difference by age, sex or ethnicity in answer to the Staff Viewpoint survey question: 'I enjoy working for Tesco.' For black and ethnic minorities, there is no statistical difference. However, under 25s, over 45s and female members are less happy to come to work than the average Tesco worker. Tesco reports to put action plans in place to address this (CRR, 2007).

Tesco actively tries to make jobs more attractive to people from ethnic minorities. For example, during Ramadan the time of store activities is changed to allow staff to pray in a quiet space and a flexible dress and holiday policy. Tesco was the first UK employer to set targets for recruiting disabled people with help of the Shaw Trust and Remploy. In 2006, 100 staff through these partnerships were added to the 250 Shaw Trust clients working in Tesco stores across the UK.



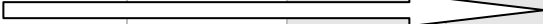

Training




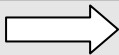
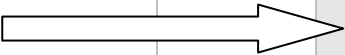

One of Tesco's 7 corporate objectives is to develop the talents of its people through sound management and training practices (AR, 1995). The Training Framework Scheme is accredited by the Qualification and Curriculum Authority which also delivers most of the training on the shop floor. A Development Programme is possible for those identified with the potential to do a bigger or different job. At any time one in ten employees is on this scheme.

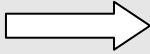

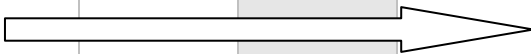


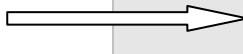



The Staff Forums are used to launch safety campaigns. Violence towards the store staff is unfortunately a growing problem. To combat it, Tesco has introduced specialist conflict resolution trainings.



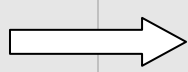
Employees are aware of environmental and social issues through corporate responsibility special editions of the staff magazine, 'tabletalkers' with corporate responsibility facts and figures in staff restaurants and displays in offices and distribution centres. Effectiveness of these corporate responsibility communications was checked through Staff Question Time meetings. Tesco encourages saving energy at work and at home by having energy champions in each store, giving staff simple checklists to help them monitor store energy consumption

and running an awareness campaign through staff newsletters, leaflets and posters.

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE			
	General	HRM policies: Hierarchical; employees as cost/production factor → low wages → no unions (or loyal unions)	HRM policies: Responsive; employees as potential 'risk factor' (ethics/whistle-blowing); competitive HRM practices → competitive wages → union-bashing	HRM policies: responsible; employees as possible followers of philosophy → union information → good wages	HRM policies: Developmental; employees as greatest asset (continuous improvement; learning) → 'fair' wages → union involvement (also as monitor of codes for instance)
Force	<i>Disciplinary practice</i>	N.R.			
Industrial relations	<i>Freedom of association</i> [ILO C87 art 2, 11]				
	<i>Collective bargaining</i> [ILO C98 art 1, 2]				
	<i>Consultation with employees</i>				
	<i>Role of workers council</i>				

		INACTIVE ←-----→		
		ACTIVE		
			RE-ACTIVE ←-----→ PRO-ACTIVE	
	<i>Examination of grievance (employee complaints)</i>			
	<i>Position of whistleblower</i>			
	<i>Settlement of industrial disputes</i>	N.R.		
Company Internal Working conditions	<i>Wages and benefits</i> [UNDHR art 25; ILO C131, art 3]			
	<i>Top Salaries</i>			
	<i>Conditions of work and life/ all workers standard of living sufficient to meet basic needs (FF)</i> [UNHDR art 25]	N.R.		
	<i>Working times</i> [UNDHR art 24; ILO C1 art 2; C14 art 2]			
	<i>Safety and health</i> [ILO C155 art 1, 4, 16]			

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	<i>Sickness absence rate</i>			
	<i>Inflow into disability</i>			
	<i>Efforts to prevent disability</i>			
	<i>Effort to prevent abuse on work floor</i>			
	<i>Research to work satisfaction</i>			
Employment	<i>Child care provisions</i>			
	<i>Preferential treatment of women</i>			
	<i>% female top-managers</i>			
	<i>Preferential treatment of foreign minorities</i>			
	<i>% top managers of foreign minority</i>			
	<i>% of disabled people hired</i>			
	<i>Security of employment</i>	N.R.		
	<i>Employment promotion</i>			

