



Retailers' GSCOP¹ reports for 2014-15

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. This is the Group's fifth review of these published summaries.

We note the following in this year's reports:

- many retailers adopt a formulaic approach to reporting, seemingly adapting the previous year's copy with minimal changes, suggesting a compliance mindset over a desire to provide insight;
- some retailers now report the specific number of alleged breaches raised with Code Compliance Officers, a welcome move towards quantification;
- there remains however a general dearth of information. Where alleged breaches or disputes are not mentioned, even with a 'nil return', it is unclear whether there were none or whether there were incidents which have not been recorded in the summaries.

In summary, with a couple of exceptions, it seems that retailers appear to consider their public reporting of GSCOP performance as one of compliance rather than to inform. Nevertheless for the first time we see some limited quantification of alleged breaches. We will monitor the reports next year to see whether this is the start of a much-needed trend.

1 Background

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

We have produced this summary earlier than in previous years, coming as soon after the publication of the last retailer's annual report as possible.

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.

¹ GSCOP: Groceries Supply Code of Practice.

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

2 Reporting

All retailers have reported their summaries of their compliance reports publicly either in their annual reports or on their website.

Iceland continues to be only retailer that does not make its summary freely available. It must be purchased for a £1 at Companies House.

A full transcript of each retailers' public reports is featured at the end of this report while an overview is given below:

	Alleged breaches	Actual breaches	Disputes	Dispute outcome	Training
Aldi	ND	ND	0		✓
Asda	"Small number" 7 were raised with CCO	ND	0		✓
Co-op	"A modest number"	0	0		✓
Iceland	ND	0	0		✓
Lidl	ND	ND	0		✓
M&S	4	ND	0		✓
Morrisons	18 raised with CCO	ND	ND		✓
J Sainsbury	"Small number" 2 were raised with CCO	ND	ND		✓
Tesco	18 12 were raised with CCO	ND	0		✓
Waitrose	ND	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 can be seen from the summary, Aldi, Iceland and Waitrose provide no information in this area (as opposed to a 'nil return') so it is unclear whether there have been no alleged or actual breaches or they are reluctant to report them.

A marked change this year is that more retailers have been prepared to give actual numbers of alleged breaches, sometimes including how many incidents were raised with the Code Compliance Officer (CCO). Asda, Morrisons, Sainsbury and Tesco have provided this information this year.

Most suppliers are likely to allege breaches direct with retail buyers in the first instance, so the quoted numbers can be expected to be significantly less than the total number of alleged breaches. Of those retailers who report, most use vague language to indicate alleged breaches (eg "a small number"), though Tesco quantifies these.

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.

5 **Disputes with suppliers and their outcome**

No retailer reports any disputes.

Morrisons and Sainsbury make no reference to disputes in their reports. In the absence of a 'nil return', it is unclear whether or not there were any disputes.

6 **Other observations**

Most retailers take a formulaic approach to their published compliance reports. Many reports are virtually indistinguishable from the one provided a year before. Aldi and The Co-operative for example report on making their submission to the Office of Fair Trading which no longer exists, having been replaced by the Competition and Markets Authority in April 2014. This suggests that the public reporting of performance is more of a 'box ticking' compliance exercise than a genuine attempt to inform or be transparent. Only Morrisons and Tesco seem to adopt a fresh approach.

There continues to be a marked disparity of view on GSCOP compliance as expressed by retailers in their published reports and by suppliers as canvassed in the GCA's [annual survey](#) of suppliers. Both need to be read in order to gauge the performance of the GSCOP.

That four retailers report complaints being raised with CCOs could be seen as a reduction in compliance. A more likely explanation is that these retailers are willing to be more forthcoming with their experience with the GSCOP. This is to be welcomed and encouraged.

GSCOP

Retailers' published summaries of their reports to the OFT

Retailer	Document	Statement
<p>Aldi (Company no. 02321869)</p>	<p>Corporate website</p>	<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 2015 covering the period 1st January 2014 to 31st December 2014. 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>
<p>Asda</p>	<p>Your Asda website</p>	<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 fourth report, covering the period from 1 January 2014 to 31 December 2014, to the CMA and the Groceries Code Adjudicator on 30 April 2015.</p> <p>During the reporting period, we took several steps to achieve compliance.</p> <p>These included providing comprehensive training on the Code to all members of our buying team. That involved training for all new members of</p>

