



# Retailers' GSCOP reports 2010-11

A briefing

Retailers are required, under the Groceries Supply Code of Practice (GSCOP), to report annually on compliance. Six of the ten retailers covered by the GSCOP have issued reports, the remainder potentially interpreting the rules as not requiring a report until 2012. Of the six reporting, two report no complaints under the Code, three report either alleged breaches or disputes and in one case it is unclear whether or not there have been alleged breaches or disputes.

## 1 Background

The GSCOP came into force on 4<sup>th</sup> February 2010. It requires the ten large grocery retailers covered by the code to publish an annual summary of compliance:

A summary of the annual compliance report described in Article 10(1) must be included in the Designated Retailer's annual company report, and will contain an overview of each of the matters set out in Article 10(2) above. If the Designated Retailer does not produce an annual company report, the summary of the annual compliance report will be published clearly and prominently on the Designated Retailer's website within four months after the end of the financial year to which the compliance report relates. [Paragraph 10(5), The Groceries (Supply Chain Practices) Market Investigation Order 2009]

The summary must contain an overview of instances where suppliers have alleged breaches, steps taken to ensure compliance (including training) and disputes with suppliers, along with their outcome.

This briefing is the first produced by the British Brands Group, assessing the public reports of the retailers concerned, 22 months after the GSCOP came into force.

## 2 Reporting

Six of the ten retailers have reported their compliance with the GSCOP. No report has been found for Aldi and Waitrose's report is cursory. Asda and The Co-operative Group argue that their report will be for the first full financial year after the GSCOP was introduced, and will be published in spring 2012. This may be the approach adopted by Waitrose.

Iceland's report was not easy to access, only being obtainable by purchasing a copy of its annual report from Companies House.

A summary of all ten retailers' compliance is set out in the chart below.

3 **Alleged breaches**

Retailers are required, in their compliance report to the OFT, to report instances where a breach or alleged breach of the code has been identified by a Supplier and the steps taken to rectify it, with an overview being published. Iceland reports no breaches (but does not report on alleged breaches), M&S declares two alleged breaches (one of which has been resolved), J Sainsbury reports a “very small number” of alleged breaches (all of which have been resolved) and Tesco does not quantify alleged breaches but reports all have been resolved. Lidl and Morrisons do not report on breaches at all.

4 **Steps taken to ensure compliance**

All retailers who published reports include the measures they have taken to ensure compliance with the GSCOP.

5 **Disputes with suppliers and their outcome**

Iceland and Lidl report no disputes. Tesco reported one instance of a supplier invoking the dispute resolution procedure which was resolved. M&S, Morrisons and J Sainsbury did not report on whether or not there had been disputes, though it can be inferred from J Sainsbury’s report that there had not been a dispute.

6 **Observations**

Retailers are interpreting differently when they need to report their compliance publicly. It will be for the OFT to determine whether those who have not reported are in breach of the Order but in any event, a fuller picture should be available after April 2012.

There is no standard approach to the reports of those retailers who have published their compliance, with some declaring alleged breaches and their specific number but some not, and some declaring disputes and some not. A standard approach to public reporting would be helpful, allowing the relative performance of retailers to be more clearly and unequivocally judged.

It would be helpful if published information on compliance were fully in the public domain and not subject to the purchase of company’s annual reports.

# GSCOP

## Retailers' statements

Retailer	Document	Statement
Aldi		No information found.
Asda		Asda has indicated that it will publish its first annual compliance report, which will cover the period from the commencement of the GSCOP, at the end of Asda's first full financial year in which the GSCOP is in force, which is not due until April 2012. See <a href="#">evidence to BIS Committee</a> .
Co-op Group		The Co-Operative Group has indicated that it will publish this information in its annual report and accounts in Spring of 2012. See <a href="#">evidence to BIS Committee</a> .
Iceland	<p>Iceland Food Limited's Financial Statements for period ending 25 March 2011.</p> <p>Not found on website. Obtained by purchasing a copy the accounts from Companies House.</p>	<p>An annual compliance report as required by the Groceries (Supply Chain Practices) Market Investigation Order 2009 ("Order") for the period from when GSCOP came into force on 4 February 2010 until the end of the financial period 2010/11 has been submitted to and approved by Iceland's Audit Committee.</p> <p>The report confirmed that during this period there have not been any breaches of the Groceries Supply Code of Practice ("GSCOP") or the order and there have been no formal complaints.</p> <p>A number of measures have been taken during the year to ensure full compliance with GSCOP. These included issuing new terms and conditions incorporating GSCOP to all grocery suppliers and ensuring that all new suppliers receive these prior to commencing supply. All members of the buying team have been issued with a copy of GSCOP and have received training on a six monthly basis. All new members of that team receive a copy of GSCOP and training as part of their induction.</p> <p>A central electronic database has been set up to ensure all relevant documents are stored and available to the supplier whenever required.</p> <p>Regular internal audits are carried out to assess the effectiveness of GSCOP training and to ensure ongoing compliance with GSCOP.</p> <p>No notice has been received of any formal disputes regarding the terms of the supply agreements or compliance with GSCOP.</p>