		INACTIVE ←-----→ ACTIVE		
		RE-ACTIVE ←-----→ PRO-ACTIVE		
Training	<i>Individual development programs</i>			
	<i>(% wage sum spent on) education/training</i>	N.R.		
	<i>Instruction about safety/health</i>			
	<i>Instruction to make employees aware of social/environmental issues</i>			

3. The position of the Marketing department and relationships with customers

Tesco regards itself as a discounter and tries to keep its prices lower than all the other national superstores. To show its low prices to its customers Tesco has even an online Pricechecker through which customers can compare Tesco's prices with those of other supermarkets (CRR, 2006). Tesco's customers are not limited to the price-focused consumers only any more. 'Tesco has become big by being like Britain. As Britons became more middle-class, Tesco followed them upmarket' (Econ060805).

Tesco's aim is to keep its prices lower than all the other national superstores. Price, though, is not the only factor. Value for money, as Tesco describes, includes the quality of the products, the personal service of their staff and the pleasant surroundings in their stores (AR, 1995).

Sustainable/environmental

Tesco collaborates amongst others with the Carbon Trust to understand how to measure the carbon footprint of their products. Tesco wants to use the outcomes to label all products with a carbon footprint. In 2007 there have been two green promotions covering a wide range of products that should help customers to reduce their environmental impact. The Greener Living website provides advice on how to live a greener life (CRR, 2008). With DEFRA and the Royal Society of Arts, Tesco launched a Carbon Control to help educate children about the importance of a low-carbon lifestyle (CRR, 2007).

The range of sustainable alternatives in the assortment is large, from energy-efficient light bulbs (doubled in shelf space) to a growth in Fair Trade and organic products. Next to offering alternative products, Tesco is also promoting these products through for example the Fairtrade Fortnight and providing Green Clubcard points for all organic products (next to reusing carrier bags).

Health

Tesco is proud on their nutritional signposting and claim to be the first to use the guideline daily amounts concept developed by the Institute of Grocery Distribution on their labels (CRR, 2008). Information about health issues is provided through the pharmacies in the UK stores which for example offer free screening for diabetes. In 2006 Tesco came 2nd in the National Consumer Council (NCC) survey on health, up from 5th place the previous year (CRR, 2007). In January 2006 Tesco launched a range of 87 healthy products called Tesco Wholefoods. The Kids range includes over 40 healthy products and there are almost 500 products in the 'Healthy Living' range (CRR, 2006). The march of Tesco to move into higher-value territory was already shown in 2001 when it started to sell alternative medicines from Nutri Centre in their shops (FT, 090801).

A quite extreme measure of Tesco to help their customers to improve their health is the introduction of a trolley in 2004 with an extra wheel that increases the rolling resistance. The little metre attached to the trolley shows how much calories are being used by pushing the trolley (NRC, 280404).

General customer relations

It is remarkable that Tesco doesn't report on how customers can complain. There doesn't seem to be a procedure for this. Tesco does perform research to the satisfaction of customers through Customer Question Time (CQT). These meetings are held in stores. In 2005 there were 256 CQTs in the UK with post CQT action plans for improvements. A year later 279 CQT were held in the UK,

involving almost 6,000 customers. Information from these groups, alongside feedback from 46,000 customer interviews in-store, was used to drive the Customer and Community Plans. Also in 1995 groups of customers were invited to tell the store manager what they think of their store and 35,000 customer comments were received that year. But Tesco is also following the customer satisfaction through its well known clubcard. The Tesco Clubcard (launched in 1995), a customer-loyalty scheme allows Tesco to record what people are buying. Tesco uses the results to give their customers discounts on things that they buy routinely and to adjust its shelves to suit the profile of the local area, or even the time of day (Econ060805). Millward Brown, a market research group, concluded that public perceptions of Tesco in 2006 did not improve or even slipped compared to the previous study two years earlier. In 2006 Tesco was the highest-rated supermarket for product range and trend setting, but it was only sixth for customer loyalty. In 2004 Tesco was ranked number one on customer loyalty (FT191206).

