



# Retailers' GSCOP reports 2011-12

A review of retailers' summaries of their reports to the OFT (Revised)

The UK's top ten grocery retailers are required, under the Groceries Supply Code of Practice (GSCOP), to publish summaries of their annual reports to the Office of Fair Trading on compliance. A review of these summaries indicates a number of points:

- not all retailers' reports are equally accessible to public scrutiny;
- there is very little quantification, especially in the area of alleged and confirmed breaches;
- there is no consistent interpretation of what is to be included in the published summaries.

The summaries indicate there have been alleged breaches but very limited indication of their scale. There is also evidence of disputes.

For the summaries to be most useful, guidance is needed on what must be made public and the level of quantified detail required.

## 1 Background

This is the second report from the Group on retailers' publicly stated compliance with the Groceries Supply Code of Practice (GSCOP). The first is on our [website](#).

The ten largest grocery retailers are required under the GSCOP to publish an annual summary of their compliance, in their annual company report if they have one or "clearly and prominently" on their website if not. 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.

## 2 Reporting

Nine retailers publish their compliance information in their annual company reports. Seven of these make their reports freely available online. The exceptions are Aldi and Iceland whose reports are only available from Companies House, requiring registration and payment of a £1 fee.

Lidl relies on a website-based report rather than a company report. Its report features in its 'About us' section and has a clear, prominent tab leading to the information.

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

## 3 Alleged and actual breaches

While retailers are required to report to the OFT on both breaches and alleged breaches of the Code, it is not clear whether their summary reports must include both.

- 3 There is no consistency in how breaches and alleged breaches are reported. Indeed some retailers (Lidl, M&S, Morrisons, Waitrose) do not report on this area at all.

Of those that make a report, only in the case of Aldi is there any quantification of alleged breaches from suppliers and most do indicate whether any actual breaches have been found. Generally, vague language is used such as “a small number of alleged breaches” (Asda), “A small handful of alleged breaches...” (The Co-operative) and “All alleged breaches...have been dealt with internally.” (Tesco). Iceland reports there to have been no breaches but gives no information on alleged breaches.

Despite not quantifying alleged and actual breaches in relation to suppliers, Tesco is most forthcoming on breaches more generally, reporting on issues concerning de-listing and training and the steps taken to rectify them.

4 **Steps taken to ensure compliance**

All retailers report on measures they have taken to ensure compliance with the GSCOP.

5 **Disputes with suppliers and their outcome**

Aldi, Asda, The Co-operative, Iceland, Lidl, M&S, Tesco and Waitrose report no disputes.

Morrisons states that “...we have successfully worked with suppliers to resolve disputes that have arisen with reference to its provisions” without giving any quantification.

J Sainsbury states that “The resolution of one alleged breach was facilitated by the Code Compliance Officer in accordance with GSCOP.” A dispute is deemed to arise if a supplier notifies a Code Compliance Officer of a potential breach and invokes the dispute resolution procedure. It is not clear whether or not a dispute arose in this instance.

6 **Observations and recommendations**

There continues to be no standard approach to how retailers summarise their OFT reports, a concern we also raised last year. In the interests of transparency, we suggest that, at least, each retailer quantifies in its report: the number of alleged breaches with suppliers, the number of actual breaches, the number of disputes raised and the number resolved.

It is helpful that Tesco reported on non-supplier-related breaches. This should be a requirement for all retailers.

It is notable that those who use their website to report must do so “clearly and prominently” while those who use their annual company report need not. While the company reports of most are freely available online, the reports of Aldi and Iceland are only available for a fee via Companies House.

It is understandable that some will seek to publish minimal information. Doing so however reduces transparency and the scope for public scrutiny. We have long advocated the importance of independent scrutiny of the GSCOP and this is just one area where guidance from the Adjudicator could influence positively the level of detail that is publicly available.