Lidl	Lidl.co.uk (About us)	<p><b>GSCOP Annual Compliance Report 2010-2011</b></p> <p>Purpose:</p> <p>This report details the actions taken by Lidl UK GmbH to ensure ongoing compliance with the Groceries Supply Code of Practice, which came into force on 4th February 2010.</p> <p>This document also gives account, from the commencement of the GSCOP to the end of the Company's financial year (FY 10/11), of any Disputes that were raised by Suppliers, the level at which they were raised and resolved.</p> <p>Actions undertaken in 2009-2010 prior to commencement of the GSCOP:</p> <p><b>In conjunction with external solicitors:</b></p> <p>All existing Terms &amp; Conditions checked for compliance with the Code.</p> <p>Reference to the GSCOP made in relation to all existing contracts.</p> <p><b>In house compliance measures:</b></p> <p>The Head Office Compliance Director has been appointed as Code Compliance Officer (CCO) in line with Article 9(1) of the Groceries (Supply Chain Practices) Market Investigation Order 2009.</p> <p>All respective Suppliers have been informed of the escalation stage 1 (Buying Director) and stage 2 and 3 (Code Compliance Officer) contact details.</p> <p>All Buying staff have received initial training on the Code. This has been carried out by the Code Compliance Officer on 01.02.10.</p> <p>Review of FY 2010-2011:</p> <p><b>In house compliance measures:</b></p> <p>A refresher training for all Buying staff has been carried out by the Code Compliance Officer on 28.01.11.</p> <p>Newly appointed Buyers are trained on GSCOP compliance requirements by their line managers in the Buying Department.</p> <p><b>Disputes:</b></p> <p>No Disputes have been raised to the CCO.</p> <p><b>Compliance Director (GSCOP Code Compliance Officer) LIDL UK GmbH</b></p> <p>Date: 21.06.11</p>
M&S	Financial report and annual statements 2011	<p><b>Groceries Supply Code of Practice</b></p> <p>The Groceries (Supply Chain Practices) Market Investigation Order 2009 ('Order') and The Groceries Supply Code of Practice ('GSCOP') came into force on 4 February 2010.</p>

		<p>M&amp;S has implemented a number of measures to ensure compliance with the Order and GSCOP:</p> <ul style="list-style-type: none"> <li>– Amendment of the terms and conditions which govern the trading relationship between M&amp;S and those of its suppliers that ply groceries to M&amp;S to incorporate GSCOP. The revised terms were reissued to suppliers in January 2010, with a notice incorporating information required to be given to suppliers by Article 6(6) of the Order;</li> <li>– Appointment of a Code Compliance Officer;</li> <li>– Implementation of employee training on GSCOP, including annual refresher programmes and new starter training.</li> </ul> <p>As part of M&amp;S' ongoing compliance with the Order and GSCOP, M&amp;S is required to submit an annual report detailing its compliance with GSCOP to the Audit Committee for approval and to the Office of Fair Trading. M&amp;S submitted its first such report to the Audit Committee on 16 May 2011 covering the period from 4 February 2010 to 31 March 2011. The report refers to two allegations of breach of GSCOP by M&amp;S – both involved allegations of breach by M&amp;S of the fair dealing provision in paragraph 2 of GSCOP and one involved allegations of breach by M&amp;S of the requirement not to require a supplier, directly or indirectly, to make any payment towards M&amp;S' costs of opening a store (or warehouse, in this instance) in paragraph 6(d) of GSCOP. In both instances, M&amp;S denied the allegations. In one instance the matter has been resolved.</p>
Morrisons plc	Annual Report and Financial Statements 2011	<p><b>Groceries Supply Code of Practice</b></p> <p>The Groceries Supply Code of Practice (GSCOP) came into effect on 4 February 2010. GSCOP replaced the existing Supermarket Code of Practice.</p> <p>The new code, which applies to all grocery retailers with annual turnover in excess of £1bn, was part of a package of remedies introduced to address a number of issues identified by the Competition Commission at the conclusion of its market investigation into the supply of groceries in the UK.</p> <p>Prior to implementation of GSCOP, the Group appointed a Code Compliance Officer and provided comprehensive training to in excess of 650 colleagues who work with the GSCOP code in their everyday dealings with suppliers. As required under the provisions of GSCOP, training has also been provided to all new employees who will be subject to the GSCOP code.</p> <p>During the period since implementation, matters relating to GSCOP have been reported to the Board, through appropriate sub-committees, on a periodic basis. Although only recently implemented, the GSCOP process appears to be working well. The Board will continue to keep the important issue of GSCOP compliance under close supervision.</p>

