



NFU Review of Grocery Retailer CSR Policies

Contents

3	Foreword
4	Introduction
3	CSR summary
14	Aldi
17	Asda
23	The Co-operative
28	Iceland
30	Lidl
32	M&S
38	Morrisons
42	Sainsbury's
47	Tesco
54	Waitrose

Foreword

This review is a qualitative study of the corporate social responsibility (CSR) policies of the 10 largest UK supermarket chains, paying particular regard to the impacts these programmes have on UK agriculture. Our survey not only takes a static look at the main areas of sourcing, relationships and sustainability, but also highlights areas where commitments could be developed to the benefit of retailers and farmers.

Our relationships with the UK's grocery retailers are critical to the success of British agriculture. Over recent years, many retailers have sought closer relationships with farmers and growers. They have developed standards to meet the expectations of groups of consumers, set up dedicated pools in some sectors and sought to promote UK and local sourcing to meeting demands of customers. The approaches they have taken differ and our study is the first attempt at comprehensively mapping how each retailer has shaped its relationships. We highlight both the positives and the negatives of the different approaches with a view to encouraging the take-up of best practice more widely across the industry

Britain's farmers provide some 60% of the UK's food. Looking to the future, they will have to produce even more food in order to meet growing domestic and global demand but do so in a way that is environmentally and socially sustainable. The dynamics of the grocery market suggest that we might see even more concentration of power in the hands of a relatively small number of retail and food companies that are British farming's major customers. With power comes tremendous responsibility. Our recent Farming Delivers campaign highlights the benefits that a strong, vibrant UK agricultural sector is bringing to society. The NFU firmly believes that having strong credentials in favour of UK agriculture and British sourcing places retailers in a better position to address some of the significant commercial and societal challenges that both they and farmers face.

Introduction

Corporate Social Responsibility (CSR) is used to describe a range of activities that businesses undertake that go beyond purely commercial operations. Many businesses, including a number of food companies have arguably engaged in some non-commercial activities for decades, but it is in recent years that formal CSR commitments have become more prominent in shaping the behaviour of food businesses; now almost all major companies adopt CSR policies albeit to varying degrees.

Businesses are keen to incorporate more sustainable practices as means of demonstrating their credentials to consumers and investors who are increasingly concerned about ethical and environmental issues. Advances in social media have amplified the ability of consumers to voice concerns about business practices. Therefore organisations are accountable for their actions like never before and as such, CSR has become an increasingly important concept and is part of the debate about globalisation, competitiveness and sustainability.

Defining CSR and the activities it encompasses can be somewhat tricky. No standard definition exists although a number of organisations have tried to provide yardsticks for companies seeking to adopt CSR policies. The European Commission defines CSR as concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. From this it is clear that CSR has a close proximity to the concept of sustainability.

The scale and public exposure of many grocery retailers, combined with the intimate link between food, farming and natural resources has led many to adopt comprehensive CSR commitments that cover a range of social and environmental issues, including relationships with farmers. This study examines the extent to which the UK's largest retailers are engaging with their farmer suppliers through CSR policies.

Aims and objectives

This review considers the CSR policies of the top ten grocery retailers (by market share) in the UK. It identifies the key messages, targets and commitments adopted as part of their CSR commitments with a particular focus on UK agriculture.

It is increasingly clear that CSR is becoming more than a mere communications exercise and is increasingly shaping the commercial behaviour of retailers and other key players in the supply chain. These policies are already having an impact on farmers and growers in the UK and elsewhere and we believe that CSR will become more significant in shaping the policy landscape for agriculture in future as government intervention in agriculture declines.

The review takes a qualitative approach. It assesses publicly available information drawn from company CSR reports along with supplementary information gathered from corporate websites and other sources. The review provides a commentary on the commitments with particular reference to three areas:

- Sourcing
- Supplier Relationships
- Sustainability

Our study provides both a baseline in our understanding of the current state of play with regard to CSR and a comparison of the strengths and weaknesses across the ten largest retailers. It also indicates ways in which commitments could be developed to the benefit of retailers and farmers. We believe that having strong credentials in favour of UK agriculture and British sourcing places retailers in a better position to address some of the challenges they face and to improve business performance in the long-term.

Why do companies adopt CSR policies?

The reasons for businesses adopting CSR policies (and reporting on them) are various but are often based on public and political expectations that businesses should act responsibly. It is even argued that the economist Adam Smith, whose views some 200 years ago formed the basis for free-market economies, advocated CSR

by recognising that the free market did not always perform perfectly, stating that marketplace participants must act honestly and justly toward each other if the ideals of the free market are to be achieved.

The rise of ethical consumerism, fuelled to some extent by media exposure and pressure from NGOs and governments, is often seen as a major factor in driving the CSR agenda for all businesses, not just grocery retailers. In addition, investors increasingly see value in ensuring that a company's policies are aligned with high standards of social and environmental responsibility. Indeed, analysis by the FTSE¹ has indicated that companies listed as part of its FTSE 4Good index tend to outperform those that are not listed. It could also be argued that grocery retailers have used CSR programmes to differentiate their offer to consumers and stakeholders, something which may have contributed to overlapping policies and standards.

A report by Business in the Community² identifies seven benefits to being a responsible business which might be seen as drivers to adopting comprehensive CSR programmes:

1. **Brand value and reputation** – good CSR programmes can mitigate negative perceptions of a brand and enhance a company's reputation
2. **Employees and future workforce** – responsible practices help businesses attract and nurture talent and strengthen employee loyalty
3. **Operational effectiveness** – responsible practices can often improve the efficiency of operations
4. **Risk reduction and management** – CSR programmes can reduce business risk
5. **Direct financial impact** – responsible policies can attract investors and/or improve the bottom line
6. **Organisational growth** – CSR can lead to organisational growth through, for example, opening up partnership opportunities
7. **Business opportunity** – the innovation that might be encouraged by responsible practices can unlock new business opportunities

A further advantage, not explored by BITC, is that CSR programmes can help businesses and their suppliers to address policy or regulatory challenges.

As a final word, it would appear that CSR programmes can be both reactive and proactive. Programmes are often drawn up in response to problems raised by stakeholders or the concerns of consumers. But they can also anticipate future challenges or, in some extreme cases, be an example of genuine corporate altruism.

What should CSR programmes consist of?

What comprises a 'good' CSR programme is the subject of some conjecture since reporting standards remain variable. The Companies Act of 2006 requires the Directors of publicly quoted companies to report on environmental matters, the company's employees and social/ community issues to the extent that is necessary for an understanding of the business. However, not all grocery retailers are quoted companies: some are privately owned, some are subsidiaries of overseas parent companies. This not only makes direct comparison between different companies difficult but also means there is no single guide to the correct adoption of CSR programmes.

Some discrete standards exist for specific aspects of CSR, for example the International Labour Organisation (ILO) sets some guidelines for labour standards. Some voluntary standards also exist, primarily the ISO14000

¹ See http://www.ftse.com/Indices/FTSE4Good_Index_Series/Downloads/FTSE4Good_10_Year_Report.pdf

² The Business Case for being a Responsible Business, jointly published by Business in the Community and the Doughty Centre, November 2011 – see http://www.bitc.org.uk/issues/why_become_a_responsible_business/

series which set international standards for environmental management³. In addition, a number of organisations have provided guidance on CSR reporting as well as listing opportunities for businesses to demonstrate their credentials. Among the most prominent indices in the UK are the Business in the Community Corporate Responsibility Index⁴ launched 10 years ago and the FTSE4Good index⁵ which was launched in 2001.

CSR should be seen as the process of assessing a business's impact on society and identifying how the values and policies that the business espouses contribute towards addressing these impacts. Typically CSR programmes concentrate on impacts in two areas: the environment and social impacts. These categories themselves cover a wide range of issues from deforestation through to working with local communities. In addition, retail CSR reporting (both grocery and non-grocery) often addresses both the direct impacts of the business and impacts down the supply chain.

Why should retailers adopt CSR policies in favour of British agriculture?

We believe passionately about British agriculture and are convinced that stronger commitments between farmers and retailers have much to offer to businesses, investors and consumers. The seven drivers to CSR provided by Business in the Community in many ways provide a backdrop to why retailers should adopt policies that are supportive towards British farmers and growers.

1. Customers are increasingly seeking out local, fresh and seasonal British produce. As a result, policies that favour British agriculture are likely to generate business growth and foster innovation
2. Consumers and the media are concerned about the impact buying power can have on farmers and rural communities. They want to see retailers take responsibility for the farmers who supply them. Positive policies can thereby enhance a company's reputation with the general public and media
3. Consumers and civil society groups believe retailers should take ownership for ensuring high standards throughout their supply chains. Policies in favour of British farmers can therefore protect brand integrity and give consumers a stake in the debate about the future of agricultural production
4. Getting closer to farmers allows better transmission of market signals, fostering innovation and new market development as well as better consistency and quality of raw materials
5. Adopting strong UK sourcing policies provides greater assurances over security of supply, especially given ongoing market volatility and concerns about global trade flows which are moving increasingly away from Europe. There is thus a compelling risk reduction rationale for retailers and investors
6. Stronger, more trusting supply chain relationships which give farmers longer term security stimulate investment by farmers and by banks who increasingly require security with regard to contracts. They may also help identify opportunities to eliminate waste and unnecessary transaction costs in supply chains. They can, therefore, drive efficiency.

³ See <http://www.iso14000-iso14001-environmental-management.com/> for a fuller explanation of the ISO environmental management standards.

⁴ http://www.bitc.org.uk/cr_index/index.html

⁵ http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp

Our assessment of CSR commitments

This section provides an overview of all the assessments we have made of the CSR programmes adopted by the ten largest retailers. Not all of the companies reviewed publish a full CSR report. This may reflect business structure since companies that are not primarily based in the UK may see less of an advantage in publishing a single report for investors and other stakeholders. However, it is likely that all of these companies will be subject to greater public scrutiny in future, suggesting that all should be taking steps to identify and report on their CSR commitments publicly.

It is clear that all CSR programmes impact to some extent on UK farmers and growers. The rationale for these programmes varies from seeking to enhance brand reputation by appealing to consumer demands for local products to adopting additional standards that address global concerns about the environment. Policies can have both broadly positive and sometimes negative impacts on producers. For example, policies in favour of UK sourcing will benefit British farmers and growers, whereas a desire to drive higher standards without engaging producers or rewarding them for their investment could have negative impacts.

The extent to which grocery retailers focus on UK agriculture as part of their CSR programmes varies significantly. To some extent this can be attributed to the global reach of the company: Tesco's CSR programme appears to say comparatively little about UK agriculture in part because its programme covers its global business. However, the attention which UK agriculture receives in CSR programmes also reflects where retailers currently see the priorities in terms of the commitments they hold.

Given the lack of precise (and indeed objective) comparability, it is impossible to provide anything other than a qualitative judgement about which retailers offer the 'best' commitments as far as British agriculture is concerned. Nevertheless, we have attempted to come to some conclusions based on the three areas considered in our review.

Sourcing

Although there are variable levels of detail about sourcing policies across the retailers, most of them make some commitments on UK and local sourcing. This is a really encouraging sign that appears to reflect consumer demand for British, local and seasonal produce. Some categories are better covered than others such as fresh milk, eggs and meat. Few retailers appear to make public commitments with regard to UK sourcing on cheese, fresh produce or any frozen food.

Morrisons and the Co-operative should be commended in particular for their strong commitments to 100% British sourcing across key product lines such as fresh beef, pork, poultry, eggs and milk. Additionally, Morrisons commits to sourcing 100% UK fresh lamb. Despite questions on turkey and lamb, Waitrose's sourcing is noteworthy and we also single out Aldi for specific mention considering its status as a discount retailer. Whilst offering a limited number of stock keeping units (SKUs) it also commits to sourcing a considerable amount of fresh food (including all its fresh meat) from UK farms only and has tackled some less obvious opportunities like frozen chips and bedding plants.

Despite otherwise having very strong CSR and sourcing credentials, we were disappointed to see that Marks and Spencer does not readily distinguish between UK and Irish sourcing. We urge the company to take steps to address this in future. That said, we recognise the important work the company is doing to increase regional sourcing, extend product ranges from UK suppliers and generate market opportunities for small suppliers.

A frequent challenge is to identify the baseline from which sourcing commitments should be measured and what steps the company itself is taking to evaluate the sourcing levels. This means that companies may be making commitments to increase UK sourcing without saying what current levels (by product) are. We would, therefore, like to see all retailers be more explicit about the baselines and measurements that will be used to evaluate commitments that are made, particularly with regard to sourcing.

One retailer that has begun to address this is Sainsbury's in its 20 by 20 CSR programme. This, coupled with its ambition to double its UK sourcing above existing levels marks the company out for the level of its ambition with regard to UK sourcing in the future.

Both Asda and particularly Tesco source large volumes from UK farmers although also rely considerably on imports, notably in respect of fresh meat. Both have stated aims to improve the proportion of UK food they sell although we believe they need to establish clearer baselines and targets. Tesco has evidently done some good work in terms of local food sourcing and appears keen to take this even further which will be positive for UK farmers and growers.

Lidl is beginning to improve its communication on sourcing and although known to stock a relatively high proportion of UK-sourced fresh meat and also feature the Red Tractor logo on packs prominently it can enhance this further. Iceland does not communicate its policies particularly well.

Supplier relations

Attention to supplier relations varies across the retailers. Most provide some indication within their corporate values of a desire to build trusting relationships and to treat suppliers fairly although few have explicitly drawn attention to working with UK farming suppliers. Nevertheless, many of the reports indicate that perceptions are changing. Once upon a time, retailers would have distanced themselves from establishing relationships with farmers on the pretext that their primary dealings were with processors. Whilst this remains true (except in some categories such as horticulture where retailers often deal directly with farmers), over the course of the last decade we have seen relationships emerge that, whilst still largely embryonic, could offer a platform for building stronger, more meaningful partnerships.

Generally we believe that retailers are missing opportunities to highlight some of the good work they're already doing to engage with British farmers in their CSR publications. Examples that are identified include Asda's FarmLink programme, Sainsbury's farmer Development Groups and Tesco's Sustainable Dairy Group (TSDG).

The dairy sector stands out in terms of the maturity and depth of relationships between farmers and retailers with Marks and Spencer, Waitrose, Asda, Tesco, Sainsbury's and more recently the Co-operative all operating dedicated supply chain relationships with liquid milk producers. No single model stands out, although Tesco's initiative taken in 2007 to establish the TSDG we considered to be ground breaking at the time. More recently, Sainsbury's approach to moving towards a cost-plus pricing model (based on a consultation and vote amongst Sainsbury's suppliers) was highly commendable.

Sainsbury's and Waitrose have perhaps gone further than other retailers in terms of seeking to develop closer working relationships with farmers in other sectors. Nevertheless, the level of awareness amongst farmers and communication of the activities of these groups remains quite low outside of the dairy sector.