# GSCOP

Retailers' summaries of their reports to the OFT

Retailer	Document	Statement
Aldi	<p>Aldi Stores Limited Financial Statements Year ended 31 December 2011</p> <p>Not free online. Only obtainable by purchasing a copy from Companies House.</p>	<p>The Grocery Supply Code of Practice came into force on 4 February 2010, replacing the Supermarket Code of Practice which Aldi Stores Limited was not a part of.</p> <p>This new Code applies to all retailers with grocery sales of more than £1 billion and requires them to submit an annual compliance report to the Office of Fair Trading.</p> <p>As our financial year runs from January to December this initial summary covers the period from February 2010 until December 2011.</p> <p>Prior to the Code's implementation Aldi Stores Limited appointed a Code Compliance Officer and instituted a comprehensive training programme. All new employees who have everyday dealings with grocery suppliers are trained on the Code and annual refresher training was carried out in 2011.</p> <p>In this initial 22 month reporting period Aldi Stores Limited received notification of one alleged breach. After discussion with the Senior Buyer the claim was withdrawn by the supplier.</p>
Asda	<p><a href="#">Annual Report and Accounts 2011</a></p>	<p>..... We're pleased to say we delivered our first report, covering the period from 4 February 2010 to 31 December 2011, to the OFT on 30 April 2012.</p> <p>Before the Code was implemented, and during the reporting period, we took several steps to achieve compliance.</p> <p>These included appointing a Code Compliance Officer, amending our terms and conditions with suppliers to incorporate the Code and providing comprehensive training on the Code to all members of our buying team. That's involved training for all new members of the buying team and a refresher e-learning module which was rolled out to our buyers at the end of last year.</p> <p>We received a small number of alleged breaches of the Code during the reporting period. These have been resolved, withdrawn or are currently being dealt with internally.</p> <p>We're pleased to say that because, in our view, of the effective way that we work with suppliers to deal with their concerns, there have been no instances of a supplier escalating their concern to Asda's Code Compliance Officer directly to raise a dispute (as defined in Article 11(2) and (3) of the Order). Nor have there been any instances of disputes referred to arbitration (as set out in Article 11 of the Order).</p> <p>Compliance with the Order and Code is really important to Asda, and we will continue to take steps to achieve compliance to the fullest degree.</p> <p>If you would like to find out more about the Groceries Supply Code of Practice, you can do so at <a href="http://www.competition-commission.org.uk">www.competition-commission.org.uk</a></p>

The Co-operative	<a href="#">Annual Report &amp; Accounts 2011</a>	<p>Naturally, we have taken our responsibilities under the Code seriously both in anticipation of its coming into force and since 4 February 2010. A significant investment has been made in robust compliance processes and systems (both within our Food business and, to the extent it retails grocery items, our Pharmacy operation), including the appointment of a Code Compliance Officer, the creation of a rolling programme of internal audits to test compliance, the implementation of a comprehensive training programme for all employees involved in dealings with our suppliers, the launching of an online supplier portal, and the provision of regular reports of progress and status to the Group's Audit and Risk Committee to ensure that Committee retains effective oversight of Code compliance.</p> <p>A small handful of alleged breaches of the Code have been asserted by suppliers but all of these have been found, on examination, not to engage the provisions of the Code in fact.</p> <p>Accordingly, we are pleased to be able to report that the Group has received no formal supplier complaints under the Code, nor has the dispute resolution process it provides for been activated by any supplier.</p>
Iceland	<p>Iceland Food Limited's Financial Statements for period ended 30 March 2012.</p> <p>Not free online. Only obtainable by purchasing a copy from Companies House.</p>	<p>An annual compliance report as required by the Groceries (Supply Chain Practices) Market Investigation Order 2009 ("Order") for the financial year 2011/12 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 include ensuring that all new suppliers receive Iceland's standard terms and conditions prior to commencing supply. All members of the buying team have been issued with a copy of GSCOP and continue to receive training on a six monthly basis. All new members of the buying team receive a copy of GSCOP and training as part of their induction.</p> <p>A central electronic database continues to be used 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	<p><a href="#">Lidl.co.uk</a> (About us) Tab: GSCOP annual compliance report</p>	<p><b>GSCOP Annual Compliance Report 2011-2012</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, for the Company's last full financial year</p>

		<p>(FY 11/12), of any Disputes that were raised by Suppliers, the level at which they were raised and resolved.</p> <p>Actions undertaken 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.</p> <p>Review of FY 2011-2012:</p> <p><b>In house compliance measures:</b></p> <p>The annual refresher training for all Buying staff has been carried out by the Code Compliance Officer on 23.02.12.</p> <p>Additionally, newly appointed Buyers are trained on GSCOP compliance requirements by their line managers in the Buying Department, and automatically receive GSCOP-relevant documentation from the Personnel Department upon induction in their new position.</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 Date: 25.06.12</b></p>
M&S	<a href="#">Financial report and annual statements 2012</a>	<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”) has been in force since February 2010.</p> <p>The Company operates a number of systems and controls to ensure compliance with the Order and GSCOP including the following:</p> <ul style="list-style-type: none"> <li>– the terms and conditions which govern the trading relationship between M&amp;S and those of its suppliers that supply groceries to M&amp;S incorporate GSCOP;</li> <li>– new suppliers are issued with information as required by the Order;</li> <li>– The Company has a Code Compliance Officer as required under the Order, supported by our in-house legal department; and</li> </ul>