<p>J Sainsbury plc</p>	<p>Annual report and financial statements 2011</p>	<p><b>Grocery Supply Code of Practice</b></p> <p>In February 2010 a new Grocery Supply Code of Practice (“GSCOP”) was implemented following the recommendation of the Competition Commission. Each grocery retailer to which it applies had to appoint a Code Compliance Officer whose duties include hearing disputes between suppliers and the relevant retailer. Sainsbury’s has appointed the Director of Internal Audit as its Code Compliance Officer.</p> <p>GSCOP requires that each grocery retailer to which it applies must deliver an annual compliance report to the Office of Fair Trading which has been approved by the chair of the audit committee. Furthermore, a summary of that compliance report must be included in our Annual Report and Financial Statement.</p> <p><b>Summary Annual Compliance Report</b></p> <p>Sainsbury’s has invested significant time and resource in providing comprehensive training to all relevant colleagues as required under GSCOP. This training is reinforced by online knowledge testing and further supported by training and reference materials on our intranet. Sainsbury’s has also dedicated internal legal resource to provide all relevant colleagues with day-to-day advice and guidance.</p> <p>A very small number of alleged breaches of GSCOP has been received in the reporting period, all of which have been resolved to the supplier’s satisfaction within the Trading Division using our standard internal escalation procedure. None of the alleged breaches has required any involvement by the Code Compliance Officer.</p>
<p>Tesco plc</p>	<p>Annual report 2011</p>	<p><b>Compliance with the Groceries (Supply Chain Practices) Market Investigation Order 2009 and the Groceries Supply Code of Practice (Code)</b></p> <p>The Code came into force in the UK on 4 February 2010 and places obligations on grocery retailers with a turnover greater than £1 billion to build a compliance programme, which includes training staff and providing information to the OFT as requested. In addition, the Code sets out a number of provisions which relate to different aspects of the retailer/supplier relationship.</p> <p>We are committed to treating our suppliers fairly and work in collaboration with them wherever possible. It is in our nature to treat compliance with the Code very seriously.</p> <p>Prior to the introduction of the Code, Tesco took a number of steps to ensure that it was ready to comply. We have in place a compliance training programme for our buying teams and a comprehensive training course is provided for all relevant new starters. Annual refresher training is provided via a bespoke e-learning programme.</p>

		<p>We have appointed a Code Compliance Officer (CCO) supported by a small team including an auditor. We have developed an audit plan and our approach enables us to identify any gaps in our processes so they can be quickly fixed.</p> <p>All alleged breaches of the Code raised by suppliers have been resolved internally. We had an instance of a supplier initiating the Dispute Resolution Procedure set out in the Code. This matter was escalated within the relevant commercial category and resolved.</p> <p>The CCO submits reports to the Audit Committee which considers that it retains effective oversight of our compliance with the Code.</p>
Waitrose	johnlewispartnership.co.uk (trading fairly)	<p>Since February 2010, Waitrose, along with all major food retailers, is required to comply with the Groceries Supply Code of Practice (GSCOP). GSCOP, the result of the Competition Commission's investigation, protects suppliers from excessive risks and undue costs. A Waitrose project team ensures compliance and the GSCOP terms are communicated to all suppliers.</p>