Morrisons vertical supply chain model is somewhat unique (at least in the UK) and carries some benefits in terms of closer engagement on the ground with some farmers and direct sourcing. The company appears keen to collaborate with farmers (for example on research projects) with a desire to be seen as being at the end of a sustainable UK-based supply chain.

We were really pleased to see some retailers draw attention to commitments to support research and development (R&D) activities to the benefit of farmers. Morrisons has already funded a number of research projects for dairy and poultry farmers with commitments to undertake further projects in future. Asda is also committed to a strong R&D programme incorporating beef, pork, lamb, dairy, produce, and poultry by 2015 as part of its sustainable agriculture programme. Few specific details are as yet available on these activities, but the attention is focussed in the right direction. M&S is also noteworthy in this area as it has facilitated the extension of growing seasons for UK produce including asparagus, blueberries and potatoes through R&D programmes. Tesco's most recent CSR review profiles its work with Liverpool University on dairy cow diets.

Sustainability

The sustainability of food production is a complex issue that does not come with a clear definition. Sustainability implies that something is viable in the long-term and to many commentators it embraces three dimensions: environmental, social and economic. Our assessment primarily considers the measures that retailers have taken to address the environmental and socio-economic sustainability of their supply chains,

particularly farmer suppliers, for example through environmental or animal welfare standards. As a general rule there is less appreciation of the economic dimension of sustainability. The ability of any part of the supply chain to address environmental or socio-economic sustainability depends heavily on the economic viability of their businesses. Few retailers appear to explicitly recognise the need to ensure higher standards (that imply higher production costs) are reflected in either higher prices to producers or consumers. As yet, the additional costs of sustainability have yet to be fully internalised by retailers in their CSR programmes.

Whilst most retailers are keen to trumpet their credentials in terms of carbon reduction commitments (Tesco and Asda/Walmart for example) and animal welfare improvements (the Co-operative and to a lesser degree M&S) these tend to appear top-down, driven through setting higher standards rather than two-way engagement. Exceptions to this general rule are Morrison's, who appear to take a pragmatic approach to standard setting and have recently joined Asda in dropping its policy to require non-GM feed to be used in poultry rations. There appears to be at least some indication from Sainsbury's that it is seeking to deliver some of the ambitions of the 20 by 20 Vision in a similar manner and we would encourage the company to work collaboratively with its development groups in seeking to draw up standards co-operatively.

All of the ten businesses reviewed have described steps they are taking to address the sustainability both of their own businesses and with regard to their supply chains. In terms of environmental sustainability, climate change and/ or carbon reduction, as well as waste, feature heavily in CSR reports reflecting the public and political attention these issues have attained in recent years. Some retailers such as the Co-operative have also adopted significant programmes relating to biodiversity (the Plan Bee initiative). A number of retailers have entered into commitments to work with suppliers and farmers to address environmental sustainability. This is a key feature of the work of Sainsbury's, Asda, Tesco, Marks and Spencer, Waitrose and the Co-op.

Few retailers have yet adopted major commitments in respect of water, with Sainsbury's, Tesco and the Co-operative standing out as companies that are giving this area some consideration. Given the likely scale of the challenge in future, especially in relation to sourcing from water stressed areas, this is surprising. We would anticipate further developments in this area in future.

Many retailers have adopted policies in respect of animal welfare. These range from those retailers such as Iceland that refer to adhering to benchmark/ baseline standards (such as BRC Global Standard and Five Freedoms) and others that appear keen to test the frontiers of continuous improvement in welfare such as the Co-operative and Sainsbury's (in its 20 by 20 commitments). Both organisations make strong references to higher animal welfare standards such as Freedom Foods.

The desire to promote higher welfare standards appears in part to reflect attempts to capitalise on market opportunities as well as a demonstration of brand integrity. Given the lower than expected sales of organic food and some higher welfare lines in the last couple of years it will be interesting to see whether in the current economic climate, consumers' interest in seeing further improvements on already high standards of animal welfare manifests itself in increased sales.

Surprisingly few retailers draw attention to Red Tractor Assurance standards as a norm across their business, despite the fact that almost all major retailers require most UK-sourced products to meet Red Tractor standards that go beyond baseline environmental and welfare standards. This is disappointing and slightly surprising given the investment that retailers individually and collectively have made in backing UK farm assurance schemes. As the latest Red Tractor labelling report shows, more and more retailers are using the logo on pack. This is very positive and illustrates the strong recognition the logo now carries amongst consumers. Some retailers such as M&S and Iceland stand out for relatively poor use of the logo.

Overall assessment

As previously mentioned, it is impossible given the lack of objective benchmarks to offer anything other than a qualitative view as to which retailers appear to have adopted the most comprehensive and meaningful CSR programmes as far as British farmers and growers are concerned.

Both Marks and Spencer and Waitrose have long been seen as leading the front of the pack in terms of relationships with British farmers. Our survey reveals that both maintain strong credentials in terms of supplier

relations (for example, the M&S commitment to extend the Milk Pledge), pricing and sourcing although M&S needs to differentiate UK and Irish sourcing in its commitments. It has to be recognised that whilst both retailers have national coverage, they are relatively small and operating towards the top-end of the grocery market.

Turning to the big five (Tesco, Asda, Sainsbury, Morrisons' and the Co-operative) we are impressed by the commitments that Morrison's has been making towards British farming across a number of fronts, particularly sourcing, research and development and supplier engagement. We remain convinced that the company could and should go further in terms of its relationships with dairy farmers. In this regard, Asda and particularly Tesco have led the field, although Sainsbury's recent moves and the manner in which they have been taken are particularly commendable. Looking towards future intentions, the breadth and long-term nature of Sainsbury's 20 by 20 commitments merit special praise.

Our review shows that the discount retailers, Aldi and Lidl are not only growing market share but also starting to catch up in terms of their UK CSR commitments. Admittedly, they are starting from a much lower base than some of their more established competitors but there appears to be some recognition that as their market penetration increases, so too will the attention they receive from stakeholders.

As highlighted, we believe that relationships between retailers and farmers will continue to strengthen and this should generally be a good thing for British farmers. Yet in spite of the good work, we get the impression that retailers, investors and other stakeholders have still not fully appreciated the value of closer, more collaborative and long-term relationships with farmers across all sectors. As a result, opportunities to work with farmers, for example on renewable energy projects or value chain analysis are being missed. We believe closer, strategic relationships between farmers and retailers offer significant opportunities to achieve improvement in standards, address supply chain inefficiencies, manage supply risks to the business and generate marketing opportunities. And as we go forward, our work will focus on identifying how these new relationships can add value to farmers, retailers and consumers.

CSR summary

The following tables summarise the key commitments and our assessment of the ten largest grocery retailers' CSR commitments to British agriculture.

Aldi	<p>Sourcing</p> <p>All fresh meat, and eggs are UK sourced - uses British wheat in bread and potatoes in frozen chips Opportunity to highlight proportion of fruit and veg sourced from the UK Good use Red Tractor logo</p>
	<p>Supplier Relationships</p> <p>Minimum standards – suppliers to adhere to UN Conventions Long term relationships and commitments to suppliers not featured</p>
	<p>Sustainability</p> <p>Commitment to UK farm assurance, which could be better reflected in CSR reporting Complies with industry guidelines (eg FSA on salt, sugar and fat)</p>
Asda	<p>Sourcing</p> <p>Stated desire to increase local and UK sourcing but needs to set out firmer plans on how this will be achieved Proportion of imported food can be high in some products. Opportunity to improve use and promotion of Red Tractor logo</p>
	<p>Supplier Relationships</p> <p>Sustainable Agriculture Programme a key feature. Farmlink is a positive initiative Committed to investing in R&D although limited detail publicly available Early mover in dedicated dairy chain</p>
	<p>Sustainability</p> <p>Recognises responsibilities as a global player Environmental ambitions appear to go further than many others Lacking detail on the criteria used in developing the Sustainability Index and consideration of the potential impacts on the supply chain Red Tractor Assurance not mentioned</p>
The Co-operative	<p>Sourcing</p> <p>Good British sourcing on shell eggs, milk, fresh and frozen poultry, beef and pig meat but lamb is an opportunity for improvement. Lack of clarity on current proportions for other products (fruit, vegetables, cheese and other dairy etc). Seeking to increase products sold from Co-operative farms. Opportunity for further UK sourcing commitments going forward Good use of Red Tractor logo on pack</p>
	<p>Supplier relationships</p> <p>Good relations on fresh milk albeit later to introduce these than most other major retailers. Some concerns about conditions attached Understands overall case for sustainability but needs more focus on UK agriculture. Examples of engagement with farmers tend to focus on developing countries</p>
	<p>Sustainability</p> <p>Desire to protect environment and enable all customers to buy higher welfare food irrespective of their budget Has greatly reduced GHG emissions & has a commitment to carbon neutral operations by 2014 Role of Red Tractor Assurance largely overlooked Opportunity for banking services to support on farm investments</p>

Iceland	Sourcing No explicit mention of British sourcing commitments No details on proportions sourced from the UK available Limited focus on quality standards of products sold
	Supplier Relationships No details on relationships or expectations of suppliers
	Sustainability Focussed most efforts on direct environmental impacts including climate change and waste
Lidl	Sourcing Sources majority of meat and some fresh produce from UK but should confirm proportions and consider how to begin stocking British lamb Good use of Red Tractor logo on pack
	Supplier Relationships No details on relationships or expectations of suppliers
	Sustainability Few details on sustainability. Opportunity to highlight role of Assurance standards in its sourcing policy
M&S	Sourcing All bacon and sausages are British but unclear over many other products Should distinguish between UK and Ireland in sourcing Plans for UK canned beef positive No Red Tractor on packs
	Supplier relationships Milk Pledge is excellent for industry with plans to extend to some lamb and pork Commitment to supporting R&D on UK farms. Extension to UK growing seasons an example of collaborative effort & creation of market opportunities for UK suppliers
	Sustainability Many of the 180 targets environmentally related Reduction of carbon emissions key area Commitment to building on requirements of Red Tractor Assurance to improve welfare could be enhanced by commitment to reflect any producer cost implications
Morrisons	Sourcing All fresh beef, lamb, pork, poultry and milk is British Strong seasonal supporter of produce but requires clarity on proportions of British produce and other dairy products Good use of Red Tractor logo
	Supplier relationships Vertical integration model means more direct relationships with farmers in some sectors Farm groups set up to cover a number of products but better communication of their activity and output required Encouraged to move towards genuine dedicated relationship with dairy farmer suppliers
	Sustainability Environmental targets include reducing operational footprint by 30% by 2020, reducing waste and packaging and increasing recycling Morrison's Farming programme promotes R&D Role of Assurance could be highlighted within CSR reporting

Sainsbury's	<p>Sourcing</p> <p>Commitments to doubling British by 2020 significant. Potentially a large positive impact though needs clarification on baselines by category Use of Red Tractor logo on pack could be improved</p>
	<p>Supplier Relationships</p> <p>Established development groups across a number of categories. Dairy Development Group moving forward collaboratively on pricing Needs to consider how farmer suppliers become economically sustainable in addition to addressing environmental and welfare issues</p>
	<p>Sustainability</p> <p>Prominence to environment and reducing waste Desire to push higher animal welfare standards requires engagement with farmer suppliers Opportunity to promote use of Red Tractor Assurance</p>
Tesco	<p>Sourcing</p> <p>Global business – but could do more to highlight importance of UK sourcing and relationships with farmers Highlights significant progress made in sourcing local food however, level of imports, particularly meat, can be high Tesco enforces same standards for imports as for UK production Good use of Red Tractor logo on pack</p>
	<p>Supplier Relationships</p> <p>Introduced ground breaking Sustainable Dairy Group and investing in dairy cow welfare. Opportunities to extend supplier relationships into other sectors</p>
	<p>Sustainability</p> <p>Low carbon by 2020 and zero carbon by 2050 Looking at wider supply chain activities Paying attention to water as part of activities Features of role of Assurance on website</p>
Waitrose	<p>Sourcing</p> <p>All fresh chicken, beef and pork, venison, duck, goose and bacon from Britain Lamb and turkey from Ireland and UK but few details on fresh produce. Opportunity to highlight UK sourcing in these areas Red Tractor is used at John Lewis restaurants and on packs at Waitrose. Usage could be improved on fruit and veg</p>
	<p>Supplier relationships</p> <p>Question over only British suppliers required to be LEAF Mark certified Ownership model affords opportunities to ensure suppliers are integrated into the business Long-lasting partnership with dairy farmers with strong price commitment 30 Livestock Producer Groups through Dovecote Park – good knowledge transfer but should also address economic issues</p>
	<p>Sustainability</p> <p>Reduction of carbon is key target As food production emissions are said to be outside of scope clarification on supplier standards / reduction targets is required</p>



Introduction

Aldi's sales represent some 2.8% of the UK grocery retail market⁶ with 435 stores in the UK⁷. Aldi does not publish a formal CSR report but does have a corporate responsibility section on its website⁸.

CSR Commitments

Aldi's corporate responsibility policy covers five areas as follows:

Consumers – The company promises to bring customers quality products for the best price with product safety being its number one commitment to consumers. Aldi also makes a commitment to ensuring customers can make informed choices through nutritional labelling.

Suppliers – Aldi believes that longevity and trust in business relationships will help to ensure high quality products. It is committed to ensuring that the CSR policy is adhered to throughout the chain and has some 11 standards, based on UN conventions, which suppliers must meet as a minimum to ensure human rights and fair labour standards.

Resources for products – This contains a number of general statements on how products are sourced and produced in a sustainable way across areas that include welfare, use of GM, and waste.

Operations – Refers to how the business is striving to reduce environmental impact or GHG emissions and becoming more energy efficient.

Our People – This section sets out the principles for relationships and how the company is committed to CPD.

The Corporate Responsibility web pages provide further details on commitments by the company with regard to CSR in three areas: respect for the environment, responsible sourcing and sustainable sourcing.

Respect for our environment

This section focusses on efforts to reduce the impact of Aldi's operations. It has started measuring electricity and gas per square metre and has a goal to increase weight of product per litre of fuel. The company aims to achieve a 'B' rated Energy Performance Certificate for buildings with long term goal being A-rated. There is a goal of zero waste to landfill within an unspecified time frame.

Responsible sourcing

Health and food safety feature in this section. Aldi labels guideline daily amounts on packs and is committed to complying with FSA guidelines on salt, sugar and fat reduction.

Sustainable sourcing

This section covers a number of general and specific commitments on sustainable sourcing, some of which have a direct impact on UK farmers including:

⁶ (Kantar Worldpanel, May 2012)

⁷ (The Grocer, 2011).

⁸ <http://www.aldi.co.uk/uk/html/company/14339.htm>

- Pesticide use – Aldi tests regularly against maximum residue levels (MRLs) with over 50% being residue free
- The company is working to ensure all UK produce is purchased from suppliers certified by the Assured Produce Scheme. Imported produce is purchased from suppliers certified to GLOBAL G.A.P standards
- GM food - No GM ingredients in own label food products but Aldi does allow some animal feeds that contain GM
- All eggs are Lion eggs sourced exclusively in the UK
- The majority of meats sourced in the UK - required to comply with Red Tractor Assurance standards and the Farm Animal Welfare Councils' Five Freedoms

The website also features a section on how Aldi is proud to support British farmers stating that buying British helps support local communities and benefits the environment by cutting food miles. It highlights that all fresh beef, lamb chicken and pork is British sourced, British potatoes are used in frozen chips and crisps, and British wheat is used in bread and breakfast cereals.

