



Retailers' GSCOP¹ reports for 2016-17

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 seventh review of these published summaries.

We are beginning to see some divergence in how designated retailers meet the compliance requirements set out in the GSCOP Order. We have long been critical of retailers seeing their reporting duties as a compliance exercise, broadly meeting their statutory duty while providing little insight. This still holds true for most, though a couple are now more transparent and indicating that GSCOP is more integral to their business, including their assessment of risk and their audit work.

Published compliance reports give designated retailers' perspective on compliance and relationships between retailers and suppliers. Another perspective, from suppliers, can be obtained from the Groceries Code Adjudicator's (GCA) annual [supplier survey](#).

1 Background

This is the seventh 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 published reports either in their annual reports or on their websites. A copy of each report is given at the end of this document, while the table below summarises 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	31	ND	1	Resolved without need for arbitration	✓
Co-op	ND	ND	ND		✓
Iceland	ND	ND	0		✓
Lidl	ND	ND	0		✓
M&S	2	ND	0		✓
Morrisons	During 2016/17 we successfully worked with suppliers to resolve any GSCOP complaints...	ND	ND		✓
J Sainsbury	"A small number" 5 resolved, facilitated by CCO	ND	ND		✓
Tesco	18 13 resolved; 5 closed - no supplier response; 1 re-opened	ND	1	GCA unable to arbitrate and supplier did not pursue dispute	✓
Waitrose	6 4 resolved; 2 outside GSCOP	ND	0		✓
ND = Not disclosed CCO = Code Compliance Officer					

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. Aldi, Iceland and Lidl continue their tradition of not providing this information, joined this year by the Co-op.

Morrisons, which gave specific information last year, is opaque this year, stating only that it worked successfully with suppliers to resolve complaints. A similar approach was followed by the Co-op which reports that, where alleged breaches have occurred, they have been fully investigated and "most resolved", with no more detail given.

Sainsbury's continues to refer to "a small number" of alleged breaches, as it has in previous years, indicating that 5 had been resolved with the help of the Code Compliance Officer.

Asda, Tesco and Waitrose are the most forthcoming, giving the number of alleged breaches and their status.

4 Steps taken to ensure compliance

All retailers report on the training they give to existing and new staff in a range of disciplines. Tesco also reports on its training of staff in Bengaluru.

It is notable that Morrisons and Tesco go further than the traditional compliance report, integrating GSCOP into other parts of their Annual Report and Accounts. Both refer to GSCOP in sections referring to corporate risk and both include GSCOP compliance activities when reporting on the work of their Audit Committees. Morrisons reports on setting up a

governance group to improve compliance and provides a link to a webpage listing Senior Buyers and Code Compliance Officer, its standard terms, its policy on forensic auditing information for overseas suppliers. This indicates that these two retailers are integrating GSCOP into their wider processes and procedures.

5 Disputes with suppliers and their outcome

The Co-op, Morrisons and Sainsbury fail to report whether or not any disputes arose during the reporting period.

Disputes arose with Asda and Tesco with one reported request for arbitration, though it is reported that the supplier did not pursue that dispute.

6 Other observations

Iceland, as it did last year, included initiatives it had undertaken to improve relationships with suppliers, including an undertaking to negotiate terms and conditions individually with suppliers when these had been rejected.

7 Marks & Spencer's report on alleged breaches is ambiguous. It states there had been two alleged breaches but that neither is being pursued and both are considered closed by M&S. It raises questions over whether it is suppliers, M&S or both who are not pursuing the allegations may consider. It is also unclear whether the suppliers as well as M&S consider the allegations closed.

8 While Morrisons gives useful information on how it responded to the Adjudicator's case study involving the retailer and the measures it has taken to strengthen training and compliance, it provides very limited information on alleged breaches and nothing on actual breaches or disputes. The Co-op also does not provide specific information. It will be for the Competition and Markets Authority to determine whether these reports comply with the GSCOP Order.

9 Comment

A marked difference is appearing between how designated retailers report publicly on their compliance. Asda, Tesco and Waitrose are most forthcoming while Aldi, Iceland, the Co-op and Lidl are at the other end of the spectrum.

As we have done in previous years, we draw a contrast between the published compliance reports of the designated retailers which indicate only a handful of alleged breaches and the Adjudicator's GCA's annual [supplier survey](#) undertaken by YouGov. The survey suggests that some 10% of suppliers have raised concerns with the retailer involved. That figure is 3% down on last year while suppliers who experienced a GSCOP issue was down 6%, indicating improved GSCOP compliance overall.