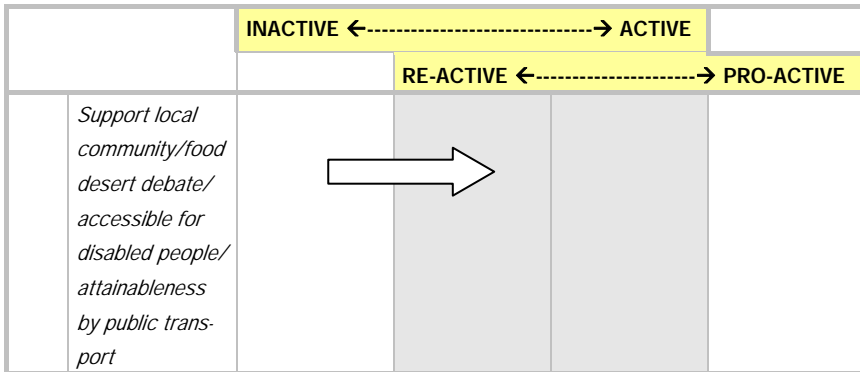
Local community

Over the past seven years a total of 14 Regeneration Partnerships were completed, creating over 3,500 jobs and helping back into work 2,200 long-term unemployed and disadvantaged people through the job guarantee scheme (CRR, 2006).

Tesco mentions it aims to make shopping as easy as possible for customers with disabilities and for families. For three years in a row Tesco was awarded the Best Supermarket in the Tommy's parent-friendly awards and for the first time in 2005 Best for Online Shopping (CRR, 2006). Support of the local community has also been discussed in the section on public affairs.

INACTIVE ←-----→ACTIVE			
	RE-ACTIVE ←-----→		PRO-ACTIVE -----→
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
Inside-in	Outside-in	Inside-out	In/outside-in/out
Customer as cost minimiser	Customer as buyer (including higher quality if needed)	Customer as 'CSR interested buyer'	Customer as co-producer
Consumer labels: No Policy	Minimalistic and reactive for specific niche product; no relation with general vision	Search for labels that also represent the general vision/mission of the organisation; active information strategy towards customers	Interactive labelling: overcoming information asymmetries and improving co-consumption
Reporting aim: Consumer communication; Only what is legally required	Consumer accountability; only what is required towards shareholders	Consumer appeal; identification and development of own goals;	Consumer engagement; development of goals; stakeholder orientation
Advertisements: Prices only, no issue campaigns	Low prices and some CSR issues; 'no misleading advertisement'	Some low prices, but many CSR issues; Value and vision oriented (explanation of the core values of the organisation); offensive issue advertisements	Higher prices but make shopping an experience with interaction on CSR issues. Participative issue advertisement campaigns (see PA)
Efficiency		Equity/Ethics	Effectiveness

		INACTIVE ←-----→			
		ACTIVE			
			RE-ACTIVE ←-----→		PRO-ACTIVE
			ACTIVE		
Sustainable/environmental	<i>Give information (on products/in stores) about social/environmental issues</i>				
	<i>Sustainable alternative in assortment (sustainable product, sustainable packaging, et cetera)</i>				
Health	<i>Give information (on products/in stores/develop programs) about health issues</i>				
	<i>Healthy alternative in assortment (lower fat/sugar)</i>				
	<i>Procedure for complaints of customers</i>				
	<i>Research to satisfaction of customer</i>				
	<i>Innovative capability</i>				