Also featured are sections on responsible plant sourcing, which details how Aldi is working with a supplier to ensure plants are grown in the most environmentally friendly way. All bedding plants are grown in the UK.

The report concludes with a section on Aldi being a great place to work, referring to the fact that 85% of directors are recruited from within and that employees are at the heart of the company. The report also states that it uses suppliers it knows and trusts.

NFU Commentary

Aldi's CSR policies tend towards the general rather than specific although a number of specific commitments are made in respect of sourcing which are generally positive from a UK farming perspective. Some commitments tend to reflect minimum requirements, which may be seen as sufficient to provide the assurance that customers and stakeholders need from the company.

Despite the impressive growth of Aldi as a national grocery retailer in the UK, the company remains relatively small compared to some of its major competitors. Nevertheless, with plans to significantly expand its operations here, the company's approach to sustainable sourcing will come under greater scrutiny.

Sourcing

The most significant highlight of Aldi's CSR commitments relates to British sourcing. The company should be commended for both its stated desire to support British farmers and to sourcing fresh beef, chicken, pork, lamb and eggs from the UK. It is also encouraging to see specific references to the use of British wheat in bread and potatoes in frozen chips, which go further than many other larger UK retailers. Whilst there is scope to improve upon these commitments (see below), they are nonetheless a strong statement of intent from the company.

Recent research by Assured Food Standards demonstrates that Aldi has a comparatively good story to tell in terms of the proportion of Red Tractor Assured produce sold in its stores. The company has made some really good use of the Red Tractor logo in its promotional materials.

Supplier Relationships

The report contains a general commitment to sourcing raw materials for products in a sustainable way but does not define what constitutes sustainability or how the sustainability of suppliers (environmental, social and economic) will be measured. An emphasis appears to be placed on Aldi's expectations of suppliers meeting a minimum standard (UN Conventions) in their relationships with employees, rather than Aldi's own commitment to treat suppliers fairly. There is therefore an opportunity for the company to talk more about its commitment to sustainable sourcing and building strong supply chain relationships in the UK.

Sustainability

There are a number of aims and commitments made to sourcing products sustainably. A challenge for any company making claims in respect of sustainability is to define the objective and to demonstrate how it is

measured. Aldi's objectives and targets tend to refer to complying with guidelines (FSA on salt, sugar and fat reduction), achieving basic compliance standards (Global Food Safety Initiative Standards) or stocking Fairtrade products.

Environmental activities appear to be focussed exclusively on Aldi's own operations rather than down the supply chain. What is reassuring is that Aldi recognises the strength of UK farm assurance standards as providing a guarantee that the products it buys from the UK conform to high standards of environmental protection.

Opportunities to develop commitments

In addition to comments raised above and in summary we see a number of immediate opportunities for Aldi to build upon its existing commitments in the following ways:

- Championing its existing strong commitments on UK sourcing and seeking to build on these where possible, for example in fruit and vegetables, bacon and sausages
- Closer engagement with UK farmer suppliers
- Better communication of the company's environmental aims and objectives



Introduction

Asda is a wholly owned subsidiary of the major US grocery retailer Walmart, which owns over 540 stores in the UK and is the world's largest grocery retailer. Asda represents circa 17.5% of sales⁹ within the UK grocery retail market.

Following the impact of Hurricane Katrina in 2005 Walmart set three open ended aspirational goals that signified the direction of travel for the global business 1) to be supplied 100% by renewable energy, 2) to create zero waste and 3) sell products that sustain people and the environment. Within this overall framework each business is able to prioritise its own objectives.

Walmart sets a number of global responsibility objectives that are covered in its global responsibility report for 2011. Asda does not publish an annual UK CSR report but has produced a number of public commitments covering environmental and sustainability targets between 2010 and 2015. These are encapsulated in its Sustainability 2.0 commitments¹⁰ which feed into the overall Walmart objectives. The company also devotes a number of pages to sustainability on its website¹¹.

Walmart's global objectives

Walmart's worldwide responsibility objectives are comprehensively set out in the 'Beyond 50 years: Building a sustainable future' report of 2012¹². The introduction by group President and CEO, Mike Duke, provides a sense of the importance that sustainability has across the whole of the group and the economic benefits that can be gained.

The report covers three main themes, communities, environment and associates of which the first two are of particular relevance to producers in the UK.

The communities section includes details on the following:

- Disaster relief: How Walmart has responded to major national and global disasters
- Giving: Highlighting the Walmart Foundation and its four pillars of Education, Workforce Development / Economic Opportunity, Environmental Sustainability and Health and Wellness
- Neighbours: the interaction with local communities
- Compliance: including food and product safety

The section also considers the supply chain, concentrating on ethical sourcing in terms of positively impacting on global supply chain practices through raising standards and partnering with other retailers, brands, suppliers, NGOs and government leaders to find innovative and sustainable ways to improve working conditions. Additionally a Supplier Development Program which includes a workplaces audit program has been introduced.

⁹ Kantar worldpanel May 2012

¹⁰ Available via Asda's website at http://your.asda.com/media/BAhbBlSHOGZmlkkyMDExLzEyLzE1LzE2XzQ5XzQ0XzQ2NF9Bc2RhXzJfMF9TdXN0YWluYWJpbGl0eV9TdHJhdGVneV91cGRhdGVkLnBkZg/Asda_2_0_Sustainability_Strategy_updated.pdf

¹¹ See <http://your.asda.com/sustainability>

¹² http://www.walmartstores.com/sites/responsibility-report/2012/pdf/WMT_2012_GRR.pdf

The environment section reviews the performance towards three goals:

- To be supplied 100 per cent by renewable energy
- To create zero waste
- To sell products that sustain people and the environment

In the area of renewable energy, Walmart confirms an intention to reduce energy use and greenhouse gas emissions by continuing the transition to renewable energy with the long-term aspiration that all energy used is derived from renewable resources. An example of this work is the new Asda store design prototypes which reduce CO2 emissions by 42% compared to a 2005 baseline.

As part of the goal of producing zero-waste some 200 Asda stores are recognised as having achieved this aim and are working with suppliers to improve product packaging.

The third goal of selling products that sustain people and the environment is driving the development of Walmart's 'Sustainability Index'¹³. This is said to be a new retail tool that will assess and improve the sustainability of products and provide customers with information they need to assess a product's sustainability. It is being introduced in three phases:

- A supplier sustainability assessment – Walmart has provided more than 100,000 global suppliers with a brief survey to evaluate their own sustainability. This survey comprises of 15 questions covering four areas: energy and climate, material efficiency, natural resources, and people and community
- Development and piloting of the Sustainability Index – working with the Sustainability Consortium, a collaboration of suppliers, retailers, NGOs and government officials, to develop the research and metrics behind the index. Over the last year, Walmart has used these metrics to develop the first category scorecards to help buyers evaluate products, with an intention to develop scorecards in up to 100 major categories by the end of 2012.
- Providing a simple tool for customers, which provides them with information about the sustainability of products in a simple, easy-to-understand manner

Development of the Sustainability Index began in 2009 and whilst progress has been made on phases 1 and 2 there appears to be no progress on the third stage or customer tool. Additionally it does not appear to grade businesses or set expected levels of achievement.

Alongside the Sustainability Index, Walmart has also accelerated its commitment to sustainable agriculture. This is built on directly connecting farmers with markets, reducing food waste in the supply chain, motivating farmers to produce more with fewer inputs and to responsibly source key agricultural products.

Key commitments in this area are:

- Selling \$1 billion in food sourced from one million small and medium sized farmers in emerging markets
- Doubling the sale of locally sourced produce (in the US)
- Investing more than \$1 billion in the global fresh supply chain over the next five years (achieved \$167 in 2011)

2011 also saw the development and piloting of a Sustainable Produce Assessment examining the usage of water, energy, fertilizer and pesticides among other inputs used by growers supplying primarily Walmart U.S. and ASDA stores. More than 60 growers on four continents covering 14 crops participated in the development of the tool and the pilots. The information is being used to identify opportunities to help growers increase crop yields, reduce inputs, lower costs and strengthen sustainable farming practices.

Walmart has established a programme in Central America that trains farmers to farm sustainably, sell direct to Walmart and earn a better price for products by cutting out intermediaries. Goals for the Growing Global Direct farm programme ultimately include training 1 million farmers in sustainable farming techniques and increasing farmers' incomes by 10-15% globally.

¹³ http://www.walmartstores.com/sites/responsibility-report/2012/pdf/WMT_2012_GRR.pdf

The associates section details how Walmart aims to foster a culture of respect and integrity based on three attributes; respect for individuals, service to customers and striving for excellence. Staff are afforded lifelong learning development opportunities, an example of which is the Asda Skills Academy. Walmart also takes steps to ensure there is diversity within the workforce and staff have an opportunity to pursue charitable concerns.

Asda - Sustainability 2.0

Within the Walmart sustainability framework, Asda has developed its own strategy in the form of Sustainability 2.0 that lays out environmental and sustainability targets from 2010 to 2015. It is seen as a transformational plan to reduce Asda's operational impacts as well as effecting change through the supply chain. A key aim of the work is to make sustainability affordable for all with the document listing some 27 targets or goals as priorities under 5 categories:

1. Corporate

This category includes delivering a reduction in carbon footprint in absolute terms year on year, making supply chains more resilient to adverse weather patterns and being the customer voice on healthy, affordable and sustainable products. A key achievement highlighted within the website is achieving an absolute reduction of 7% in carbon emissions despite opening 36 new stores and working with Walmart to reduce 20m metric tonnes of CO₂ from global supply chains.

2. Products

This includes stewardship of natural resources, having a positive impact on soil structures, support for WRAP and introducing the global Sustainable Products Index (Sustainability Index). The Asda website explains that this will take the whole life-cycle of a product into account and will help Asda buyers, and in future customers, make more informed, better choices about what the company sells.

A further initiative as part of the aim to sell products that sustain people and the environment has seen Asda introduce a Sustainable Agriculture Programme. This is intended to drive sustainability through the supply chain and ensure food is not the product of environmentally bad practices. Its targets include:

- Supporting farmers & their communities through increased sourcing of products from local suppliers by the end of 2015, expanding existing initiatives such as Farm Link¹⁴ and improving the health & livelihood of women in agricultural communities
- Producing more food with less waste & fewer resources with a 10% farm to fork reduction target by the end of 2015. In addition, Asda will deliver a programme disseminating research and development for beef, pork, lamb, dairy, produce, poultry producers
- Sustainably sourcing key agricultural products, including developing a sustainable beef programme with clear targets by the end of 2015

Further commitments contained within the website include:

- Local sourcing – over 6000 products from 600 local suppliers are currently being stocked. Asda is committed to working further with local suppliers and will spend an additional £270m on food from British producers by 2013 (from 2005 Baseline)
- All eggs sold under the Respectful eggs brand are to be free range and better for the environment than standard free range, 'Welfare Choice' chickens being RSPCA Freedom Food accredited
- Fair Trade and organic products – to work with the Fairtrade Foundation to ensure a good range of products are stocked and working with the Soil Association to increase the amount of organic food

¹⁴ Farm Link is an Asda scheme that seeks to work with farmer suppliers to aid better returns. Specific schemes in each sector create a clear link between farmers, processor and retailer. The purpose is to facilitate resources to be coordinated and improve efficiency and returns across the whole supply chain, whilst improving the quality and consistency of the agricultural products entering ASDA supply chains. Schemes include Dairylink, which offers producers discounts on sexed semen and investments in herd health project which works with dairy farmers to improve the welfare of their livestock. Beeflink encourages superior genetics by paying a premium for heavy animals. The schemes are open to any producer – including those not supplying Asda. The main exception to this is the Asda 180 dairy bull scheme established in conjunction with Anglo Beef Processors, which accommodates young dairy bulls into the standard ASDA range.

- Healthier choices – Asda was the first UK retailer to cut artificial colours, flavours and enhancers from all own label products with a commitment to developing healthier, sustainable and affordable food choices in the future. The company states it is working with LEAF to reduce use of pesticides.

3. Property and Energy

The company aims to reduce carbon emissions from existing infrastructure with new store and depot models being more efficient. Currently new stores and buildings are said to be 40% more energy efficient with existing stores reducing emissions by 21% (targets by 2015 are 60% and 35% respectively)¹⁵

4. Transport

Between 2005 and 2010 Asda has reduced emissions from its fleet by 42% with an aim of 60% reduction by 2015.

5. Waste

All operational and construction waste should be diverted from landfill and the company supports a global goal of reducing carrier bag usage. The website confirms that no store food waste is sent to landfill, instead being sent to the charity Fareshare or recycled. Like other retailers, it is working on the Courtauld 2 commitments to reduce food and drink waste from the sector by 4% by 2015. There is an additional aim to divert 100% of operational and construction waste from landfill by 2015.

Additional commitments

Asda's webpages contain an amalgamation of various elements from the Walmart CSR report and Asda Sustainability 2.0 combined with a greater insight into the UK business. The importance of the three main global aspirational goals of using 100% renewable energy, being zero waste and selling products that sustain people and the environment are reiterated.

NFU Commentary

Taken together the Walmart and Asda CSR publications provide a considerable amount of information covering both the global and UK business with significant commitments on sourcing and the sustainability of UK and global agriculture. There is demonstrable progress in several areas such as reducing waste to landfill.

Wal-Mart appears to adopt very ambitious aspirations in terms of sustainability and places a strong emphasis on delivering sustainable products to customers. The group also has some very clear commitments to supporting farmers in developing countries. As Asda, the company has also set out some important ambitions in terms of local food sourcing in the UK and the Sustainable Agriculture Programme.

That said many of the most recent targets set out in both the global CSR report and Sustainability 2.0 are lacking precision and a clear baseline from which to evaluate progress.

Sourcing

Asda makes some important commitments that on the face of it should lead to market opportunities in terms of local food. Its work with local food hubs in the UK has been well documented and is still held up as a successful model for aggregating locally sourced supply to major supermarkets. It is difficult to evaluate whether the commitment to spend an additional £270 million on local sourcing in the UK has been met or what impact this has had but the ambition appears to be very positive.

More generally, there appears to be very little information available in its corporate material that demonstrates its approach to UK sourcing. Studies including the EBLEX Beef and Lamb watch have previously shown that the proportion of imported meat can be quite high although recent figures have shown a significant rise in the proportion of UK sourced product, which is welcomed. The company holds a stated desire to increase UK-sourced produce by 2015 which is encouraging although lacks detail with regard to targets and how this will be achieved.