		<p>– employee training on GSCOP is provided, including annual refresher programmes and new starter training.</p> <p>Under the Order and GSCOP, The Company 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. The Company submitted its report to the Audit Committee on 11 May 2012 covering the period from 1 April 2011 to 31 March 2012. There were no disputes relating to GSCOP during the financial year ended 31 March 2012.</p>
Morrisons plc	<a href="#">Annual Report and Financial Statements 2011/2</a>	<p><b>Groceries Supply Code of Practice</b></p> <p>The Groceries Supply Code of Practice (GSCOP) came into effect on 4 February 2010 and applies to all grocery retailers with an annual turnover in excess of £1bn.</p> <p>The Group undertook a number of measures to ensure compliance before commencement, including a Code Compliance Officer (CCO), amending our standard terms and conditions of purchase to incorporate the Code, and undertaking a full training regime for our buyers and associated supporting colleagues. Over the last year, we built on our initial work by undertaking a full retraining programme for all relevant colleagues and have had all of our supporting processes reviewed by our internal audit team.</p> <p>Alleged breaches are dealt with in accordance with GSCOP and escalated internally up to, and including, the CCO, where required. These matters are reported to both our Management Board and CCR Committee.</p> <p>Since the GSCOP came into effect, we have successfully worked with suppliers to resolve disputes that have arisen with reference to its provisions. Details of such disputes have been reported to the Office of Fair Trading (OFT) periodically on request as part of the OFT's monitoring. No matters that have arisen during our reporting period have progressed to arbitration.</p>
J Sainsbury plc	<a href="#">Annual report and financial statements 2011</a>	<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 small number of alleged breaches of GSCOP has been received in the reporting period, all of which either have been or are in the process of being resolved to the supplier's satisfaction within the Trading Division using our standard internal escalation procedure. The resolution of one alleged breach was facilitated by the Code Compliance Officer in accordance with GSCOP.</p>

Tesco plc	<a href="#">Annual report 2012</a>	<p><b>Compliance with the Groceries (Supply Chain Practices) Market Investigation Order 2009 and the Groceries Supply Code of Practice ('Code')</b> The Code came into force on 4 February 2010 in the UK 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 relationship between a retailer and supplier.</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>We have in place 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. This approach is working well, as evidenced by our having identified a gap relating to the information given to suppliers in connection with delisting. We responded immediately by strengthening internal processes to ensure that all information provided to suppliers complies with the Code requirements in this area.</p> <p>We also have in place an ongoing compliance training programme for our buying teams, and a comprehensive training course is provided for relevant new starters. We identified some non-compliance with the Code relating to the training of some new starters within the period mandated by the Code. We responded immediately by ensuring that all relevant personnel were trained by year end and strengthening internal processes to ensure that all new starters are trained within Code timelines. Annual refresher training is provided via a bespoke e-learning programme.</p> <p>All alleged breaches of the Code raised by suppliers this year have been dealt with internally. We have had no instance this year of a supplier initiating the Dispute Resolution Procedure set out in the Code.</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	<a href="http://johnlewispartnership.co.uk">johnlewispartnership.co.uk</a>	<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>

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	<p><a href="#">John Lewis Partnership Ltd Annual Report and Accounts</a></p>	<p><i>Compliance with the Groceries (Supply Chain Practices) Market Investigation Order 2009 ('the Order') and the Groceries Supply Code of Practice ('GSCOP').</i></p> <p>The Order and GSCOP came into force on 4 February 2010. Waitrose implemented a number of measures to ensure compliance with the Order and GSCOP which included the appointment of a Code Compliance Officer and the implementation of comprehensive Partner training, including annual refresher programmes and new starter training. As part of Waitrose's ongoing compliance with the Order and the GSCOP, Waitrose is required to submit a report detailing its compliance with GSCOP to the Audit and Risk Committee for approval and to the Office of Fair Trading. Waitrose has submitted a report to the Audit and Risk Committee for the period 4 February 2010 to 28 January 2012.</p> <p>The Audit and Risk Committee, which met on 17 April 2012, has approved the Code Compliance Officer's report on Waitrose's compliance since the Order and GSCOP came into force and was pleased to note that Waitrose has not been the subject of any supplier or supply chain disputes under the Order or GSCOP. In concluding that Waitrose was fully compliant with the Order and with GSCOP, the Audit and Risk Committee noted the significant resources that Waitrose had invested in IT systems, training, processes and documentation ensuring that its compliance programme would be consistent both with the requirements of the Order and GSCOP and reflects the John Lewis Partnership's commitment to its overarching principle of fairness that has always governed its relationships with suppliers.</p> <p>The Audit and Risk Committee concluded that compliance with the Order and with GSCOP is well embedded within Waitrose and approved the Code Compliance Officer's report to the Office of Fair Trading.</p>
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