



Retailers' GSCOP¹ reports for 2015-16

A review of retailers' published reports on compliance

The UK's top ten grocery retailers are required to publish summaries of their annual GSCOP compliance reports that they provide to the Competition and Markets Authority (CMA). This is the Group's sixth review of these published summaries.

Broadly, retailers seem to approach the requirement to summarise publicly their compliance reports as a compliance exercise. In other words, they broadly meet their statutory duty while providing little in the way of insight or elucidation.

Consequently the performance of GSCOP cannot be assessed from a reading of the summary retailer reports alone. The reports give just one perspective and in a formal, compliance context. Another perspective is provided by the Groceries Code Adjudicator's (GCA) annual supplier survey.

1 Background

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

The GSCOP applies to the ten largest grocery retailers in the UK. The GSCOP Order² requires them 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 of breaches or alleged breaches, steps taken to ensure compliance (including training) and disputes with suppliers, along with their outcome.

2 Reporting

All retailers have reported their summaries of their compliance reports publicly either in their annual reports or on their website and all are freely available (historically it had been necessary to pay to access Iceland's from Companies House).

A full transcript of each retailers' public reports is given at the end of this report.

The table on the next page gives an overview of each of the areas on which retailers are required to report (see section 10 (5) of the [GSCOP Order 2009](#)).

¹ GSCOP: Groceries Supply Code of Practice.

² [The Groceries \(Supply Chain Practices\) Market Investigation Order 2009](#), paragraph 10(5).

	Alleged breaches	Actual breaches	Disputes	Dispute outcome	Training
Aldi	ND	ND	0		✓
Asda	"Small number" 7 were raised with CCO	ND	1		✓
Co-op	"A modest number" All resolved	ND	ND		✓
Iceland	ND	ND	0		✓
Lidl	ND	ND	0		✓
M&S	2 Both resolved	ND	0		✓
Morrisons	9 raised with CCO All resolved	ND	ND		✓
J Sainsbury	"A small number" 4 were raised with CCO for resolution	ND	ND		✓
Tesco	16 13 were raised with CCO All resolved	ND	1	Resolved	✓
Waitrose	2 Both resolved	ND	0		✓
CCO = Code Compliance Officer ND = Not disclosed					

3 Alleged and actual breaches

Retailers are required to provide an overview of alleged or actual breaches of the Code and the steps taken to rectify them. As in previous years, and as can be seen from the summary, not all retailers provide this information. This year Aldi, Iceland and Lidl provide no information (as opposed to a 'nil return') so it is not clear whether there have been any alleged or actual breaches.

Aside from those who do not report alleged breaches, there is a difference in approach between those retailers who do. Some give a quantified number while others are vague ("A small number"; "A modest number").

4 Steps taken to ensure compliance

All retailers report on the training they give to existing and new staff. Most also outline other initiatives they have undertaken to ensure compliance, albeit with a mixed level of detail. This information includes internal audits and the involvement of Risk and Audit Committees and teams.

5 Disputes with suppliers and their outcome

There were 2 reported disputes this year, from different retailers. Tesco makes it clear that its dispute has been resolved while Asda gives no information.

The Co-op, Morrisons and Sainsbury give no information on disputes so it is unclear whether there have not been any or they choose not to report them.

6 **Other information**

Iceland in its summary reports on specific initiatives it has introduced to improve relations with suppliers. These initiatives include:

- Dropping charges for consumer complaints;
- Dropping design charges for the packaging of its own label products; and
- Signing up and committing to the GCA's statement on forecasting best practice.

7 **Other observations**

While it may be broadly the case that retailers' published summaries of compliance meet the requirements laid down in the GSCOP Order, they provide little insight into the performance of GSCOP. There is also of course a time lag, where the retailers are reporting on the previous financial year so areas of transformation, as in the case of Tesco recently, will not yet be reflected.

The compliance reports therefore give only one perspective on the performance of GSCOP. Another published perspective comes from suppliers through the GCA's [annual survey](#) undertaken by YouGov. To illustrate the contrast between the two, retailers' reports suggest only a handful of alleged breaches while the GCA's survey indicates that 13% of suppliers have raised GSCOP concerns with the retailer concerned (encouragingly, an improvement of 4% over the previous year).