¹⁵ <http://your.asda.com/sustainability-store-energy>

Supplier Relationships

The Sustainable Agriculture Programme receives a number of worthwhile elements in terms of engagement with UK farmers. Asda's Farm Link initiatives also appear to be a real strength, covering a number of important farming sectors. Supporting information on the website¹⁶ and Newslink publications suggests that many of the initiatives are driving cost reduction through efficiencies, for example bulk buying allows savings to be passed on to farmers on products such as semen and ear tags, and other schemes have been developed to provide premiums for certain specifications in beef, lamb and liquid milk. There is an opportunity for Asda to demonstrate how these programmes chime with the group's long-term CSR strategies.

Asda was an early adopter among the major retailers in terms of a major dedicated segregated supply chain for milk. Whilst it appears to have embedded relationships with farmers supplying the company through Arla Foods, it has not gone as far as it might in developing a distinct price proposition rather than a mere premium.

Sustainability

There are a number of aims and commitments made to improving sustainability. Walmart/Asda have achieved the difficult task of defining the objectives and demonstrating how these will be measured. The prominence afforded to the 3 main Walmart aspirational goals of being supplied 100% by renewable energy, to create zero waste and sell products that sustain people and the environment suggests that environment commitments go significantly further than commitments made by other retailers. What is less clear from our perspective is whether these commitments are both achievable and avoid unintended consequences or unreasonable distribution of costs down the supply chain to ensure they are met.

A particular strength is the importance placed on research and development as part of the Sustainable Agriculture Programme's commitment to deliver a 10% reduction in farm to fork waste by 2015. There is little publicly available information on what the programme consists of, which provides scope for further explanation by Asda. But the recognition that retailers will need to help fill some of the gaps left by the decline in public funding for R&D is critical both from the perspective of strengthening Asda's supply chain but also supporting a more productive UK agricultural sector. Asda should confirm the actions following the results from the Sustainable Produce Assessment that examined the usage of inputs used by growers and highlight the opportunities to increase crop yields, reduce inputs, lower costs and strengthen sustainable farming practices that have been identified.

The Sustainability Index gets a prominent place in both Walmart and Asda's CSR policies. In theory it should contribute to fulfilling the third goal of aiming to sell products that sustain people and the environment. It may also offer the potential to help farming businesses lower inputs and costs, develop partnership working and to increase the long term security. However, the index and scorecards are still in development and seem to be some distance from reaping benefits.

This raises several questions:

- Will the index attempt to set minimum levels of achievement or seek to benchmark producers?
- How will Walmart/Asda ensure the accuracy and integrity of the index?
- What consultation on the Sustainability Index / Sustainable Products Index has taken place?
- How this is being developed and when it will be implemented?

An omission from the UK publications is any reference to Red Tractor Assurance. This is surprising as recent research by Assured Food Standards shows that Asda has a relatively good story to tell in terms of the proportion of Red Tractor Assured produce sold in its stores. This is in contrast to references made to other certification and assurance schemes.

Opportunities to develop commitments

In addition to comments raised above and in summary we see a number of immediate opportunities for Asda to build upon its existing commitments in the following ways:

- Provide greater clarity on the Sustainability Index / Sustainable Products Index
- Highlight the proportion of British food sold and set objectives for development in terms of UK sourcing

¹⁶ <http://your.asda.com/sustainability>

- Ensure details of the research and development programme are readily available
- More explicit profile for Red Tractor Assurance scheme in corporate communications

The co-operative

Introduction

The Co-operative is the UK's fifth largest food retailer. Following the completion of the acquisition and integration of Somerfield it now has a market share of 6.5% according to Kantar Worldpanel (May 2012). The Co-operative provides a variety of grocery goods to consumers as part of a group that includes financial services, pharmacy and funeral services. The Group operates 4,800 retail trading outlets (over 2,800 food stores¹⁷, mainly convenience stores) and is somewhat unique amongst grocery retailers being co-operatively owned by over seven million consumer members. It operates a significant UK farming enterprise supplying fresh produce to its own stores as well as other customers.

The Co-operative takes a very keen interest in a wide range of ethical issues and its policies are contained in a number of publicly available documents, primarily the most recent annual Sustainability Review¹⁸ from July 2011 and the company's Ethical Plan 2012-2014¹⁹ launched in February 2012. Further specific information, especially on the Ethical Plan is set out online.

CSR Commitments

The Sustainability Review summarises the achievements associated with the Co-operative's sustainability report in 2010 and commits the organisation to the ambitions set out in the Ethical Plan. It is introduced by Group Chief Executive, Peter Marks, and features supporting quotes by Jonathon Porritt, Founder Director of Forum for the Future, and Harriet Lamb Executive Director of the Fairtrade Foundation.

The Co-operative's CSR work is categorised under 8 headings with those most relevant to UK agriculture being:

- Responsible Retailing
- Keeping Communities Thriving
- Protecting the Environment

Responsible Retailing

The Sustainability Review confirms that The Co-operative sources 100% shell eggs, milk, fresh and frozen poultry, beef and pig meat from the UK.

It aims to ensure that all customers – who operate on a variety of budgets – can buy food produced to higher animal welfare baseline standards: 2010 saw an extension of the own-brand Elmwood²⁰ standards to cover 140 product lines with developments to further improve welfare planned for 2011 and beyond in the Ethical Plan. These include a commitment to measure and report on the impact of these changes.

Improvements to dairy cow welfare and environmental impacts of dairying are to be driven via the development of a dedicated supply chain for milk, a major commitment made by The Co-operative in 2010. The Ethical Trading²¹ pages confirm that the dedicated milk supply chain has been launched with 220 dairy farmers receiving a price premium, currently 1.35ppl above base price. Additional commitments include the setting up of long term supply arrangements and the facilitation of best practice knowledge transfer in areas such as herd efficiency, welfare and carbon footprints. Farmers supplying milk to The Co-operative may also benefit from energy efficiency surveys from 2012.

¹⁷ <http://www.co-operative.coop/corporate/Press/Press-releases/Headline-news/Results-2011/>

¹⁸ <http://www.co-operative.coop/corporate/sustainability/Downloads/>

¹⁹ <http://www.co-operative.coop/join-the-revolution/>

²⁰ Elmwood Standards seek to provide animals more opportunity to engage in natural behaviour and improve welfare through more space, natural light and environmental enrichment. They have been developed for livestock reared in the most intensive farming systems (i.e. pigs and poultry), and are designed to further improve upon Farm Assurance standards

²¹ <http://www.co-operative.coop/food/ethics/Ethical-trading/milk-supply-policy/>

The commitments under this heading also pay some attention to health with The Co-operative determined to facilitate healthier food and better lifestyle choices. Commitments include making sure that 'Healthier Choice' products will be no more expensive than standard alternatives, the nutritional content of 'Simply Value' products will be at least as good the standard and a minimum of 30% of food promotions will be healthier options.

Keeping Communities Thriving

The Ethical Plan draws attention to a commitment to ensuring that a quarter of all fresh produce sold will come from The Co-operative's own farm business by 2015. Although proportions vary, this is thought to amount to a significant ramping up of sourcing from within the business. Other commitments include maintaining a physical presence in each postal area in the UK and opening 300 new stores by 2014, launching an enhanced employee volunteering policy and offering surplus properties from The Co-operative estate at nominal rents.

Protecting the Environment

The Co-operative commits itself to leading the way on combating climate change and protection of the environment through reducing, reusing and recycling waste across the business and promoting nature's diversity through responsible sourcing and campaigns to protect declining species.

A prominent example in the UK is the Plan Bee campaign, which aims to highlight the decline of the honeybee and the impact this has on pollination. The Co-operative has temporarily prohibited the use of six neonicotinoid pesticides (clothianidin, dinotefuran, fipronil, imidacloprid, nitenpyram and thiamethoxam) on own-brand fresh and frozen produce. It is also increasing the number of hives on its farmland from 300 to 1,300.

Additionally, Co-operative Farms is carrying out a three-year trial to develop a wildflower seed mix to support pollinators as part of a wider group initiative which includes funding new scientific research into the effect of pesticides on bees, training urban bee keepers, creating wildflower meadows and encouraging the public to plant wildflower seeds.

Operational GHG emissions have been reduced by 15% in 2010 and by 35% since 2006 according to the Sustainability Review. Whilst this document declares an aim to be carbon neutral by 2012, the Ethical Plan actually includes a commitment to make operations carbon neutral by 2014.

The plan also states that having reduced water usage by 20% since 2008 it will reduce water consumption by 30% by 2014.

The online pages include some detail on The Co-operative's commitment to renewable energy with aims that include generating the equivalent of 25% of electricity needs from renewable sources by 2017. The online pages also include details of the 'Habitat Heroes' initiative which supports endangered and protected species with the aim of preserving them. The project provides investment for adaptations on farms to improve the habitats, feeding and breeding opportunities for key endangered species such as water voles, otters and red squirrels, helping to safeguard them for the future. The development is in response to the UK Biodiversity Action Plan and continuing concerns over a global decline in biodiversity.

The Group commits to ensure that most operational waste is not sent to landfill. Work with FareShare²² will be expanded to reduce food waste and further decrease the environmental impact of packaging.

Through The Co-operative Bank's loan fund, Enterprise Hub²³ and campaign for a 'Clean Energy Revolution' the group is committed to funding £1bn in energy efficiency and renewables investments. Within this some £100m is dedicated to small scale community renewable opportunities and projects that reduce fuel poverty. A further £6m will be donated to support co-operative enterprises by 2014.

²² FareShare is a national UK charity supporting communities to relieve food poverty by providing quality, surplus 'fit for purpose' product from the food and drink industry – to organisations working with disadvantaged people in the community

²³ The Co-operative Enterprise Hub has been set up as a one stop shop offering free advice, training and access to finance for new and existing co-operatives. It aims to inspire the next generation of co-operative pioneers and arm them with the necessary skills and knowledge to grow their co-operative and, in turn, the UK co-operative economy.

The other 5 headings which categorise the CSR work of The Co-operative are:

- Democratic Control and Reward. The Co-operative has a growing membership currently standing at more than 7million with an aim to reach 20million by 2020. The remuneration of senior staff will in future be influenced by the degree in which The Co-operative is viewed as being a champion of CSR in the UK.
- The Co-operative supports the wider co-operative movement with 256 projects supported in 2010
- The company aims to invest £30m to inspire young people with the programme benefitting 1m by 2014. The Co-operative Academy will create 2,000 apprenticeships and the number of schools engaged in the 'Green Schools Revolution' will increase from 3,000 to 6,000 by 2014
- The Sustainability Review and Ethical Plan confirm a number of achievements and commitments to tackling global poverty. Significantly, The Co-operative has increased its commitment to Fairtrade with an aim that if a product can be Fairtrade labelled then it will be. By the end of 2013 it will have achieved 90% of this target. The Co-operative will also champion smallholder farmers and co-operatives in meeting future global food demands
- Ethical/Responsible Finance. This states that The Co-operative recognises that the provision of responsible finance is crucial to the pursuit of sustainable development. There are confirmed commitments to invest £1bn in renewables and energy efficiency projects and a £25m microfinance fund to help tackle global poverty.

NFU Commentary

It is clear that The Co-operative takes the concept of corporate responsibility very seriously, as might be expected from a company that has its roots in the original co-operators, the Rochdale Pioneers. Our review can only scratch the surface of a broad range of commitments ranging from local communities to the global environment.

It is also clear that The Co-operative has gone into the all too difficult task of setting the methodology for appraisal with examples that include reductions in operational greenhouse gas emissions (15% in 2010 and 35% since 2006) with an aim to be carbon neutral and has made significant progress in a number of areas in its attempt to be seen as the champion of sustainability.

The different formats of the Sustainability Report, Sustainability Review, Ethical Plan and online pages sometimes mean that understanding the commitments and progress on them is a difficult task. We appreciate that there is a time lag between setting targets and reporting on them but perhaps an increase of cross-referencing or greater consistency of formats would provide greater clarity.

Overall, there are a number of signs that amid its wide range of commitments, The Co-operative recognises the contribution that UK agriculture can play in achieving the Group's objectives and attaches a strong value to UK sourcing. The commitments also demonstrate that the Group seeks to take responsibility in supporting farmers in developing countries. We feel that The Co-operative could go further in terms of its commitments to UK farmers and growers.

Sourcing

The Co-operative's commitment to source shell eggs, milk, fresh and frozen poultry, beef and pig meat from the UK is very strong. However, both the most recent Sustainability Review and the Ethical Plan contain much less detail than the 2010 Sustainability report. For example, the original report contained details of the proportions of food sold by category, proportion that is UK-sourced and proportions that meet higher animal welfare standards. The latest reports are less descriptive, which we think is something of a backward step. We would urge The Co-operative to address this in its 2012 review and also provide some specific indications of sourcing plans and targets on fresh produce in view of the public aim that a quarter of all fresh produce will come from The Co-operative's own UK growing business. Sourcing commitments could be extended to cheese, bread and cereals as well as all fresh produce categories.

The Ethical Operating Plan and Sustainability Review step back from making reference to the Red Tractor assurance scheme as was the case in the 2010 Sustainability Report. Given that the logo underpins the sustainability of a considerable proportion of UK farm output and appears widely on The Co-operative's

packaging, its absence in the various publications is a little surprising. We feel this could be easily addressed in future publications such as the forthcoming 2012 Sustainability Report.

Supplier Relationships

The NFU has previously welcomed The Co-operative's decision to adopt a dedicated supply chain for fresh milk back in 2010, albeit somewhat later than some other retailers. The milk supply chain is now operational and benefitting over 200 dairy farmers via a price premium. The Co-operative describes this as an initial premium rate, which infers there may be further steps on pricing. We believe that the company should adopt a clear and distinct price proposition, in consultation with its farmer suppliers rather than a variable premium.

What is more, the premium is subject to a number of conditions including operating grazing systems and prohibiting export of calves without offering an alternative market. We are sceptical about the merits of some of these conditions, perceived or otherwise, which may have unintended consequences and undermine the pursuit of a more competitive dairy sector.

Beyond fresh milk, there appears to be little evidence as yet that The Co-operative is engaging directly with UK farmers with the notable exception, of course, of The Co-operative's own farming business. This should give the company a greater degree of insight than most into the challenges faced by farmers. Until recently, the company could have plausibly argued that the scale of its retail business was too small to justify significant investment in building relations with farmer suppliers.

The Co-operative does appear to understand the need for supply chains to be truly sustainable. To become a true champion of CSR in the UK then we think The Co-operative could significantly ramp up its communication and interaction with farmer suppliers in the UK across all sectors.

Sustainability

Animal welfare is an important feature of The Co-operative's CSR commitments. Its work to extend the Elmwood Standards as the baseline for animal welfare in the company demonstrates a desire to go beyond existing (high) UK standards. What is important in this instance is to ensure that additional standards are achieved collaboratively with suppliers and the costs are covered through price premia. We believe these aspirations can best be achieved by fostering long-term transparent relationships with farmers supplying the company.