4. The position of Purchasing and supplier relations

The purchasing power of the retail sector is substantial and increasing. This power can be used to cut prices and put pressure on the suppliers (cf. Fearne et al., 2005). Tesco is one of the four major global retailers. It is said that suppliers fear to complain about Tesco as they 'fear being struck off by the retailer' (FT210205; FT091205). Tesco however mentions that it takes a partnership approach while working with suppliers, sharing their knowledge and listening to suppliers' feedback, providing technical expertise, advice and insight into customer trends and making regular payment, on time (AR, 2007). Tesco monitors its relations with suppliers through the Supplier Viewpoint Survey. Their target is that 90% of UK suppliers view Tesco as being trustworthy, reliable, consistent, clear, helpful and fair (92% in 2008, 94% in 2007). In 2007 the international suppliers have started taking part in the Supplier Viewpoint Survey (88%) (AR, 2008). Tesco fully supports the legally binding Supplier Code of Practice. In March 2005, the Office of Fair Trading (OFT) audit found no breaches of the Supplier Code at Tesco (CRR, 2006) nor in 2006 (CRR, 2007). In 2005 rival companies and industry groups accused Tesco of slowing down the Office of Fair Trading's investigation during its early stages. The OFT's main concerns included claims that the supermarkets were slow to pay suppliers, required them to contribute to marketing costs and insisted on retrospectively changing contracts (FT210205). The investigation revealed that over the past five years, the amount owed to creditors by Tesco had risen by 1.5bn pounds, money it had used to help finance its growth (FT091205).

Tesco has with four other global retailers formed the Global Social Compliance Programme to develop a code of practice. The GSCP has agreed a draft Reference Code between the 25 leading retailers and manufacturers currently involved. Next steps involve the development of an audit checklist to ensure the Code is interpreted consistently around the world (CRR, 2008). In 2005 Tesco appointed a Code Compliance Officer to act as a contact point for suppliers in case they have complaints and don't want to discuss these with Tesco buyers (CRR, 2008).

Food Safety and Quality

It is remarkable that the more specific demands of Tesco to its suppliers is particularly focused on environmental and social issues, much more than on food safety and quality. Tesco has developed its own environmental standard, Nature's Choice, introduced in 1992. It applies to all growers in the UK business and is particularly focused on the environment and to a lesser extent to safety and quality. Tesco does report on having detailed and established procedures for ensuring product integrity (AR, 2008).

Labour Conditions

Tesco is a founder member of the Ethical Trading Initiative (ETI) and expects all their suppliers to follow the ETI Base Code (CRR, 2006). The ETI Base Code includes among others freedom of association and the right to collective bargaining, no use of child labour and no excessive working hours (CRR, 2008). Tesco reports it takes 'a risk-based approach to managing labour standards in our supply chain, in addition to the due diligence work we do on legal compliance, product safety, quality and capability for product development' (CRR, 2007). The standards of ETI only apply to products being sourced for the UK market. For the international business, Tesco asks its suppliers to conform to the requirements of the ILO Conventions which have been ratified by all the countries in which they currently operate (CRR, 2007). In 2007 the media reported child labour in clothing factories in Bangladesh which produced clothes for Tesco. As a reaction, Tesco joined Wal-Mart, Carrefour and Metro in endorsing a new global, (somewhat vague), initiative to encourage the development of a unified approach to promoting good working conditions in supply chains (FT160107).

Environmental and social issues - generic level

Tesco is member of the Roundtable on Sustainable Palm Oil, showing that it wants to work together with suppliers on developing more sustainable palm oil supply chains. Tesco is also working with its suppliers on reducing carbon emissions by being a member of the Carbon Disclosure Project Supply Chain Collaboration and working together to reduce distribution packaging (CRR, 2008).

In May 2005 Tesco introduced a 5% bio ethanol mix into their standard unleaded petrol at petrol stations (CRR, 2006) and were soon the UK market leader in biofuels with a 25% stake in biofuel supplier Greenergy (CRR, 2007). Currently Tesco recognises that further understanding of the impact of biofuels on the environment is required (CRR, 2008).

Tesco doesn't sell any own-brand GM foods in the UK. If non-Tesco brand products or own-brand products outside the UK contain GM ingredients it should be clearly labelled (CRR, 2008).

Environmental and social issues - product level

Tesco reports that its first choice in sourcing seafood is from Marine Stewardship Council certified fisheries (CRR, 2007). More recently Tesco also uses the United Nations' Food & Agriculture Organisation (FAO) Code of Conduct for Responsible Fisheries as their sourcing reference (CRR, 2008). Tesco's reaction to an advertisement of International Fund for Animal Welfare on seal clubbing connected to salmon sold by Tesco was to deny the connection and to ask the Advertising Standards Authority to stop further publication of this advertisement (FT021295).