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 Competition and Markets Authority and the Groceries Code Adjudicator (GCA).</p> <p>Our annual report was submitted in April 2017 covering the period 1st January 2016 to 31st December 2016. 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 (the "Order") has been in force since 4 February 2010.</p> <p>The Order implemented the Groceries Supply Code of Practice (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 (the "CMA") and the Groceries Code Adjudicator ("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 have delivered our sixth report, covering the period from 1 January 2016 to 31 December 2016, to the CMA and the GCA on 30 April 2017.</p> <p>During the reporting period, we took several steps to achieve compliance. These steps included:</p>

		<p>- A wide-ranging internal review of our practices in order to establish stronger standards and controls throughout GSCOP processes. For example, reaffirming the process that must be followed in respect of delists.</p> <p>- A revamped training and communications plan, including refreshed online and face-to-face training. Comprehensive training on the Code was provided to all members of our buying team and a number of finance colleagues, involving face-to-face training for all new buying colleagues and an annual refresher course via computer based learning. We are also in the process of developing new and improved category-specific training.</p> <p>- Leadership communications from our CEO and CCO reaffirming our open door policy and encouraging suppliers to provide open and honest feedback where you feel we have not got things right.</p> <p>We received 31 alleged breaches of the Code during the reporting period. We're pleased to say that because, in our view, of the effective way that we work with suppliers to deal with their concerns, we closed out the majority of issues to the satisfaction of the relevant suppliers and there was only one instance of a supplier formally escalating a dispute to Asda's Code Compliance Officer in 2016. No matters were referred to arbitration (as set out in Article 11 of the Order) during the reporting year.</p> <p>Compliance with the Order and Code is extremely 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 2016</p>	<p>We do business differently. The way we treat our suppliers and partners is founded on a set of values and principles describing a fairer and better way of doing business. In our Food business our supplier relationships are also governed by the Code which contains certain rights and obligations on us and our grocery suppliers. One of those obligations is to submit an annual compliance report to the Risk and Audit Committee for approval and then to the Groceries Code Adjudicator and the Competition and Markets Authority.</p> <p>The Risk and Audit Committee looked at the compliance report on 27 March 2017. The Committee noted that we had remained compliant with the Code and that where allegations of breaches of the Code had been raised by suppliers, all were thoroughly investigated and most resolved. We continue to invest in improving our processes and systems. We have maintained an extensive programme of training for colleagues which is supported by both regular and targeted compliance reviews and audits. Suppliers are encouraged to contact our Code Compliance Officer (gscop.compliance@coop.co.uk) if they want more information.</p>

<p>Iceland (Company no. 01107406)</p>	<p>Iceland Food Ltd Financial Statements to 24 March 2017.</p> <p>Available free 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 2016/17 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>We continue to be committed to ensuring full compliance with GSCOP. 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>All of our existing suppliers have been issued with a revised copy of Iceland's terms and conditions of trade incorporating GSCOP. Any rejections of these terms will be negotiated individually with each supplier, to achieve a mutually acceptable set of terms and conditions of trade incorporating GSCOP.</p> <p>We have updated our terms and conditions to reflect practical changes that have been made for the benefit of our suppliers, for example:</p> <ul style="list-style-type: none"> (1) to reflect the removal of the charge to suppliers of a standard administration fee for customer complaints; (2) to amend the terms relating to the costs of the re-design of packaging and labelling of our own label products so that these costs will generally be paid by Iceland; (3) to reduce the insurance level required of suppliers from £15m to £10m; and (4) to include obligations required under the Modern Slavery legislation. <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>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>Corporate website</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 16/17) – 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 GCSOP:</p> <p>In conjunction with external solicitors:</p> <p>All existing Terms and Conditions checked for compliance with the Code. Reference to GSCOP made in relation to all existing contracts.</p>

		<p>In-house compliance measures:</p> <p>The Legal & 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. Review of 2016-2017</p> <p>In-house compliance measures:</p> <p>Annual refresher training for Buyers and relevant members of the Non-Food, Quality Assurance, Advertising, Communications, Artwork/Design, Administration and Accounting departments has been carried out by the Code Compliance Officer on 27.03.17 and 04.04.17.</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 2017	<p>The Groceries (Supply Chain Practices) Market Investigation Order 2009 (the 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, covering the period from 3 April 2016 to 1 April 2017, to the Audit Committee on 18 May 2017. 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 raised by suppliers during the relevant period. Neither is being pursued and both are considered closed by M&S.</p>
Morrisons plc	Annual Report and Financial Statements 2016/7	<p>GSCOP applies to designated grocery retailers in the UK with an annual turnover in excess of £1bn. This code of practice adds specific regulations into the trading relationships between the designated grocery retailers and their suppliers.</p> <p>We actively engage with the relevant regulatory bodies, the Office of the Groceries Code Adjudicator (GCA) and the Competition and 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 and details on specific areas of interest for the Adjudicator.</p> <p>In June 2016 the GCA published a case study providing clarification on activity Morrisons had undertaken in July 2015. The GCA determined that Morrisons had breached paragraph 3 of GSCOP, Variation of Supply Agreements by indirectly requiring suppliers to pay lump sums that were not</p>