Arguably, the same case can be made for the company's desire to drive down GHG emissions and water use across the supply chain. There does not appear to be any reference to the need for supply chain interaction to deliver on these objectives so more thought may be needed in future publications as to how these objectives can be met through working collaboratively with supply chain partners. Having reduced its water use by 20% since 2008 The Co-operative is also seeking to further reduce its consumption by an additional 10%. This makes it one of the few retailers to pay attention to water as a significant sustainability issue.

We see a real opportunity for The Co-operative, using its banking services, to support investment in small-scale on-farm renewables and energy efficiency projects, including technologies such as anaerobic digestion or PV panels. The Responsible Finance section of The Co-operative's Ethical Plan 2012-2014 confirms a £1bn commitment to fund energy efficiency and renewables with £100m of this dedicated to small-scale community renewable opportunities. This funding has the potential to unlock opportunities for small scale renewable energy generation on farms in the UK.

The Plan Bee initiative stands out as an encouraging development given the intense concern amongst farmers and environmentalists about the decline in honey bee numbers. The results of the research into the phenomenon could be particularly beneficial if shared broadly across the industry. What may be slightly more concerning to growers would be the risks posed to the treatment of crops if The Co-operative takes steps to arbitrarily prohibit certain pesticides. Thus far, the company has taken a consultative approach with regard to its plans, which is greatly appreciated and we would hope it could continue the same approach in future.

Finally, The Co-operative should be commended for its 'Habitat Heroes' initiative and the work within its own business to promote biodiversity and protect endangered species. The company could consider how the results of this investment could be communicated with the rest of the industry and promoting the incorporation of any of the measures to its non-core suppliers.

Opportunities to develop commitments

In addition to comments raised above and in summary we see a number of immediate opportunities for The Co-operative to build upon its existing commitments in the following ways:

- Publish details on sourcing of lamb. Extend UK sourcing commitments to other product areas such as cheese, bread and fresh produce
- Building on dairy supply chain by moving towards distinct Co-operative price model. Examining scope for closer relationships with farmer-suppliers in other sectors
- Premium commitments to Elmwood suppliers
- Use of renewables fund to stimulate on-farm investment in UK as well as community projects
- Dissemination of Plan Bee and other farm-level environmental initiatives

Introduction

Iceland has a UK grocery market share of approximately 2% (Kantar Worldpanel, May 2012) operating some 796 stores (June 2011 (www.iceland.co.uk)). Iceland does not publish a formal CSR report but does promote its responsibility credentials through its website²⁴.

CSR commitments

Its CSR pages explain that Iceland has always been a responsible retailer, committed to providing safe, healthy and ethically sourced food and that in the 1990s led the whole British food retailing industry in eliminating artificial ingredients and additives from their products. There are four main subject areas addressed: food, environment, communities and people, each having sub-categories. The main areas addressed are as follows:

Good Food – Always

- Iceland promotes the fact that it was first national retailer to ban GM ingredients (in 1998), then removed artificial colours and flavours by 1999 and hydrogenated fats by 2005.
- The company promotes the benefits of freezing as a natural process that seals in freshness and retention of vitamins and minerals.
- Quality and Value – the benchmark is that Iceland products must be of better quality than the equivalent line sold by major rivals at the same price or the same quality at a lower price. Independent benchmarking teams regularly assess to a range of criteria and all products must meet BRC's Global Standard for Food Safety.
- Honesty and Clarity – All Iceland products are clearly labelled with ingredients and nutritional information. Iceland also uses the 5-A-day logo.
- Iceland adheres to an animal welfare policy working with suppliers to ensure high standards based on the so-called five freedoms.
- Iceland is committed to sustainable seafood and has a fish and seafood sustainability and welfare policy that own brand suppliers must address.

Protecting Our Environment

- The company is seeking to address impacts by working with partners including the Carbon trust, WRAP and the BRC.
- To reduce its carbon footprint, Iceland has introduced a new control strategy for heating and air conditioning, set high energy specification for new stores and has an efficient fleet of vehicles.
- Minimising waste and promoting recycling – the company argues that frozen food has key advantage over fresh in that there is less waste. Iceland works to reduce packaging and is a signatory to Courtauld Commitment and promotes reusable carrier bags in stores.

Supporting Our Communities

The company has a presence in over 700 communities and has helped to regenerate areas including former Woolworth's stores.

- All employees can volunteer for charitable activities without loss of pay.

Caring For People

- The core values of the company are being serious about staff, serious about service and serious about standards. It achieved a top 25 placing in the Sunday Times 'Best Companies to Work For' survey in 2009 and 2010.
- All overseas suppliers are rigorously monitored to ensure they comply with internationally recognised standards to protect health and welfare of employees. Iceland is signatory to Gangmasters Licensing Authority in UK.

²⁴ <http://www.iceland.co.uk/about-iceland/corporate-responsibility/>

Additionally, to mark the company's 40th anniversary in 2010, the Iceland Foods Charitable Foundation was set up with an aim to raise money to support a range of good causes – national and local, helping adults and children alike. Each year a lead Charity of the Year is chosen and previous beneficiaries include Alzheimer's Research UK and Help for Heroes. Staff, customers and suppliers rose £1.5m last year.

NFU Commentary

The Iceland Corporate Responsibility pages contain relatively few specific commitments, notably in relation to UK agriculture. Some are quite backward looking or are statements of fact rather than identifying commitments the company is making for the future. There is a tendency to highlight normal or legal practice (eg being a signatory to the Gangmasters Licencing Authority) which may reflect fairly limited expectations of Iceland customers. Nevertheless, from a stakeholder perspective for a company of almost 800 stores and nationwide presence, we might have expected a slightly more forward looking approach to CSR.

Sourcing

It's impossible to determine the amount and proportion of food Iceland sources from the UK given a lack of publicly available information.

As a basic start, Iceland could follow the lead of other discount retailers and make clear its sourcing policy with regard to UK products and look to adopt at least some basic commitments to UK sourcing in areas such as meat and dairy produce.

Supplier Relationships

There are no references made to how the company seeks to engage with suppliers, let alone any information on relationships with UK farmers.

Iceland does argue that by acting responsibly to the communities it operates in and with the staff it employs, they and the business will benefit. Arguably similar principles pertain with regard to Iceland's suppliers and it is disappointing that this isn't picked up in the CSR information provided by the company as a bare minimum.

Sustainability

Iceland has concentrated its efforts in addressing its climate change footprint and reducing the amount of waste it generates, focussing on its direct impacts rather than that of its suppliers.

The inclusion of steps to reassure customers as to the quality of food (independent benchmarking teams, BRC Global Standard, honesty and clarity in labelling and animal welfare Five Freedoms) does suggest that Iceland is concerned to demonstrate the integrity of the products it sources. Independent assurance from Red Tractor Assurance would enable this perception to be addressed in a credible way and also provide a valuable commitment to the UK supply chain.

Opportunities to develop commitments

In summary we see a number of immediate opportunities for Iceland to build upon its existing commitments in the following ways:

- Report on sales of British food highlighting current level and future targets for sourcing food
- Provide information on company approach to supplier relations
- Integrate Red Tractor Assurance scheme into the Iceland business
- Use Red Tractor logo on packs



Introduction

Lidl has a UK grocery market share of around 2.8% (Kantar Worldpanel May 2012) operating some 585 stores in the UK (Grocer, 2011). The business is primarily focused on grocery items, although it does supply a number of seasonal non-food lines. Lidl does not publish a formal CSR report but does promote its responsibility credentials through its website.

CSR Commitments

Lidl's CSR policies, featured on the company's website, include a 'Best of British'²⁵ section which confirms that Lidl stocks beef, chicken, pork, eggs and milk and a wide variety of cheeses and fruit and vegetables from Britain. This section also highlights how Lidl has put the Red Tractor logo to good effect within stores with it being found on the front of pack on a large variety of products and point of sale merchandising. The logo is also featured on the consumer oriented areas of the website. Other CSR policy areas include stocking of fairly traded products, sustainable buying of fish and shell fish, reusable carrier bags and the non-use of slave labour.

The environment is the prominent theme for the corporate responsibility section of the website and considers Lidl's work in recycling cardboard and diverting waste from landfill, introducing carrier bag charges, use of efficient refrigerants and heating/cooling systems in stores, energy saving schemes and efficient logistics.

The website also features a Company Statement and Principles section covering 5 main areas: Company Statement, Management Philosophy, Employee Philosophy, Customer Philosophy and Business Partner Philosophy. An additional GSCOP Annual Compliance Report 2010-2011 is also included. A summary of these sections follows:

Company Statement - This refers to Lidl being aware of its size and its responsibilities including respecting cultural differences, values and traditions. It states that customer satisfaction is the goal with quality and cost competitiveness key. There is a desire to be fair to everyone in the organisation and people are respected and supported. There is also a commitment that Lidl honours its agreements.

Management Philosophy - There is an overall aim to encourage a positive working environment to benefit both employees and the organisation. Some of the principles include positive performance management, communicating in an open and honest way and interaction being fair and respectful. Lidl aspires to be reliable, trustworthy and loyal.

Employee Philosophy - Lidl has an aim to be recognised as an attractive employer. To achieve this, it commits to a number of measures including promoting and developing internal candidates first, adopting standard criteria for selection, providing good training and supporting people in achieving a healthy work-life balance. Lidl also states that mutually respectful and fair conduct shall extend beyond employment.

Customer Philosophy - This recognises that customers are the most important people in the business and there is a need to ensure excellent customer service in good stores that have all of the product range available all of the time.

Business Partner Philosophy - The Lidl approach to business is about being hard but fair, recognising that it negotiates competitively with a focus on price and performance and is open to new business partners. The Lidl philosophy leads to monitoring of agreed performance levels and invites partners to improve their products and services. A strong focus on mutual trust features within the philosophy.

²⁵ http://www.lidl.co.uk/cps/rde/xchg/lidl_uk/hs.xsl/19950.htm

GSCOP Annual Compliance Report 2010-2011

Lidl has appointed an in house compliance officer, all existing terms and conditions have been checked for compliance with the code and references to the GSCOP have been made in existing contracts. Lidl also confirms that all buying staff have been trained and suppliers informed of the escalation stages. No disputes have been raised.

NFU Commentary

The information published by Lidl is general rather than specific. The commitments are less comprehensive than those for many other retailers and often reflect minimum requirements. Given the advances that Lidl is making within the UK grocery market and increasing scrutiny that the business might face from civil society and other stakeholders, it may be appropriate to consider a review of the company's CSR programmes.

What is good to see is that the company has publicly adopted a Best of British CSR policy on its website. It's not the easiest to locate and doesn't explicitly form part of the company statement and principles. But it does amount to at least a rhetorical recognition of the importance of UK agriculture to the company's business.

Sourcing

In sourcing the majority of its meat and some fresh produce from the UK, Lidl has a fairly good story to tell. The company has been seeking to capitalise on its British sourcing credentials recently and with some effect. This has heightened the perception of the company in the eyes of British farmers.

The company does not provide details of amounts or proportions of fresh produce, dairy and cereal based products that are sourced from Britain and it would be helpful if Lidl were to provide some benchmark data on existing sourcing levels in these areas and look to set some targets for future procurement. Additionally, it is somewhat surprising that Lidl does not stock any British lamb. There's no obvious explanation for this and it seems somewhat odd that the company would not stock even a limited number of SKUs when British lamb is at its seasonal best if not year round.

Supplier Relationships

Although we have had very little negative comment from suppliers, as the company grows in the UK, the relationships it has with farmer suppliers will come under some scrutiny. The company clearly wants to position itself as treating suppliers fairly and being pro-British but to date the company hasn't taken any evident steps to engage directly with its UK supply base other than commercially. Its relationships are therefore transactional. Greater stakeholder engagement might be a first step towards looking at how the company can position itself as being seen to work more closely with British farmers.

Sustainability

Whilst there is some information on actions taken to reduce the organisation's impact it is rather limited and therefore difficult to judge. There is no suggestion at this stage of any efforts by the company to engage with supply chain partners on sustainability.

Lidl commendably uses the Red Tractor logo on pack and in its marketing, but there is little information on how the logo provides assurance as to the quality, welfare and environmental standards of the products it buys. There is, therefore, a significant opportunity to champion the use of the Red Tractor logo and assurance standards in its sourcing policy.

Opportunities to develop commitments

In addition to comments raised above and in summary we see a number of immediate opportunities for Lidl to build upon its existing commitments in the following ways:

- Highlight the proportion of British food sold and set objectives for development in terms of UK sourcing
- Sourcing British lamb in season
- Engagement with stakeholders on supply chain relations
- Better communication of the company's environmental aims and objectives and role of Red Tractor Assurance



Introduction

As well as being the UK's largest clothing retailer, Marks and Spencer's (M&S) total food sales of £4.5bn represent almost 4% of the UK grocery retail market²⁶. In the company's last annual report, the number of stores stood at 703 of varying formats from large out-of-town clothing stores to smaller Simply Food stores.

M&S' corporate responsibility policies are driven largely by the company's Plan A initiative. It argues that this represents good financial sense for the company, attributing a net benefit of £70m in the period from April 2010 – March 2011. M&S maintains a website dedicated to Plan A²⁷ and the company also publishes a more formal CSR report on an annual basis which is freely available online²⁸.

The introduction to the report by Marc Bolland, Chief Executive Officer, explains that Plan A has been embedded into the culture of M&S with the Board taking greater responsibility for Plan A to ensure the executive team plays an active role in its delivery. An external advisory board, jointly chaired by Mr Bolland and Jonathon Porritt helps the company maintain its leadership in CR policies beyond 2015.

CSR Commitments

Plan A developed from an initial 100 commitments in 2007 to 180 today. M&S claims that 95 of these have been achieved. Of the remaining commitments 77 are on target with 7 behind plan and 1 on hold.

The commitments are divided into 20 objectives which in turn are allocated to one of seven pillars within Plan A. A significant number have some bearing on UK agriculture and the Plan is comprehensive in its scope.

Pillar One – Involving customers in Plan A

This comprises 3 objectives and 13 commitments:

1. Aim for all M&S products to have at least one Plan A quality by 2020 (50% by 2015) and help customers identify and buy these products
2. Help customers make a difference to the social and environmental causes that matter to them
3. Help customers live a more sustainable life

The commitments within the first objective include creating a guide to the social and environmental 'hotspots' of the different types of products sold and then defining Plan A qualities. Plan A qualities for food products include Fairtrade, organic, sustainable fish and supplier excellence.

Additional targets include at least one Plan A quality being incorporated into all general merchandise and food by 2020 (and in half of all products by 2015) and developing and improving mechanisms to help customers identify such products in store and online to encourage their purchase. These targets are seen as being on track.

M&S has also developed a 'Meet Your Farmers' website²⁹, featuring around 50 farmers from across the UK and Ireland, as a means of showcasing the relations the company has with its suppliers.