With regard to products with social standards, Tesco is focused on enlarging the offer of Fair Trade certified products. It furthermore claims that all sources of timber for their garden furniture are either Forest Stewardship Council (FSC) approved by the Tropical Forest Trust (TFT), committed to achieving the FSC standard through the certification support programmes (CRR, 2007).





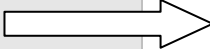
Local Sourcing

Tesco is strongly focused on sourcing local products and mentions that they stock British produce whenever they can. The retailer encourages more local sourcing by working with British farmers to extend growing seasons, clear labelling to show where food comes from, organising 'open days' for local suppliers and supporting the Red Tractor symbol (British assurance standard) on over 700 fresh produce, dairy and meat products (CRR, 2007; CRR, 2006). 'Cus-


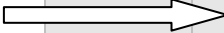
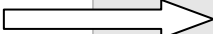

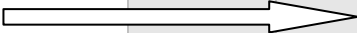
tomers tell us they want fresh, local food and we have responded in the UK by opening a network of regional buying offices' Sales of locally sourced products increased with 55% in the UK (CRR, 2008).

INACTIVE ←-----→ACTIVE			
	RE-ACTIVE ←-----→PRO-ACTIVE		
'Corporate <i>Self</i> Responsibility'	'Corporate Social Responsiveness'	'Corporate Social Responsibility'	'Corporate <i>Societal</i> Responsibility'
Chains on the basis of prices only; strong competition for customers; active use of power position in chain; no systematic attention for e.g. labour conditions (prime responsibility of supplier)	Chains on the basis of prices and quality; suppliers are responsible for e.g. labour conditions	Chains on the basis of fair prices and high quality; suppliers are selected on the basis of their approach towards e.g. labour conditions	Chains on the basis of joint responsibilities; quality and prices are set together; definition of fair wages and labour conditions are based on consultation and strategic dialogues
Cost, control, risk aversion	Cost, control, quality	Control and quality	Co-development and quality
Only CSR that does not cost much (and does not result in higher purchasing prices)	Only CSR if needed and/or available (and does not result in higher purchasing prices)	Upgrading according to own standards (cf. Van Wijk et al., 2008)	Upgrading according to joint and/or open standards (cf. Van Wijk et al., 2008)
Probably below 5% of purchases	Below 25% of CSR of purchases (maximum customers want)	Between 25-60% CSR of all purchases as aim	60-100% CSR as aim
'buy'	'make or buy'	'make'	'cooperate'
'global'	'global'	'regional'	'local'
Supplier's codes of conduct strategy:			
Internal codes	Specific supplier codes	General supplier codes	Joint codification initiatives: dialogues
Specificity: low	Specificity: m/high	Specificity: m/low	Specificity: high
Compliance: low	Compliance: m/low	Compliance: m/high	Compliance: high

INACTIVE ←-----→ACTIVE			
		RE-ACTIVE ←-----→PRO-ACTIVE	
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
Labels/trade-marks Labels initiated by governments or to specify product qualities; instrumental approach to labels	Labelling to prevent liability suits; no co-ordination of labels needed; identification of 'worst-practice'	Ethical labels: only the best labels are relevant; no coordination needed; identification of 'best-practice'	Interactive labels: joint development of 'appropriate practice' approach towards products and information asymmetries
Chain Liability		Chain Responsibility	

		INACTIVE ←-----→ACTIVE		
		RE-ACTIVE ←-----→PRO-ACTIVE		
Food safety	<i>Support of food safety/quality codes</i>			
Labour conditions	<i>Forced labour</i> [UNDHR, art 4; ILO C29 art 2.2, 12, 13; C98 art 1, 2]			
	<i>Child labour</i> [Conventions on right of child, art 32; ILO C138, art 2, 3 and 7]			
	<i>Freedom of association and collective bargaining</i> [ILO C87 art 2, 11 and C98 art 1, 2]			
	<i>Working times</i> [UNDHR art 24; ILO C1 art 2; C14 art 2]			