GSCOP

Retailers' published summaries of their reports to the CMA

Retailer	Document	Statement
Aldi	Corporate website	<p>The Groceries Supply Code of Practice (GSCOP) came into force on 4th February 2010. It applies to all retailers with grocery sales over £1 billion and requires them to submit an annual report to the Office of Fair Trading and the Groceries Code Adjudicator (GCA).</p> <p>Our annual report was submitted in April 2016 covering the period 1st January 2015 to 31st December 2015. During this time no disputes were raised by our suppliers.</p> <p>The GCA was formally established in June 2013 and regular meetings between the Adjudicator and Aldi are in place to ensure our continued compliance with the Code.</p> <p>Aldi first included the GSCOP summary on its website during 2013; this summary will be updated annually. The Code Compliance Officer (CCO) contact details have also been passed to the GCA for inclusion on their website.</p> <p>All new suppliers are being informed of the existence of the Adjudicator and annual refresher training was carried out for employees with GSCOP responsibilities. New starters to the business with buying responsibilities were trained on the Code in accordance with the deadlines contained within it.</p>
Asda	Your Asda website	<p>The Groceries (Supply Chain Practices) Market Investigation Order 2009 (let's call it the "Order") has been in force since 4 February 2010.</p> <p>The Order implemented something called the Groceries Supply Code of Practice (let's call that the "Code") which applies to certain grocery retailers, including us – Asda – in our dealings with suppliers.</p> <p>As part of our compliance with this Order, we're required to submit an annual compliance report to the Competition and Markets Authority ("CMA", previously known as the Office of Fair Trading) and the Groceries Code Adjudicator (let's call it the "GCA") to detail our compliance with the Code, any alleged breaches of the Code and any disputes with suppliers. We're also required to post this notice on our website.</p> <p>We are pleased to have delivered our fifth report, covering the period from 1 January 2015 to 31 December 2015, to the CMA and the GCA on 29 April 2016.</p> <p>During the reporting period, we took several steps to achieve compliance. These included providing comprehensive training on the Code to all members of our buying team. That involved training for all new members of the buying team and annual refresher training via computer based learning.</p>

		<p>We received a small number of alleged breaches of the Code during the reporting period.</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 were only four instances of a supplier escalating their concern to Asda's Code Compliance Officer directly. Only one dispute (as defined in Article 11(2) and (3) of the Order) however was formally raised and 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>The Co-operative</p>	<p>Annual Report & Accounts 2015</p>	<p>The Code was introduced on 4 February 2010 following a Competition Commission investigation of the market for the supply of groceries in the UK. The Code applies to all grocery retailers with a turnover greater than £1bn and aims to address a number of findings of the investigation by placing those retailers under specific obligations regarding their supplier relationships, including a requirement to deliver an annual compliance report (of which this is a summary) to the Office of Fair Trading.</p> <p>We expect to work purposefully and collaboratively with our suppliers in the long term interests of our customers and members, and believe this approach has served us well in the past and will continue to do so in the future. Naturally, we take our responsibilities under the Code seriously.</p> <p>Consequently, a significant investment has continued to be made in robust compliance processes and systems. This includes work commissioned by our appointed Code Compliance Officer, a rolling programme of internal audits to test compliance, a comprehensive training programme for all colleagues involved in dealings with our suppliers, an online supplier portal with a dedicated support team, and the provision of regular reports to the Group's Risk and Audit Committee to ensure that the Committee retains effective oversight of Code compliance generally.</p> <p>A modest number of alleged breaches of the Code have been asserted by suppliers, all of which have been thoroughly investigated and resolved. Engagement with the Groceries Code Adjudicator has been ongoing since her appointment in 2013 and quarterly meetings are held to discuss any issues and to share best practice.</p>

<p>Iceland (Company no. 01107406)</p>	<p>Iceland Food Ltd Financial Statements to 27 March 2015.</p> <p>Available free from Companies House.</p>	<p>GSCOP summary of annual compliance</p> <p>An annual compliance report as required by the Groceries (Supply Chain Practices) Market Investigation Order 2009 ("Order") for the financial year 2015/16 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 GSCOP terms and conditions prior to commencing supply. All members of the buying team have been issued with a copy of GSCOP and receive training annually. 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. Internal audits are carried out to assess the effectiveness of GSCOP training and to ensure ongoing compliance with GSCOP.</p> <p>In addition, Iceland has taken a number of measures this year to help suppliers, including: dropping the customer complaints charge altogether; dropping design charges for packaging for own label products; and signing up to the forecasting statement and retailer commitment agreed between the ten designated retailers and the GCA.</p> <p>No notice has been received of any formal disputes regarding the terms of the supply agreements or compliance with GSCOP.</p>
<p>Lidl</p>	<p>Hyperlink</p>	<p>GSCOP Annual Compliance Report 2015-2016</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 (FY 15/16), 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>In conjunction with external solicitors:</p> <ul style="list-style-type: none"> All existing Terms & Conditions checked for compliance with the Code. Reference to the GSCOP made in relation to all existing contracts. <p>In house compliance measures:</p> <ul style="list-style-type: none"> The 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. All relevant Suppliers have been informed of the escalation stage 1 (Buying Director) and stage 2 and 3 (Code Compliance Officer) contact details.