²⁶ <http://annualreport.marksandspencer.com/overview/about.aspx>

²⁷ <http://plana.marksandspencer.com/>

²⁸ http://corporate.marksandspencer.com/documents/publications/2011/how_we-do_business_report_2011

²⁹ <http://plana.marksandspencer.com/we-are-doing/sustainable-raw-materials/your-farmers>

Pillar 2 – Making Plan A how we do business

This consists of 5 objectives and 40 commitments:

4. Engaging employees in Plan A
5. Integrating Plan A into systems and processes
6. Building Plan A into every aspect of M&S' construction programme
7. Engaging business partners in Plan A
8. Creating a culture of innovation on sustainability

Objective number 4 includes one commitment directly relevant to UK agriculture: responsible buying. This includes the introduction of a training module taken by all new starters and relevant staff, developed in conjunction with Traidcraft. This is now a part of the foundation course for the M&S Food Academy, which was set up to aid the understanding of the various codes of practice and guidelines that form part of the M&S quality management system. There is an additional requirement for employees who have direct contact with suppliers to complete annual compliance training with the Groceries Supply Code of Practice.

Objectives 5 and 6 include commitments to develop and report on the financial case for Plan A, link directors' pay to Plan A, review likely impacts on climate change of the M&S estate and generally improve the sustainability of stores and buildings.

There are 3 commitments under Objective 7 that are relevant to UK farming all of which are described as being on track. The first is further improving the traceability and transparency of M&S food through completing the roll out of 'Field to Fork' and TRAK systems for produce and meat raw materials respectively by 2015. Both are management systems to aid and improve quality, safety and systems. Alongside this M&S has also launched Producer Exchange, a website supporting the M&S Farming for the Future programme (see below).

The second commitment entitled Sustainable Farming confirms that M&S has engaged producers of fresh meat, dairy, produce and flowers in developing an overall sustainability framework entitled Farming for the Future. Some 28 'Pacesetter'/best practice sustainability projects across different sectors have been funded. The Farming For The Future website³⁰, states that a number of indicator farms are being supported to implement changes to their business including technical efficiency, resource utilisation, health and welfare and nutrient management to drive sustainability in a number of sectors.

The third commitment is to establish sustainability benchmarks for food suppliers based on a simple Gold/Silver/Bronze system by 2015, with a target of 100% of suppliers being engaged and 25% (by turnover) being at Gold Level. Work towards this includes developing a food supplier Sustainability Framework³¹ covering labour, environmental and lean manufacturing practices and a Sustainable Agriculture Programme with farmers and growers. Both initiatives are still in relative infancy but an increased roll out is planned.

Pillar 3 – Climate Change

Covering 3 objectives and 33 commitments:

9. Helping customers cut their carbon footprint
10. Reducing operational carbon emissions by 35% and making operations carbon neutral
11. Helping suppliers cut their carbon emissions

Under objective 9, the first commitment is to launch at least six projects by 2012 which lead to step changes in reducing carbon emissions across key M&S food product ranges. These include a supply chain project on low carbon dairy production.

Under objective 11, M&S cites examples such as supporting the work of the Carbon Trust to develop a carbon label by promoting PAS 2050 to suppliers as its preferred method for calculating product carbon footprints and supporting the WWF carbon footprint campaign, which seeks to help customers and employees understand their carbon footprint and how to reduce it.

³⁰ <http://producerexchange.marksandspencer.com/>

³¹ http://corporate.marksandspencer.com/howwedobusiness/our_policies

The one 'on hold' commitment in Plan A falls under this objective, which is to move towards the use of 50% bio-diesel in lorries as sustainable sources became available. M&S argues that sustainable supplies of crop-derived bio-diesel are not currently available to achieve this commitment.

A number of the commitments under objective 11 have been achieved whilst others are still in progress. Those achieved include a food carbon footprint, minimising air-freighted food and undertaking research to understand the carbon balance associated with the production of agricultural raw materials.

On-going commitments include assessing the impact of climatic changes forecast for 2020 to 2030, and ensuring that all food supplying factories have an environmental action plan. By 2015 a quarter of M&S food will be produced in factories that have improved energy efficiency by 25%.

Pillar 4 – Waste

Comprising 3 objectives and 26 commitments:

12. Creating partnerships to help customers reuse/recycle products and packaging
13. Sending no waste to landfill and reducing operational and construction waste
14. Helping suppliers to reduce waste

Objective 13 includes a commitment (on track) to set targets for the reduction of food waste, which has resulted in a target of reducing store unsold food waste by 25% by 2015. Any remaining food waste is being sent to composting or anaerobic digestion, a commitment that has also been achieved and is part of the wider commitment to zero waste being sent to landfill by 2012. Attempts to help suppliers reduce waste are largely driven via the aforementioned food supplier Sustainability Framework.

Pillar 5 – Natural resources

There are 2 objectives and 28 commitments:

15. Ensuring efficient use of natural resources in M&S operations
16. Reducing the impact on the natural resources used to make products

Objective 15 comprises a range of resource reduction and efficiency targets that apply to M&S and suppliers particularly in relation to water.

A number of environmental commitments made in Plan A impact on farmers. By 2015, 75% of M&S fruit, vegetables and salads will be residue free, with an ultimate aim that by 2020 all will be free of residues. This commitment is seen as being on track with 45% independently tested as being residue free in the last full report. M&S plans to phase out use of hazardous pesticides in its supply chains and to triple sales of organic food. A well-documented decline in organic sales has led to a review of these plans at the time of writing.

Commitments to animal welfare also appear in pillar 5 (under objective 16). There is a general commitment to improving welfare which is said to be achieved by M&S standards building on the requirements of UK Farm Assurance schemes. M&S has adopted Codes of Practice that go beyond common standards in terms of welfare.

M&S has sought to convert all whole fresh turkey, geese and duck, and fresh pork products to free range. However, this commitment has had to be suspended following disappointing trial sales. A commitment to further improve the stocking density of Oakham chicken³² was achieved when in 2007/08 it was reduced in line with the RSPCA recommended standard of 30kg/m².

M&S is working with the RSPCA to develop a way of classifying sources of leather based on animal welfare, traceability, tannery standards and threats to deforestation. M&S is also considering how it can source beef and leather from sources that do not contribute to deforestation by 2015. Within this there is a longer term aim to procure more from UK sources and a plan to introduce UK sourced canned beef products.

³² Oakham chickens are slower growing breeds and supplied from dedicated UK farms. The brand is exclusive to M&S.

The company maintains a commitment to requiring ingredients in M&S food to be derived from non-GM sources.

Pillar 6 – Fair Partner

There is 1 objective with 21 commitments

17. Ensuring workforces and communities benefit from M&S' supply chain

A key commitment is to source as much food as possible from the UK and Republic of Ireland by 2012.

M&S now sources all fresh beef, pork, chicken, turkey, duck, goose, shell eggs and milk from the UK and Republic of Ireland and all bacon and sausages are British. With regard to produce M&S has increased the range of British pears by 40%, extended the range of British apples, blueberries and mangetout and introduced British baby watermelons, the flower sprout, chrysanthemums and lavender.

An associated commitment is to double sourcing of regional produce. According to the company, this has been achieved by increasing the number of lines in key categories such as fish, regional poultry and British flowers.

Other commitments listed as being achieved include:

- Increasing the number of small suppliers (speciality food and drink including confectionery, cheese, lamb, gluten-free products and some regional breweries)
- Extending the company's long-standing Milk Pledge which, since 2005, has committed the company to paying a milk price to 36 dairy farmer suppliers based on a formula taking account of costs of production and changes in certain retail prices. This has seen M&S typically pay amongst the highest (if not the highest) conventional raw milk prices in the country. The extension commits M&S to incentivising farmers to have high standards of animal health and welfare and farm processes
- Extending the Milk Buying Pledge to provide price premiums for speciality Brecknock and Swaledale lamb

There are several commitments to research and development. These include extending UK growing seasons of UK crops which have seen seasons extended for asparagus, blueberries and potatoes, allowing M&S to reduce to reduce its reliance on imports. Further R&D commitments seeking to extend growing seasons or supporting UK trials of UK grown kiwi fruit, yellow plums and several varieties of cherries have also been launched.

Pillar 7 – Health & Wellbeing

Comprising 3 objectives and 19 commitments:

- 18.** Driving health and nutrition benefits across the product offer
- 19.** Helping to facilitate behaviour change through clear nutritional labelling
- 20.** Encouraging customers and employees to become more active

Areas of focus in this pillar include reducing salt across all product lines and reducing saturated fat in dairy products – both said to be on plan. M&S also states it has achieved commitments to offer at least 30% healthier food lines, using only natural colours and providing nutritionally enriched foods such as UK grown spinach in selenium enriched soil with a programme of more products for 2010/11.

NFU Commentary

There can be little doubt that Plan A is a comprehensive suite of commitments that place a very strong focus not just on the activities of the company but also across the supply chain. What is more, the company makes a large number of explicit commitments that have a positive bearing on British agriculture

Culturally, M&S appears keen to demonstrate that sustainability is being embedded into the how the company does business. This impression is bolstered by the third party input of respected critics such as Jonathon Porritt, the commissioning of Ernst & Young to gather impartial feedback and above all, linking achievement of Plan A to director pay.

Plan A has established significant profile as a leading sustainability pledge becoming almost an iconic brand in its own right and receiving many awards from bodies such as BITC, RSPCA, Marine Conservation Society and The Queen's Award for Sustainable Enterprise over the last five years

Many of the targets appear to be stretching: indeed the fact that some have been revised after only a few years indicates that they may have been a little too stretching to start with. In contrast, as with other companies, some commitments do not establish baselines and specific targets to help measure performance. In terms of supplier relations it is not always easy to determine either the overall objective or the progress that has been or is being made towards it. For example, objective 9 has a commitment to launch at least six projects by 2012 which lead to step changes in reducing carbon emissions across key M&S food product ranges, including a supply chain project on low carbon healthy dairy production. Further details are awaited on this project .

A number of commitments hang on the definition of a more sustainable or 'Plan A' product. For example, the CSR report suggests that a list of Plan A qualities for food has been developed which includes Fairtrade, Organic and Supplier Excellence. However, it is suggested that other, unknown, Plan A qualities could exist and therefore it is difficult to determine the achievement in terms of the number of Plan A products available. The lack of clarity in the information means the report falls short of a commitment to share these qualities with stakeholders.

Furthermore, other than a passing reference to discussions with Forum for the Future, there is no indication that objective criteria were used in assessing the suitability of Plan A qualities. This is the kind of information that could be included on the Plan A website.

Sourcing

On the face of it, M&S has made robust commitments to British and local sourcing and champions its policies in this area. What's surprising is the lack of distinction drawn between British and Irish sourcing, especially given the scale of the business operation in the UK compared to the Republic of Ireland. We believe that a clearer distinction between UK and Irish sourcing is needed and is easily achievable. We urge the company to address this in future publications.

As with most other retailer sourcing commitments, there is a need for greater clarity with regard to baselines, proportions and future targets. A good example is fresh produce: whilst details of increases in certain lines are communicated it is not possible to determine the total amount of British fruit, vegetables and ornamentals sold or how M&S plans to increase this in the future.

The M&S experience of the decline in sales of organic food demonstrates the tension that exists between consumer aspirations and economic reality. Whilst it is clear the company wants to be seen to be driving standards forward, it equally needs to remain mindful that this could be out of step with affordable expectations. That said, M&S has recognised, notably in its Milk Pledge, the need to ensure farmers receive returns that cover the additional costs associated with higher welfare standards.

The work of M&S to consider the welfare of animals within the general merchandise supply chain offers potential to UK farmers. As UK supplies of leather would guarantee the requirements concerning animal welfare, traceability, tannery standards and threats to deforestation this also seems to offer M&S a solution as part of the longer term aim to procure more from UK sources. The plan to introduce UK sourced canned beef products is very welcome, although it is unclear what progress has been made on this so far.

We would continue to urge M&S to demonstrate its support for British standards by featuring the Red Tractor logo on its packaging.

Supplier Relationships

It's encouraging to see that M&S places a strong corporate focus on requiring employees who have contact with food suppliers to complete annual compliance training with the Groceries Supply Code of Practice and responsible buying, although further information on the additional requirements beyond GSCOP would be welcome.

M&S should be commended on the Milk Pledge which, predating Plan A, incorporates an industry leading and largely predictable price calculation model that includes production costs. We understand that the milk buying

Pledge is being extended to cover additional requirements for speciality lamb and pork and further details of these schemes would be welcome, especially the pricing commitments that are made to reflect any additional cost burdens borne by producers.

Investments in the management systems 'Field to Fork' and TRAK and the Producer Exchange website should also be commended. More significantly, the work with Indicator Farms, where the company invests in consultancy to deliver what it calls mentored action plans that in turn quantify the business benefit for change, provides something of a template for road testing a more collaborative relationship between farmers and retailers that can help foster better business performance.

Scaling these initiatives to cover a wider segment of farming suppliers will doubtless prove to be a challenge and in the long-term, success of these programmes will depend on dissemination to all suppliers. But, in fostering what appear to be strong, collaborative and trusting relationships with farmers, in which M&S makes investments, creates the right atmosphere that can breed innovation. A good example may be the work with growers to extend the growing season for some fresh produce lines and in particular the commitments that support investment in research and development.

Perhaps more concerning are the commitments made to ensure produce is residue free. It's not clear if this refers to legally established maximum residue limits (MRLs) or another indicator, but growers will want to know how this translates realistically into practice. Suppliers will also want to understand how the Food Supplier Sustainability Framework that covers labour, environmental and lean manufacturing standards and a plan to improve water efficiency may impact on their businesses. It appears to be focussed at this stage on manufacturers but there are related references to farmers also.

Sustainability

The report contains a general commitment to improving welfare by building on the requirements of UK Farm Assurance schemes. Such an approach may impose higher costs on producers, which need to be reflected in prices paid to producers. In principle, relationships like the Milk Pledge should ensure these additional costs are recognised, although it isn't clear from the documents that the same principle applies in other livestock sectors.

It is obvious that a key aim for the business is the reduction of carbon emissions. The introduction of six projects by 2012 to provide a step change could ultimately impact on farming businesses, even if the focus at this stage is not, as we understand, pre-farm gate. A key challenge with running a range of projects simultaneously is to avoid the risk of overloading producers, duplicating effort and conflicting with existing industry initiatives like the Greenhouse Gas Action Plan.

At the heart of M&S' sustainability activities is the development of an overall sustainability engagement framework, Farming for the Future (which by 2015 should include the farmers producing the primary raw materials). M&S will realise that communication on how the criteria have been developed, what the targets for suppliers are, and, following any benchmarking, what developments might result are imperative as currently there is a lack of clarity particularly at producer level. However, it will also be interesting to understand the results from both the PaceSetter Projects, considering specific trials and R&D, and Indicator Farms, considering efficiency, environment and ethics (inc. animal welfare) and the types of support offered. Understanding how M&S has overcome the potentially competing agendas of welfare and the environment will also be key.

Opportunities to develop commitments

In addition to comments raised above and in summary we see a number of immediate opportunities for M&S to build upon its existing commitments in the following ways:

- Distinguish between UK and Irish sourcing
- Extending the Milk Pledge, including price commitments to other categories where appropriate
- Use of Red Tractor logo starting with a trial on a limited number of packs
- Provide further details on the progress of the Food Supplier Sustainability Framework and the criteria for assessment



MORRISONS

Introduction

Morrisons is the UK's fourth largest supermarket with a retail grocery market share of around 12%³³ and some 440 stores. Morrisons provides a variety of grocery goods to consumers and a small number of non-food lines.