		INACTIVE ←-----→			
		ACTIVE			
			RE-ACTIVE ←-----→		PRO-ACTIVE
	<i>Wages and benefits</i> [UNDHR art 25; ILO C131, art 3]	N.R.			
	<i>Conditions of work and life/all workers standard of living sufficient to meet basic needs</i> [UNHDR art 25]	N.R.			
	<i>Safety and health</i> [ILO C155 art 1, 4, 16]	N.R.			
Environmental and social issues - generic level	<i>Participation in environmental issues</i>				
	<i>CO₂/Waste management/Energy consumption/ Toxic waste/ packaging/nature conservation/pesticide use/GMO/renewable energy or substances</i>				
	<i>Participation in social issues</i>				

		INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→		PRO-ACTIVE	
	<i>Welfare of pigs/hens/chickens/transport of animals → Research on codes??</i>				
Environmental/social issues - product level	<i>Products have fishery standard</i>				
	<i>Products with Social standards</i>				
	<i>Products with environmental standards</i>				
	<i>% of products has standards (%s??)</i>	N.R.			
Local sourcing	<i>Locally sourced products</i>				

5. Finance department and relation with shareholders




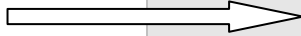
In 2000 Tesco met with more than 65 of their leading shareholders representing over 45% of the issued shares of the company. The focus of dialogue is on any price-sensitive information in accordance with London Stock Exchange requirements (AR, 2000). In 2005/06 Tesco met with 78 of the leading shareholders representing over 45% of the issued shares of the company. (AR 2006) and in 2006, Tesco met with 97 of the leading shareholders representing over 53% of the issued shares of the company. This shareholder communication is mainly coordinated by the Investor Relations team. The Board is kept informed of the views of shareholders, either through direct meetings or through updates from the Investor Relations team (CRR, 2008). To encourage shareholder participation, the stakeholders can use electronic proxy voting (AR, 2008).

Prevention insider trading of shares

Tesco mentions in its Annual Report 2008 that 'Insider trading rules prevents the Tesco Group from buying back Tesco PLC shares in the market during specified close periods (including the period between the year end and the annual results announcement).' (p.89) However, other statements regarding this policy are not communicated to the public, therefore it resembles a rather re-active approach.

Socially Responsible Investment (SRI)

In 2005/06 held two meetings for SRIs -and the leading shareholders- at the Beckton regeneration store. SRIs were invited to tour the store. Over the past year, the issues most frequently discussed with SRIs included: climate change, energy efficiency and food miles, implementation of corporate responsibility in the international businesses, ethical trading and sustainable relationships with suppliers and environmentally sustainable procurement of products (CRR, 2006). Two years later the investors would still like to hear more on the international approach.

	INACTIVE ←-----→ ACTIVE			
		RE-ACTIVE ←-----→ PRO-ACTIVE		
	Search for 'tacit' shareholders; stock-exchange as 'necessary evil'	Search for risk-taking shareholders; stock-exchange as provider of rapid capital	Active search for ethical, but silent investors:	Search for involved shareholder:
<i>Prevention insider trading of shares</i>				
<i>Attitude towards shareholders</i>				
<i>PA function</i>				
<i>Socially responsible investment (SRI)</i>				

6. Relations with competitors

Tesco's success and growing power is causing resentment. Tesco suppliers seem to refuse to talk about their relations with such powerful bargaining power. There is even a pressure group, Tescopoly, dedicated to breaking the company up (Econ060805). Tesco is expanding while many small shops are closing. In London a campaign 'Save our small shops' was organised by the London newspaper the Evening Standard to ask for laws that protect the family shops. In reaction, Tesco pulled back from the Deregulate, a lobby group of retailers that lobbies for complete freedom in opening hours at Sunday. Secondly, the Chief Executive of Tesco presented a plan how Tesco will work together in the community (FD, 120506).

The Office of Fair Trading (OFT) have researched accusations of distortion of competition by Tesco, Asda, Sainsbury and WM Morrisson. Three such researches in the last few years failed in proving competition distortion. The last research was focused on monopolisation of fallow land. The big retailers would buy as much land as possible to obstruct competition. Tesco would have bought 185 pieces of land without developing it (FD, 120506). Tesco responds they 'look forward to the debate and a speedy conclusion, and hope that the Competition Commission will confirm the OFT's overall comment that consumers have benefited from competition between supermarkets and their expansion into the convenience sector through falling prices and increased choice and services' (CRR, 2006).