		<p>provided for in the relevant supply agreement. The GCA acknowledged that we had responded immediately when alerted to the issue, had conducted an extensive internal investigation and no further action was required to be taken.</p> <p>In response to the GCA's case study, and supplier and buyer feedback, we enhanced and extended our training programme for all supplier-facing colleagues. This training covered all colleagues in the Trading teams together with bespoke training for colleagues in our Supply Chain and Finance teams who work closely with the Trading function. Over 1,000 colleagues have been through the programme.</p> <p>In addition, we strengthened our overarching governance in this area with the establishment of a governance group comprising of senior leadership team members across the Trading, Supply Chain, Finance, Legal and Compliance functions. This group undertook a detailed review of current activity and compliance with the GCA's sector-wide priority areas and supplier relationship development.</p> <p>Routine reports and updates are provided to our Executive Committee and CCR Committee, on activity and all relevant aspects of GSCOP 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 Code Compliance Officer (CCO), and to the GCA and the CMA at the financial year end.</p> <p>Enquiries from suppliers on GSCOP related matters are 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 CCO. During 2016/17 we successfully worked with suppliers to resolve any GSCOP complaints through the commercial escalation process or with the intervention of our CCO.</p>
<p>J Sainsbury plc</p>	<p>Annual report and financial statements 2017</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 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 which is reinforced by online knowledge testing. Sainsbury's has also dedicated internal resource to provide all relevant colleagues with day-to-</p>

		<p>day advice and guidance. The Trading Division, in consultation with the Legal Services Department 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 five of these alleged breaches was facilitated by the Code Compliance Officer during the reporting period.</p>
Tesco plc	Annual report and Financial Statements 2017	<p>The Code regulates aspects of the commercial relationship between the largest grocery retailers in the UK and their suppliers of grocery products, establishing an overarching principle that retailers must deal with their suppliers fairly and lawfully. Retailer compliance with the Code is overseen by the Groceries Code Adjudicator (GCA), Christine Tacon. Specific supplier protections under the Code include the obligation for retailers to give reasonable notice of changes or reduction in the volume of purchases, and 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>At Tesco, we have made fundamental changes to the way we operate to ensure we build transparent, long-term partnerships with our suppliers, consistent with the principle of fair dealing under the Code. These changes are having a positive effect on our relationships with suppliers. In the GCA's annual supplier survey in 2016, Tesco ranked as the most improved retailer, with 65% of suppliers reporting an improvement in how we operate. The results of our own supplier survey, conducted twice each year, also show a marked improvement in how our suppliers view their relationship with Tesco. Suppliers to our UK grocery business rated their 'overall satisfaction' with Tesco at 78.3% in February 2017, an improvement of 10.6% since February 2016.</p> <p>In the last financial year, part of our change programme has focused on implementing the recommendations made by the GCA, in her report into historic supplier issues at Tesco, published in January 2016. The GCA confirmed on 19 September 2016 that we had complied with her requirements, which she continues to monitor at six-monthly intervals.</p> <p>Retailers are required to train all members of their buying teams on their obligations under the Code, both when colleagues join the business and annually thereafter. In addition to our buying teams, we train a wider set of colleagues across our Product and other functions in the UK and in Tesco Bengaluru. For the 2016/17 financial year, we trained 1,188 new starters and 2,690 colleagues received annual refresher training.</p> <p>We continue to engage positively with the GCA and her office on other matters. We meet with the GCA each quarter, and were pleased to host members of the GCA's office team for a visit to our head office in Welwyn Garden City in October 2016.</p>

		<p>This year, 18 Code-related complaints were raised by suppliers. As at 25 February 2017, we had resolved 11 of the concerns following further discussion between the buying team and the relevant supplier, or between the Code Compliance Officer and the supplier; we had also closed a further four issues due to the supplier not responding to our follow-up communications post-resolution. The three remaining concerns have all been resolved since the end of the reporting period, two following further discussion with the relevant supplier and one due to the supplier not responding to our follow up communications; however, we have also reopened one of the concerns resolved prior to the end of the reporting period at the request of the supplier involved, and we are working with that supplier to resolve the matter. In eight instances, the complaints were referred to our Code Compliance Officer, and seven of those eight 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 the GCA determined that she was not able to accept appointment as arbitrator and the supplier is no longer pursuing the dispute.</p>
Waitrose	John Lewis Partnership Ltd Annual Report and Accounts 2017	<p>Waitrose is subject to the Groceries (Supply Chain Practices) Market Investigation Order 2009 and the Groceries Supply Code of Practice (Code). These regulate our trading relationships with grocery suppliers including training requirements for buyers and the content of supplier contracts. Our approach to Code compliance reflects our long-term commitment to treating our suppliers fairly, as set out in the Constitution (Principle 6 and Rule 96).</p> <p>We have a positive working relationship with the Groceries Code Adjudicator (GCA) and incorporate the best practices issued by the GCA into our guidance for buyers. We continue to make improvements in the development of processes and implementation of good practice in addition to routine training for new buyers and annual refresher training for all relevant employees. Day-to-day advice is provided to buyers by our finance and compliance team and we also provide news about the Code on our extranet – an online resource for all of our suppliers.</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 GSCoP to the Partnership's Audit and Risk Committee. The Committee met on 4 April 2017 and approved the Code Compliance Officer's report, noting that no formal disputes had arisen and that there had been six alleged breaches. Two of these alleged breaches were deemed to be outside the scope of the Code, and the remaining four were satisfactorily resolved during 2016/17. The Committee also noted that Waitrose's approach to GSCoP compliance reflects the Partnership's overall commitment to fair dealing with its suppliers.</p>