Morrisons' website features a dedicated corporate responsibility section and a full CSR report is published annually by the company³⁴. This is freely available online³⁵ with the most recent version of the review entitled 'Food with Thought' covering 52 weeks ending 29 January 2012.

Two Tomorrows, an international agency specialising corporate sustainability, has undertaken independent assurance of the CR review and provided an independent opinion intended to inform all stakeholders on the rigour of the reporting processes and report itself.

CSR Commitments

In the introduction to the report, CEO Dalton Phillips highlights 4 reasons why Morrisons is 'different': investment in people, a fresh food focus, a unique vertically integrated business model and a close relationship with British farm suppliers.

There is a strong emphasis on Morrisons being a good place to work with a commitment to developing people. The recent introduction of M-Savers discount lines is said to have helped customers in tough economic conditions. Group Corporate Services Director, Martyn Jones, highlights the strong heritage of the business, believing that organisations with principles build trust and are more likely to be around in the longer term. Morrisons' vertical integrated business model is frequently highlighted as an advantage in ensuring that it can retail products responsibly.

In a change to the two previous years, the CSR commitments for 2011/12 revolve around a statement- 'friendly people making great food affordable for everyone'. This covers three main areas:

1. Friendly People

There is an aim for staff at Morrisons to feel different so that this feeds through to customers. This places an evident emphasis on recruitment and staff development. 2011 saw 6,000 new jobs created with plans for an additional 7,000 in 2012. Many of these positions are expected to be filled by people previously unemployed. Employees also have the opportunity to avail themselves of a number of development routes within the company including a leadership development programme. Some 15 KPIs have been developed to monitor progress in this area.

2. Making Great Food Affordable

The company makes strong statements on its close working relationship with farmers. It sets out a clear public intention to source British food first. All fresh beef, lamb, pork, poultry and milk are British with meat buyers contracting direct with farmers. Most fruit and vegetables are also bought direct from farmers. When in season, Morrisons sells 100% British strawberries, carrots, broccoli, swede, cauliflower, cabbage, onions, potatoes, parsnips and sprouts. Additionally a new range of breads using only British wheat has been introduced into stores.

³³ Kantar Worldpanel May 2012

³⁴ Food With Thought. Corporate Responsibility Review 2011/12

³⁵ http://www.morrisons.co.uk/Documents/Morrisons_CR_Review_FINAL_2011-12.pdf

Morrisons operates a Farming Programme that is said to cover a broad range of issues from keeping British farm products competitive and affordable to strengthening a commitment to animal welfare and improvement. Supply chain groups featuring Morrisons' suppliers have been established across key sectors. The composition of these groups isn't detailed, although Morrisons believes that the involvement of farmer suppliers ensures the farming programme is expert led and focussed on current practical issues.

The CSR commitments in the Making Great Food Affordable section specify two main commitments to British food:

- Establishing an applied farm research programme
- Extending its existing 100% British pledge

In 2011 Morrisons commissioned and published research projects on free range hen health, dairy farm carbon footprints and a study considering soil and fertility. A further 7 projects are currently under development covering poultry, dairy, eggs, health and safety and genetically modified feed.

Morrisons has established its own farm at Dumfries House in Scotland which it intends to use as a base to trial new farm projects including calculating carbon footprints and a breeding initiative designed to improve farm productivity. Reference is made to conducting trials of a high protein crop that is hoped will limit the need to purchase (imported) proteins for animal feed.

The company achieved the aim of introducing more 100% British fresh own brand lines (bread) last year and maintained its commitment to 100% fresh meat and poultry although it has stated that this might be difficult to maintain as the business continues to grow. In response to market conditions and to reduce inconsistencies with feed requirements for other species, Morrisons announced from 2012 that it would allow poultry suppliers the choice to use feed that is not guaranteed to be free of GMs.

In terms of animal welfare Morrisons has concentrated most effort on its chicken and egg sourcing, ensuring that all birds have access to environmental enrichment. Further commitments include a review of free range egg ingredients for fresh products and an independent welfare audit of imported pork against UK standards. 2011 also saw moves to improve biodiversity and reduce the impact of pesticides by managing their use through a risk assessment process, particularly for suppliers from outside the EU, which helps to minimise residues, promote bio-pesticides and encourage best practice. Morrisons is also taking structured approach to phasing out pesticides of concern such as endosulfan.

Morrisons is also promoting healthier eating as an essential part of daily life by making it more attractive and affordable to eat fresh and healthy food through the introduction of the Eat Smart range and 'little green badges' denoting products considered part of a healthy balanced diet. It is also providing nutritional advice and information for customers and like many other major food companies has signed up to the Department of Health's Responsibility Deal.

The CSR review recognises environmental issues as being important to both the business and society at large with Morrisons considering reducing waste, packaging recycling and carbon as key areas of focus with commitments that include:

- A reduction in packaging weight of 7% translating to a 4% absolute reduction in the carbon impact of packaging (WRAP)
- Achieving a reduction of carbon emissions as a key overarching benchmark for environmental performance. There is an overall aim to reduce total operational footprint by 30% by 2020 from a 2005 baseline.

The company's business model of direct ownership of processing and packing is seen as a strength in reducing impacts. For example, buying whole animals that are then used in all areas of the business rather than cuts of meat results in less waste and efficient use of resources. Buying whole crops reduces waste as the company can better utilise irregularly sized or shaped produce in food processing and ready meals. Over the year, Morrisons increased its manufacturing capability with two new sites and is committed to acquiring more in 2012 as part of a strategy to extend this part of the business alongside more stores.

Some of the steps being taken to achieve the company's carbon reduction target include in-store voltage optimisation, ventilation, controlled use of LED lights on chilled cabinets and eco-stores using air-source heat pumps, solar panels and natural-refrigerant refrigeration. Despite the company's growth in store space, haulage emissions have reduced through a combination of better fuel efficiency in the modern fleet, driver training and changes to operational routes.

3. For Everyone

Morrisons highlights its aim to be an integral and positive part of the community, by supporting local people. The company partners with a number of local schools, charities and community groups as well as supporting colleague fundraising.

The CSR review showcases the 'Let's Grow' initiative, Morrisons' promotion of fresh food in the community by supporting schools with resources including gardening equipment, seeds and plants. Moving into its 5th year, some 26,500 schools have registered in the scheme with some 93% stating they will continue to participate

NFU Commentary

Morrisons' CSR policies place a really strong emphasis both on sourcing British and building relationships with British farmers. Right from the top, the company is keen to make a real virtue of strong, public commitments to British agriculture and the need to build resilient, sustainable supply chains. Throughout the latest CSR reports the company pays considerable attention to supplier relations including case studies featuring different producers, which reflect the long-lasting relationships the company feels it has built with British farmers. The company's keen attention to UK sourcing and relationships with farmer suppliers gives a positive impression about the values that the company holds.

Many of the company's public commitments are clear and measurable although some areas would benefit from establishing baselines and specific targets help measure performance.

Sourcing

The company ensures that all fresh beef, lamb pork, poultry and milk is British and is a strong supporter of seasonal British fresh produce.

This is already a significant and very welcome commitment to British agriculture. We believe that concerns that company may be harbouring with regard to future sourcing can be addressed by keeping a strong signal of intent to work with UK suppliers. We believe the capacity exists within UK supply chains to deliver more in terms of UK sourcing although it would be helpful to understand where Morrisons may have specific concerns for the future.

Although its commitments towards UK sourcing appear to be very strong, the company could arguably go further in some areas. Clearly, not all sourcing lines could or even should for various reasons become 100% UK. Nevertheless, it would be good to identify areas where current sourcing levels are not 100% British, which in turn could foster a debate about the opportunities and barriers that might exist.

Somewhat surprisingly, the company doesn't mention its commitment to UK farm-assured produce or the use of the Red Tractor logo. Morrisons has a good story to tell on use of the logo and support for farm assurance and could make more of this in its CSR reporting.

Supplier Relationships

Morrisons rightly makes a real virtue of its vertically integrated supply chain model. Due to recent investments it is likely that it will buy more fresh food directly from farmers than any other supermarket and the company predicts that if market conditions continue it will become the UK's largest manufacturer of fresh food by 2015.

This business model should lend itself to the development of good working relationships with farmers, which in turn leads to generally positive feedback from farmer suppliers about their relationship with Morrisons as a customer across a number of sectors.

The most recent CR review tends to overlook the work of Morrisons' Farm Groups that were highlighted in

previous reviews. Covering beef, lamb, pork, poultry, milk, cheese and eggs, these form an important part of the overall Farm Programme and a key vehicle for engagement with farmers, which in turn should help the company foster trust and confidence amongst its suppliers. We appreciate that Morrison's commitment to these groups remains strong and arguably could be developed further. However, we sense that future reviews or perhaps the Morrisons website provide an opportunity to talk more about the work of the different Farm Groups.

Given Morrisons' championing of the vertically integrated model, the NFU has always felt that the company's approach to working with dairy farm suppliers represents something of an anomaly since unlike other retailers it has explicitly avoided creating a 'dedicated' pool of producers. The company argues in doing so it is able to benefit a wider pool, but we continue to feel this may not properly reflect the responsibility the company holds towards its dairy farming suppliers. This has been recently compounded by the controversy surrounding milk price cuts with a mere 4 days' notice by one of Morrisons' liquid milk suppliers, Dairy Crest.

Sustainability

Morrisons is rightly proud of its Farming Programme and we believe the focus of this work on key applied research projects has already delivered substantial benefits to Morrisons suppliers. The company can be held up as an example to others of the need for the private sector including retailers, to work with government and industry in boosting investment in research and development. Further opportunities may exist to ensure the learning from the research undertaken is highlighted and disseminated more widely by working with AHDB and other organisations. With that in mind it is a shame that there is very limited information only on the results of the dairy farm carbon footprinting project and soil and fertility report within the CR report and seemingly no public information available on the recent free range hen health review or the breeding initiative at Dumfries House reported in 2011 CR review. Whilst detailed features aren't particularly appropriate for inclusion within the CR report it is the kind of information that lends itself to being readily available online.

The CR review also indicates that there is a desire for more sustainable sourcing, which in part focuses on enhancing animal welfare policies and auditing processes by 2013. Given that British farmers already adhere to higher and independent standards through the Red Tractor Assurance scheme, we would assume that any proposals to increase standards are realistic, achievable, do not lead to unintended consequences and are remunerated.

The NFU has previously commended Morrisons for taking a bold but pragmatic step in changing the illogical policy on GM poultry feed. We maintain our strong support for the decision taken by the company this year in the face of some opposition from NGOs. Other retailers should follow the example set by Asda and Morrisons.

Opportunities to develop commitments

In addition to comments raised above and in summary we see a number of immediate opportunities for Morrisons to build upon its existing commitments in the following ways:

- Identify areas where UK sourcing not currently 100%
- More explicit profile for Red Tractor Assurance scheme use and logo in corporate communications
- Provide further details on the progress of the Farm Groups and the subject areas currently being considered
- Wider public dissemination of research projects

Sainsbury's

Introduction

Sainsbury's is the third largest supermarket in the UK with approximately 16.5% grocery retail market share according to Kantar Worldpanel (May 2012). It operates over 1,000 stores comprising convenience and supermarkets within the UK (Sainsbury's 1st February).

The company's sustainability commitments are laid out in Sainsbury's 20 by 20 Sustainability Plan published in October 2011 (http://www.j-sainsbury.co.uk/media/373272/sainsbury_s_20_by_20_sustainability_plan.pdf)

This effectively supersedes the company's existing commitments, setting 20 ambitious goals in order to help customers make more nutritious, sustainable and ethical purchasing decisions week in, week out, on a journey to 2020 and transform the marketplace for greener, fairer and healthier products.

20 by 20 is seen as Sainsbury's roadmap towards realising a vision of shifting customers' everyday behaviour in favour of sustainability, whilst still providing the value and quality that they have come to expect.

Chief Executive, Justin King's foreword describes the plans as the 'cornerstone of our business strategy', recognising that a retailer's business involves building resilient supply chains that are fit for purpose. The priorities of the plan include:

- Helping families find ways to Live Well (with better quality, more nutritious and sustainable products) For Less (at lower cost and with less impact on the environment)
- Changing shopping habits and business practices enabling more nutritious, sustainable and ethical purchasing decisions
- Restoring biodiversity, natural resource and habitats
- Seeking higher standards from suppliers and driving sales of products with the highest health, environment and social standards
- Continuing to treat suppliers fairly both in the UK and in the developing world

CSR commitments

The 20 goals set out in the 20 by 20 Sustainability Plan are divided into 5 main areas:

- Sourcing with integrity
- Best for food and health
- Respect for our environment
- Making a positive difference to our community
- A great place to work

A number of the commitments have a direct or indirect bearing on Sainsbury's relationships with British farmers:

Source all of key raw materials and commodities sustainably to an independent standard

The Plan identifies that deforestation, overfishing, poor land management and increased energy use have all contributed to increasing stress on the global food system with climate change, water scarcity and population growth having an impact on the long term security of supply. A challenge is to ensure that all the social and environmental impacts along the supply chain are identified and addressed in order to ensure that everything sold is sustainable in the long run.

Progress to date includes over 12 per cent of own brand products being sourced from independently certified sources, such as the Marine Stewardship Council, Fairtrade and Freedom Foods.

Delivery goals include:

- Continuing with progress on sourcing key raw materials to independent standards
- Ensuring there is 100 per cent traceability of key raw materials
- Establishing a sustainable sourcing code for raw materials which draws on existing independent standards and, where they don't exist, create a Sainsbury's specific standard
- Work with farmers on biodiversity and land management

Own brand products won't contribute to global deforestation

The Plan identifies that deforestation is responsible for around 20 per cent of global greenhouse gas emissions and causes irreversible damage. The challenge identified is not only to stop this damage but also help to restore forest cover. To address this, the Plan establishes a goal of sourcing all commodities which can cause deforestation (timber, palm, soya, beef, leather, biofuels) from the most sustainable sources and set up a research and development programme with the objective of reducing dependence on commodities sourced from regions at risk of deforestation.

Sales of fairly traded products will hit £1 billion

The Plan identifies that fair trade initiatives can help address many of the difficulties producers in the developing world face but there is a challenge to ensure these suppliers adapt to the impacts caused by climate change and build long-term sustainable businesses creating resilient chains.

Sainsbury's has already established itself as the world's largest retailer of Fairtrade goods by value, totalling £280m. The Plan commits to further sourcing of fairly traded products such as instant coffee, rice, pineapples, chocolate, avocados, preserves, beans and pulses.

Doubling the amount of British food sold

The Plan identifies that British farmers are under pressure from rising costs, the impacts of climate change, water scarcity and competition from around the world. The challenge is to work more closely with British farmers to provide high-quality, seasonal and local food and therefore support a vital industry so that customers are able to buy high-quality fresh British food.