Tesco tries to guide the behaviour of employees through the Code of Ethics. The Audit department undertakes detailed investigations into all areas of the business and highlights to the Audit Committee its findings. The Compliance Committee formulates and monitors the implementation of, and compliance with appropriate policies on key areas of ethical behaviour, including fraud.

		INACTIVE ←-----→ ACTIVE			
			RE-ACTIVE ←-----→ PRO-ACTIVE		
		Do-it-alone → no/limited role for busi- ness associa- tions	Pragmatic/ defensive alli- ances → limited role for business as- sociations	Leader-follower alliances → difficult rela- tionship with business asso- ciations (ad- verse selection)	Offensive alli- ances → follower role of business as- sociations
	<i>Measures to prevent collusion/competition on limiting agreements</i>				
	<i>Respect of intellectual capital of competitors</i>				
	<i>Corruption or bribery</i>				

7. External co-alignment: issues and secondary stakeholders

Tesco participates in multi-stakeholder groups on corporate responsibility issues like Business in The Community, The Ethical Trading Initiative, the Carbon Roundtable, GM Freeze Roundtable, Forest Stewardship Council Retailers Group, British Retail Consortium Corporate Responsibility Policy Advisory Group and the DEFRA Climate Leaders Group. The Executive Committee, Corporate Responsibility Committee and Compliance Committee are to help guide and monitor the set policies.

Tesco is engaged a number of NGOs and charity organisations. In 2005/06 Tesco was engaged with:

- The Soil Association on extending the organic range;

- The Fairtrade Foundation to promote Fairtrade Fortnight and encourage more customers to choose Fairtrade;
- Diabetes UK on providing information for customers living with diabetes;
- The British Red Cross on responding to disasters and emergencies;
- Marine Conservation Society and Marine Stewardship Council on sustainable seafood sourcing;
- Greenpeace on sustainable sourcing and climate change;
- Friends of the Earth on palm oil, prawn sourcing and GM animal feed;
- ActionAid and Women on Farms on labour standards in fruit farms in South Africa.

Tesco is a corporate partner of Forum for the Future and work together on a broad range of sustainability issues.

The CRR reports of 2007 and 2008 report exactly the same number of NGOs met and both reports mention that in April 2007, we held a nationwide Community Conference in partnership with the British Red Cross and the Work Foundation. This brought together voluntary groups, charities, businesses and government to explore the role of business in local communities' (CRR, 2008; CRR, 2007).

With regards to human rights, concerns were raised about minimum wage payments and pesticide use on South African apple and pear farms supplying Tesco. Tesco investigated these claims and found no evidence to substantiate them (CRR, 2006).

With regards to economic development, the 2005 'Make Poverty History' campaign identified increased trade as one of three key means of eliminating poverty. Tesco sources products from farms in 15 African countries (CRR, 2006). Further information is lacking on how and if this is done.

	INACTIVE ←-----→ ACTIVE		
	RE-ACTIVE ←-----→ PRO-ACTIVE		
[1] Ecology NGOs (see also suppliers)			
[2] Human Rights NGOs (see also HRM and suppliers)			
[3] Health NGOS (see also HRM and suppliers)			
[4] Development (economy) NGOs (see also finance, marketing and sup- pliers)			

Environmental protection and biodiversity

With regards to environmental protection, Tesco aims at minimising energy usage in stores and transportation and waste management. The National Consumer Council report 'Greening supermarkets' in September 2006 recognised Tesco's progress on packaging, reducing carrier bags, and growing the organic range, but gave Tesco an overall 'Room for Improvement' rating -making green choices mainstream (CRR, 2007).

In July 2006 Tesco supplied surplus food from 35 stores to the charity Fare Share, which distributes it to the needy (CRR, 2007).

Tesco has been a member of FTSE's index for socially responsible investing, since 2001. It was initially excluded from the index for providing insufficient information about its impact on the environment. The Environment Agency (UK government's pollution regulator) put Tesco on top of the list of high street companies that were heavily fined for environment offences in 2001 (FT250702).