		<p>Review of FY 2015-2016:</p> <p>In house compliance measures:</p> <p>Annual refresher training for all Buying staff has been carried out by the Code Compliance Officer on 22.02.16.</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>Disputes:</p> <p>No Disputes have been raised to the CCO.</p>
M&S	Financial report and annual statements 2016	<p>The Groceries (Supply Chain Practices) Market Investigation Order 2009 ('Order') and The Groceries Supply Code of Practice ('GSCOP') impose obligations on M&S relating to relationships with its suppliers of groceries. Under the Order and GSCOP, M&S is required to submit an annual compliance report to the Audit Committee for approval and then to the Competition and Markets Authority and Groceries Code Adjudicator.</p> <p>M&S submitted its report to the Audit Committee on 18 May 2016 covering the period from 1 April 2015 to 2 April 2016. In accordance with the Order, a summary of that compliance report is set out below.</p> <p>M&S believes that it has complied in full with GSCOP and the Order during the relevant period. No formal disputes have arisen during the reporting period. Two allegations regarding potential breaches of GSCOP were made by suppliers during the relevant period, but both have been resolved.</p> <p>M&S operates systems and controls to ensure compliance with the Order and GSCOP including the following:</p> <ul style="list-style-type: none"> > The terms and conditions which govern the trading relationship between M&S and those of its suppliers that supply groceries to M&S incorporate GSCOP; > New suppliers are issued with information as required by the Order; > M&S has a Code Compliance Officer as required under the Order, supported by our in-house legal department; and Employee training on GSCOP is provided, including annual refresher programmes and new starter training.
Morrisons plc	Annual Report and Financial Statements 2015/6	<p>The Groceries Supply Code of Practice (GSCOP) (the 'Code') applies to all grocery retailers with an annual turnover in excess of £1bn. Essentially, the Code creates certain specific rights and obligations that regulate our trading relationship with suppliers.</p> <p>We actively engage with the relevant regulatory bodies, the Office of the Groceries Code Adjudicator (GCA) and the Competition & Markets Authority (CMA), to build best practice in relation to the Code. We have regular meetings with the GCA and provide updates on our activity, challenges in relation to the Code and details on specific areas of interest for the</p>

		<p>Adjudicator.</p> <p>During the year, we continued to build on our training programme for all supplier-facing colleagues. This year we ran two face-to-face briefing and feedback sessions for all buyers and relevant trading colleagues. In addition, we ran bespoke sessions for colleagues in our supply chain team and a further session for finance colleagues who work closely with our trading function. We undertook a further detailed review of relevant processes utilising our Internal Audit team. Building on audits in previous years, additional actions were identified for continued process improvement including the strengthening of the compliance and monitoring team through the addition of a dedicated and independent resource.</p> <p>Enquiries from suppliers on Code related matters were dealt with in accordance with the regulations. Any matter not resolved directly with a buyer is escalated to the relevant Category Director and, if requested, to our appointed Code Compliance Officer (CCO). Additional day-to-day guidance and advice on the Code is provided by the Group's legal function.</p> <p>During 2015/16 we have successfully worked with suppliers to resolve the majority of complaints that have arisen with reference to the provisions of the Code. In summary nine new complaints were made by suppliers which were notified to our CCO. In total, eight of those were either resolved or withdrawn during the course of the year. The remaining matter at the financial year end has subsequently been resolved. For overall governance, routine reports and updates are provided to our Corporate Compliance and Responsibility Committee, Audit Committee and Executive Committee on all aspects of the Code including developments about its operation or regulation. We formally report details of activity over the year and specific complaints made by the suppliers to our CCO, to the GCA, and the CMA at the financial year end.</p> <p>Contact details and further information can be found at www.morrisons.co.uk/gscop.</p>
J Sainsbury plc	Annual report and financial statements 2016	<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 appointed the Director of Internal Audit as its Code Compliance Officer.</p> <p>GSCOP requires that each grocery retailer (to which it applies) delivers an annual compliance report to the Groceries Code Adjudicator which has been approved by the Chairman of the Audit Committee. Furthermore, a summary of the compliance report must be included in our Annual Report and Financial Statements.</p> <p>Summary Annual Compliance Report</p> <p>Sainsbury's has invested significant time and resource in providing comprehensive training to all relevant colleagues as required under GSCOP</p>