		<p>the buying team and annual refresher training via computer based learning. We also refreshed some of our procedures to reflect guidance issued by the GCA.</p> <p>We received a small number of 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, there were only seven instances of a supplier escalating their concern to Asda's Code Compliance Officer directly. No disputes (as defined in Article 11(2) and (3) of the Order) however were formally raised or 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 https://www.gov.uk/government/organisations/groceries-code-adjudicator.</p>
<p>The Co-operative</p>	<p>Annual Report & Accounts 2014</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 sample of compliance reviews undertaken by Group Risk Services, a comprehensive training programme for all employees involved in dealings with our suppliers, an online supplier portal, and the provision of an annual report 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, but all have been found, on examination, not to breach the provisions of the Code. Engagement with the Grocery Suppliers Code of Practice Adjudicator has been ongoing since her appointment in 2013 and a quarterly meeting is 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>Not free online. Only obtainable by purchasing a copy 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 2014/15 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>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>Lidl.co.uk (About us) Tab: Legal</p>	<p>GSCOP Annual Compliance Report 2014-2015</p> <p>Purpose: 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 14/15), 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: In conjunction with external solicitors:</p> <p>All existing Terms & Conditions checked for compliance with the Code. Reference to the GSCOP made in relation to all existing contracts.</p> <p>In house compliance measures: 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.</p> <p>All relevant Suppliers have been informed of the escalation stage 1 (Buying Director) and stage 2 and 3 (Code Compliance Officer) contact details. All Buying staff have received initial training on the Code.</p> <p>Review of FY 2014-2015: In house compliance measures: Annual refresher training for all Buying staff has been carried out by the Code Compliance Officer on 26.02.14 and 06.03.15.</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: No Disputes have been raised to the CCO.</p>
M&S	Financial report and annual statements 2015	<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 14 May 2015 covering the period from 1 April 2014 to 31 March 2015. 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. Four allegations regarding potential breaches of G SCOP were made by suppliers during the relevant period, but all complaints have been withdrawn/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 2014/5	<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. Over the course of the year we provided information for both the GCA and CMA on a range of areas of interest across the sector including contract formation, deliveries into our depots, forecasting and supplier charges.</p> <p>Alongside other retailers, we agreed with the GCA to create a new reciprocal policy on profit recovery charges to help address industry-wide</p>

		<p>concerns over historic claims for income made by retailers and suppliers. This was positively received by the GCA and promoted at the GCA's first annual conference in June 2014.</p> <p>Specifically related to Morrisons, the GCA requested details for charges requested of suppliers who were offered multi-channel sales in stores, online and convenience. The GCA published a case study on the review which, in relation to the substantive issue of multi-channel participation, concluded that Morrisons was not in breach of the Code (Part 9).</p> <p>We undertook an enhanced annual training programme for all supplier-facing colleagues. This involved a bespoke face to face presentation for all buyers and relevant trading colleagues and a follow up e-learning module. We also undertook a further detailed review of relevant processes utilising our Internal Audit team. Actions were identified for continued process improvement including the establishment of an additional compliance and monitoring function within the trading division.</p> <p>Enquiries from suppliers on Code related matters were dealt with in accordance with the regulations. Any matter not resolved directly is escalated to the relevant Category Director and, if requested, to our appointed Code Compliance Officer (CCO). Additional guidance and advice is provided by the Group's legal function.</p> <p>During 2014/15 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 18 new complaints were made by suppliers and then notified to our CCO. In total, 14 of those were withdrawn or resolved directly with the relevant supplier during the course of the year.</p> <p>Routine reports and updates are provided to our Corporate Compliance and Responsibility Committee and Management Board 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. Members of our PLC Board have also met with the GCA in recognition of the importance of achieving best practice in supplier relationships and maintaining level focus.</p> <p>Contact details and further information can be found at www.morrisons.co.uk/gscop</p>
<p>J Sainsbury plc</p>	<p>Annual report and financial statements 2015</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 Chair of the Audit Committee. Furthermore, a summary of the compliance report must be included in our Annual Report</p>

		<p>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-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. Two of these alleged breaches were referred to the Code Compliance Officer.</p>
Tesco plc	Annual report and Financial Statements 2015	<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>Regrettably, we have concluded that there have been a number of instances of probable breaches of the Code which fall short of the high standards we expect to uphold in our dealings with our suppliers.</p> <p>We are taking effective action to prevent this arising again. We are fundamentally changing the way we work with our suppliers to deliver a more sustainable and collaborative business model for everyone in the supply chain. In addition, we are significantly up-weighting our Code compliance programme. The programme will include comprehensive new starter training and annual refresher training (which is delivered through both e-learning and in-person training), improved guidance and processes, 'deep dive' audits throughout the year, bi-annual compliance declarations and disciplinary action where necessary.</p> <p>We have continued our positive engagement with the Groceries Code Adjudicator (GCA), Christine Tacon, and her office. Specifically, we are in ongoing dialogue with the GCA around the probable breaches of the Code we have identified and our proposed remedial actions.</p> <p>Our Code Compliance Officer has also continued to take an active and visible role during the year and we have proactively engaged the supply base</p>

		<p>through supplier training events. This year we have seen an increase in suppliers raising Code issues. Eighteen Code-related complaints were raised by suppliers this year, and (as at the date of this report) we have resolved all but one complaint through discussion with the suppliers concerned. We are continuing to discuss the final matter with the relevant supplier. We have had twelve instances where complaints were referred to the Code Compliance Officer, although in none of those instances was a formal dispute raised as all matters were resolved directly with the supplier. The Code Compliance Officer regularly reports to our Compliance Committees and Audit Committee.</p>
Waitrose	John Lewis Partnership Ltd Annual Report and Accounts 2015	<p>Waitrose has remained compliant with the Order and the GSCoP during the period and the business 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>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 for approval. The report is then submitted to the Groceries Code Adjudicator and the Competitions and Markets Authority.</p> <p>The Audit and Risk Committee, at its meeting on 14 April 2015, approved the Code Compliance Officer's report on Waitrose's compliance for the 12 month period ending 31 January 2015. The Audit and Risk Committee noted that Waitrose had not been the subject of any supplier or supply chain disputes under the Order or GSCoP during the period. 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 governing its relationships with suppliers.</p>