Reducing (toxic) waste

Tesco awards Green Clubcard points to customers who recycle mobile phones and inkjet cartridges and reuse carrier bags. Tesco is working with the British Retail consortium in order to have a network of accessible facilities in place for customers to return old electrical equipment when the EU Waste Electrical and Electronic Equipment Directive is implemented by the UK Government (CRR, 2006).

In July 2005 Tesco signed the Courtauld Commitment, an initiative sponsored by the Government with the objective of helping to reduce the growth in household waste. The innovative automated recycling units, introduced in 2005, sort plastic, metal and glass. In 2005, 71% of all store waste was recycled, saving nearly 27,000 tonnes from landfill (AR, 2006). The amount of waste that was recycled in the UK in 2007 was 5% below the target of 75%.

Reducing paper use

Tesco does not mention anything on programs on reducing paper use in their offices or leaflets for example. However Tesco does put much effort in recycling cardboard and paper for around 80 percent of their total use. Another re-active indicator is the use of FSC certified paper for their Corporate Social Review 2007, 2006 and 2005.

Saving energy/reducing greenhouse/using renewable energy sources

Tesco is a member of the Retail Energy and Environment Club (REEC), which assesses new technologies and enables retailers to share information and participates in the UK Emissions Trading Scheme (ETS). As part of the ETS, Tesco reports to be committed to an absolute reduction in greenhouse gas emissions over a five-year period at a control group of 118 stores, in return for a payment from the government which is invested in further energy saving initiatives (CRR, 2006).

Tesco mentions that 'one of our biggest challenges is climate change' (CRR, 2007) and it does put a lot of effort on saving energy and reducing greenhouse emissions. Tesco worked with the Carbon Trust and Brunel University to develop trigeneration combined heat and power (CHP) technology for their stores and distribution centres (CRR, 2006). With the Carbon Trust (and DEFRA and BSI), Tesco has also begun the task of developing a universally accepted and commonly understood measure of the carbon footprint. Tesco has a budget of £100 million per year to spend on sustainable environmental technology such as wind turbines, solar energy, geothermal power, combined heat and power,

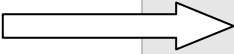
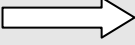
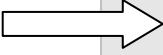
trigeneration and gasification. This budget increased to £200 a year later in 2008. From 2006 onwards Tesco will spend more than £500m in 5 years time on low-carbon technologies to reduce greenhouse gas emissions. Tesco created a new Sustainable Consumption Institute at the University of Manchester, pledging to make all its findings freely and publicly available. Fresh & Easy launched in the US is a pilot member of the Leadership in Energy and Environmental Design Volume Certification Program which encourages energy-efficient building (CRR 2008).

Tesco's plan to reduce its carbon footprint further includes: (CRR, 2007)

- Helping customers to make green choices easier and more affordable;
- Setting an example by measuring and making big cuts in Tesco's greenhouse gas emissions around the world by halving emissions from the buildings by 2020 through restricting air freight, more efficient distribution, make no longer use of CFCs.

Tesco commissioned Environmental Resources Management Limited (ERM, an independent and global provider of environmental, social and corporate responsibility consulting and assurance services) to map the total direct carbon footprint of the Tesco business across all the countries they operate (CRR, 2007). ERM reports 'The majority of reported figures for Tesco's UK operations are based on sound measurement practices. This data represents approximately 46% of Tesco's global direct carbon footprint. The remaining data - related to UK business travel, UK home delivery, approximately half of UK refrigerants and international operations' carbon dioxide equivalent emissions - are based on part-measurements and extrapolations, as well as estimates, all of which we have assessed and found to be made on a sound basis' (CRR, 2007).

In South Korea and Thailand Tesco is working together with UNEP to further people's understanding of climate change and help communities actively engage with the issues. In Thailand Tesco, the Ministry of Natural Resources and the foundation for Khao Yai National Park are planting nine million trees in Thailand (CRR, 2008).

	INACTIVE ←-----→ACTIVE		
	RE-ACTIVE ←-----→		PRO-ACTIVE
1. environmental protection and biodiversity			
2. reducing toxic waste			
3. reducing paper use			
4. saving energy/ reducing green-house/ using renewable energy sources		