		<p>which is reinforced by online knowledge testing. Sainsbury's has also dedicated internal resource to provide all relevant colleagues with day-to-day advice and guidance. The Trading Division, in consultation with the Legal Services Team and the Code Compliance Officer, continues to assess the adequacy of policies and procedures in place to support GSCOP awareness and compliance.</p> <p>A small number of alleged breaches of GSCOP have been received in the reporting period, which were dealt with within the Trading Division using our standard internal escalation procedure. The resolution of four of these alleged breaches was facilitated by the Code Compliance Officer.</p>
Tesco plc	Annual report and Financial Statements 2016	<p>The Code places obligations on grocery retailers with a turnover greater than £1 billion to maintain a Code compliance programme, which includes training staff and providing information to the Competition and Markets Authority. 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>The Code establishes an overarching principle that retailers must deal with their suppliers fairly and lawfully. Specific obligations include giving reasonable notice in circumstances such as changes to supply chain procedures and when ceasing or significantly reducing purchases from a supplier. The Code also contains a number of provisions relating to payments by suppliers, including obligations for retailers to pay suppliers without delay and a prohibition on certain types of payments, such as those for shrinkage.</p> <p>In our last Annual Report we acknowledged our conclusion that there had been a number of instances of probable breaches of the Code which fell short of the high standards we expect to uphold in our dealings with our suppliers. The Groceries Code Adjudicator (GCA), Christine Tacon, made consistent findings in her report into historic supplier issues at Tesco, published in January 2016.</p> <p>During the last year we have publicly apologised to our suppliers and fundamentally changed the way we work with them, addressing the historic practices referred to in the report. The GCA acknowledged that the overwhelming majority of suppliers she spoke to as part of her investigation are now more positive towards Tesco compared to the period under investigation. We are currently working on the implementation of the GCA's recommendations.</p> <p>Outside of the investigation and report, we have continued our positive engagement with the GCA and her office. Both our Group Chief Executive and Chief Product Officer have met with the GCA to share the changes we are making in our business, and our legal team have briefed their counterparts in the GCA's office ahead of announcements such as publishing our payment terms for all suppliers.</p> <p>Our Code Compliance Officer has also continued to take an active and visible role during the year and regularly reports to our Compliance Committees and Audit Committee.</p>

		<p>This year, 16 Code-related complaints were raised by suppliers. As at 27 February 2016, all complaints had either been resolved through discussion with the suppliers concerned, or withdrawn, although one complaint has since been reopened after the supplier contacted us after the end of the reporting year. In 13 instances, the complaints were referred to our Code Compliance Officer, and 6 of those 13 cases were raised simultaneously with the supplier's buying contact. A formal dispute was only raised in one matter and was referred to the GCA for arbitration, but resolved directly between us and the supplier before arbitration commenced.</p>
Waitrose	<p>John Lewis Partnership Ltd Annual Report and Accounts 2016</p>	<p>As required by the Order and the GSCoP, the Code Compliance Officer is obliged to present a report detailing Waitrose's compliance to the Partnership's Audit and Risk Committee. The Audit and Risk Committee noted that during the period two suppliers had claimed specific breaches of the GSCoP and that both instances had been satisfactorily resolved by the Commercial Buying team.</p> <p>Given the above, Waitrose has remained compliant with the Order and the GSCoP during the period and continues to ensure that its comprehensive Partner training programme (including annual refresher and new starter training), together with the ongoing monitoring of supplier contracts, promotes the necessary awareness and behaviours in order to ensure compliance.</p> <p>The Audit and Risk Committee also noted that Waitrose's approach to GSCoP compliance reflects the Partnership's commitment to its overarching principle of fairness that has always governed its relationships with suppliers.</p> <p>The Audit and Risk Committee, which met on 12 April 2016, approved the Code Compliance Officer's report on Waitrose's compliance for the 52 weeks ending 30 January 2016 and agreed onward submission to the Groceries Code Adjudicator and Competition and Markets Authority.</p>