Progress to date includes:

- Being the first retailer to use 100 per cent British flour in own-label sliced bread in addition to sourcing 100 per cent British fresh chicken, eggs, milk and sausages
- The largest retailer of British apples and pears in the UK with a third of all British pears bought in the UK sold through its stores
- Working with over 3,000 British farmers through Development Groups and Crop Sustainability Groups to promote best practice, including carbon footprinting, and to raise environmental and welfare standards

Delivery goals for the Plan include:

- Increasing the share of British produce throughout stores and continuing to drive the sales of fresh and seasonal British produce
- Continuing to work with Development Groups to help them increase yields, whilst reducing their environmental impact
- Actively focussing on research, development and innovation to test the impact of new growing systems on different varieties and to increase yields and season length through new growing practices.

All meat, poultry, eggs, game and dairy products will be sourced from suppliers who adhere to independent higher welfare standards

The Plan states that global demand for meat is expected to double by 2050. Sainsbury's shares the concerns of many customers and stakeholders about welfare but believes that better management and care for livestock can improve productivity and food quality.

Progress to date includes being the first major retailer to stop selling eggs from caged hens and the only retailer to offer higher welfare Woodland eggs and chickens. Sainsbury's is seen as the UK's leading retailer for Freedom Foods accredited products with almost 60 per cent of the market share.

Delivery goals include:

- Ensuring that all of the eggs used as an ingredient in own brand products are sourced from suppliers that are committed to independent higher welfare standards by 2012 (chicken by 2015 and pork by 2018)
- Working with Development Groups to ensure best practice on higher welfare is shared across the business and continuing to support Concept Farms (long-term projects to trial breeding, feeding and husbandry techniques and to pilot new and alternative ways of working to continually improve the welfare of animals)

Suppliers will be leaders in meeting or exceeding social and environmental standards

The Plan states that Sainsbury's has an expectation of strong social and environmental standards from suppliers but that many need practical help and support in implementing more sustainable practices. Therefore there is a challenge to build supply chains that are resilient to the social and environmental challenges facing the industry and a need to work closely with farmers, producers and processors to champion and embed excellence in sustainability.

Progress includes launching a supplier environmental scorecard to track and measure supplier environmental footprints and a Carbon Academy to train 20,000 suppliers, contractors and colleagues to reduce carbon footprint by 2020. Since 2006 the company has invested over £30 million in developing relationships with farmers and growers, initially with Dairy Development Group and more recently broadening out to cover main agricultural supply chains.

Delivery goals include:

- Working with branded goods suppliers to meet or exceed social and environmental standards
- Put in place a research and development programme to drive best practice in social and environmental standards in the supply base
- All suppliers to be engaged in good human resource management
- Rolling out sustainability scorecards across the business, enabling buyers and technical teams to make informed decisions

Putting all waste to positive use

The Plan looks to take further steps to address supply chain and household waste through more recycling and positive use. Delivery goals include sending no waste to landfill, developing anaerobic digestion as the preferred disposal route for food waste not suitable for charitable donation and continuing to develop customer campaigns to help them reduce their waste.

Ensuring that the supply chains are sustainable in areas of water vulnerability

The Plan recognises the increasing pressures placed on water consumption and argues that addressing water scarcity will require action at local and national levels by putting in place measures that reduce water stress especially in areas of water vulnerability.

Delivery goals include:

- Improving the efficiency of water use in operations and supply chain and endeavouring to have a positive impact in areas of water vulnerability
- Working collaboratively with other water users and local authorities to protect river basins and promote integrated water management
- Mapping water use for the top 30 commodities, introducing supply risk management where necessary and sharing information and best practice through grower groups and collaborative forums.

Working with own brand suppliers to reduce carbon emissions across all of own brand products by 50 per cent relative

The Plan identifies that carbon in Sainsbury's own operations is only a small part of the overall carbon footprint with the challenge being to understand emissions throughout supply chains, looking at the full life-cycle impact of products. This means working with suppliers, colleagues and customers to help them to reduce emissions and impacts.

Sainsbury's has already overseen the development of a carbon footprinting tool designed for farmers, which has the potential to reduce their energy costs and their carbon footprint by 10 per cent annually. The company

proposes to further improve the carbon footprint of primary agricultural supply chains by working with grower and agricultural groups, rolling out its supplier carbon efficiency programme and continuing to measure and assess carbon emissions. Sainsbury's will also establish supplier forums to enable collaborative working and to share best practice.

NFU Commentary

The Sainsbury's 20 by 20 Sustainability Plan is a comprehensive suite of commitments designed to deepen the overall sustainability of Sainsbury's business and its supply chains. The Plan provides a substantial level of detail in relation to many of the commitments of which a number may have a positive net impact of British agriculture. It is also well laid out, clearly identifying achievements to date and future delivery goals. What is more, Sainsbury's appears to recognise the importance of building resilient, sustainable supply chains and the responsibility it therefore carries as a business to achieving these goals. For these reasons, the NFU gave the Plan a positive endorsement on its launch in October 2011.

A number of objectives lack some precision and it is not always clear how achievement will be evaluated, including in respect of sourcing. This may reflect the infancy of the plan and a stated desire by the company to engage with its suppliers and farmer Development Groups on achieving at least some of the delivery goals. That said, in the future, there is likely to be a greater degree of scrutiny as to the methodology that is being deployed with regard to some of the delivery goals and some closer monitoring of performance.

Sourcing

The NFU has publicly applauded Sainsbury's headline commitment to doubling the amount of British food sold through its stores. This appears to represent not only organic business growth but also growth through displacement of imports and thus new opportunities for British suppliers. Though not explicit in the Plan, Sainsbury's has confirmed 2011 as the baseline against which this target will be measured. We understand that the Sainsbury's intends to work with its farmer Development Groups to ascertain how the target might be achieved across different categories with an expectation that some categories present greater opportunities for growth than others. To ensure transparency, we would urge Sainsbury's to be clear going forward about the baselines that may be used by category and the methodology that is deployed to demonstrate an aggregate doubling of sourcing across all categories (eg is this in volume or value terms).

Supplier Relationships

Sainsbury's has already made a significant operational and financial investment in building relationships with farmer suppliers through a series of Development Groups. These now cover most sectors although the Dairy Development Group is seen as the most significant in terms of reciprocal commitments to both standards and pricing. The recent decision taken by Sainsbury's following a vote amongst its producer suppliers to move towards a cost-plus pricing model marked a significant moment in farmer/retailer supply chain collaboration.

The NFU has championed the producer group concept and sees this as an important vehicle for not only delivering Sainsbury's sustainability objectives, but also for building more trusting, confident and resilient supply chains. We welcome the suggestion in the Plan that work with development groups will actively focus on research, development and innovation as these will help drive a more productive, competitive industry and thus more resilient supply chain in future.

The 20 by 20 Plan focuses on using development groups as a vehicle for addressing environmental sustainability and higher welfare standards. It could go much further to recognise the importance of building economic sustainability through better, clearer and more durable contractual terms between the company and its farmer suppliers.

Sustainability

Sainsbury's has made a number of commitments on the environment, waste, and wider societal objectives in its Plan. The prominence afforded to reducing climate change impacts is apparent. It highlights work to develop environmental scorecards to reduce supplier footprints, development of a carbon footprinting tool specially designed for farmers as well as a commitment to improving the carbon footprint of primary agricultural supply chains by working with farmer groups. Whilst we welcome these objectives, we are keen to see greater join-up across the farming industry on measures to reduce greenhouse gas emissions and particularly to deliver a

more common approach to carbon measurement. It is also important to avoid unintended consequences in the pursuit of carbon reduction commitments. Moreover it has to be borne in mind that achievement may require both investments on farm and changes in technology.

The Plan seeks to reward employees for long service, encourage staff to develop through training and fostering longer term relations with staff. The NFU believes that similar longer term relations with farming suppliers are essential to bringing benefits to both suppliers and consumers. We see an opportunity for Sainsbury's to link its socio-economic commitments to supply chain development.

The Plan commits Sainsbury's to sourcing products produced to independent standards as well as sourcing all meat, poultry, eggs, game and dairy products from suppliers who adhere to independent higher welfare standards. It is important to clarify how these goals will be delivered and to what extent they will impact on British farmers who already adhere to both higher and independent standards through Red Tractor Assurance schemes.

Sainsbury's has a relatively good story to tell in terms of the amount of Red Tractor food from Britain sold in its stores, and the lack of reference to the logo in the Plan is somewhat disappointing. We hope this can be addressed as the company starts to translate its ambitions on sustainable sourcing into more prescriptive detail.

Opportunities to develop commitments

We see a number of opportunities for Sainsbury's to build upon its existing commitments in the following ways:

- Communicating baselines and methodology for achieving UK sourcing targets
- Strengthening relationships with producers across all Development Groups, building on success of the dairy group
- Greater clarity on aspirations for higher welfare standards and how these will be met as part of 20 by 20 Plan
- Higher profile for Red Tractor Assurance in CSR publications



Introduction

Tesco is the largest supermarket chain in the UK with a 30.8% share of the grocery retail market³⁶. It operates some 2,929 stores in the UK along with in excess of 6,200 stores in 14 countries across Europe, the United States and Asia.

Tesco publishes its corporate responsibility commitments via its PLC website and through an annual CR report³⁷. The most recent copy covers the period between March 2011 and February 2012.

In addition, although not covered within Tesco's CR reporting process, the company adopts a number of policies pertaining to production standards as well as some wider commitments to certain groups of farmers in the UK, notably dairy producers. These are set out on the Tesco realfood website³⁸.

CSR commitments

In his introduction to the CR report Group CEO Philip Clarke emphasises the response of some staff to trying events such as floods in Thailand and riots in London and reminds readers of the importance of Tesco providing good quality, affordable food whenever people need it. He also highlights the aims of helping customers to lead healthy lives, creating jobs and developing leaders of the future as key roles for Tesco. In mentioning Tesco's work with hundreds of local producers alongside the employment commitments the introduction suggests a desire to be acknowledged for the company's role in rebuilding the economy.

The Tesco business is managed through the use of a Steering Wheel, akin to a balanced scorecard that comprises five segments Operations, People, Finance, Customer and the one featured in the CSR Review, Community.

The Community segment comprises 5 pillars which are each subject to measurement in the form of key performance indicators.

1. Buying and selling our products responsibly

The report states that Tesco ensures everyone in the supply chain is treated honestly and fairly with care taken to minimise impacts on the environment. Achievements highlighted include the sourcing of £1 billion of products from the UK and the launch of the Tesco Knowledge Hub in March 2011 which is said to be a part of the strategy to reduce emissions of the supply chain by 30% by 2020.

This section also covers the fair treatment of suppliers, sets out a desire to build long term relationships with them and ensure the fair treatment of supplier's employees through the Tesco 'Trading Fairly' programme. This derives its principles from the Ethical Trading Initiative (ETI) of which Tesco was a founder member. Also, Tesco monitors suppliers to ensure they meet the standards of the ETI's Base Code³⁹ covering the rights of workers. This is supplemented by a series of company audits of over 2,500 supplier sites.

The responsible sourcing of products includes commitments on palm oil, timber, soy (own brand soy products come from non-GM sources), Fairtrade and seafood. In terms of animal welfare (covered under this heading) Tesco states that it is the only major UK supermarket to insist on the same high standards for all fresh meat sold in the UK even if it is imported, with all meat and poultry suppliers being audited by an independent company (Integra Food Secure) to standards 'above minimum industry standards'.

36 Kantar Worldpanel May 2012

37 (<http://www.tescopl.com/corporate-responsibility>)

38 <http://realfood.tesco.com/our-food/tesco-farming.html>

39 (pg.18 CR Report)

This section also features the Dairy Carbon reduction project operated in conjunction with Promar International, and an environmental consultancy, Environmental Resource Management, to calculate the greenhouse gas emissions of 400 dairy farms in the Tesco Sustainable Dairy Group (TSDG) enabling the company to understand the variations between farms. This has led to a set of guidelines being developed that aims to reduce emissions and deliver cost savings to farmers.

Notable (UK) priorities for 2011/12 featured include a pilot project with the RSPB to improve biodiversity on farms and the analysis from the introduction of welfare outcome measures. The latter will consider the symptoms of poor welfare to benchmark performance and ensure producers continue to make welfare improvements.

Additionally, Tesco commissions an annual survey of its suppliers to determine whether they feel Tesco treats them with respect. In a change from measuring the total number of positive responses to each question it now focuses on one question – the percentage of responses to ‘I am treated with respect’. The company exceeded its target of 70% agreeing with the sentiment, however, the company missed its target for the total number of suppliers responding to the survey with just over half contributing their view.

Key Performance Indicators	08/09	09/10	10/11	Target 11/12	11/12
Supplier Viewpoint: average score (% of scores that are positive ‘I am treated with respect’)	68%	80%	82%	70%	74%
Supplier Viewpoint: response rate of suppliers	37%	51%	54%	60%	56%

2. Caring for the environment

Tesco aims to create more sustainable ways of doing business, through reducing its direct impact and by working with suppliers to manage resources more efficiently and reduce the carbon footprint of the products sold. Tesco also identifies tackling the water footprint of the supply chain as a major challenge.

Tesco has set targets to reduce the direct impact of its business and those of its suppliers and customers including:

- To become a zero-carbon business by 2050
- Halving emissions from buildings by 2020
- To reduce the carbon emissions per case of goods delivered by 25% by 2020 against a baseline of 2011/12

Customers are incentivised to reduce their impacts through purchasing behaviour such as green Clubcard points, carbon labelling including on many key UK-produced foods and providing recycling facilities.

Recently, Tesco has announced its intention to adapt the carbon labelling regime of its products. Having labelled some 500 products since 2008 it is seeking to introduce a scheme that is faster and cheaper to operate so that labels can appear on more products.

In terms of waste, Tesco is a signatory to WRAP’s (Waste and Resources Action Programme) Courtauld 2, an industry-wide commitment to reduce packaging and waste by 2012, against a baseline of 2009 and has committed to:

- Reducing the weight, increase recycling rates and increase the recycled content of grocery packaging, lowering its carbon impact by 10%;
- Reducing UK household food and drink waste by 4%
- Reducing product and packaging waste in the supply chain by 5%

In terms of 'greener' choices Tesco attempts to promote these to customers through: -

- Providing affordable choice through promotions and awarding green Clubcard points
- Reducing packaging and potential waste and providing recycling facilities
- Providing recipe ideas

Key Performance Indicators	08/09	09/10	10/11	Target 11/12	11/12
Reduce CO2e emissions from our 2006/7 baseline portfolio of stores and distribution centres by 50% by 2020. Annual target reported as % reduction against previous year.	7%	7.8%	7.7%	5%	5%
Reduce CO2e emissions from new stores and distribution centres built after 2006 by 50% by 2020, compared to new stores and distribution centres built in 2006.	20.5%	28.8%	28.8%	29%	31%
Reduce the amount of CO2 used in our distribution network to deliver a case of goods by 50% by 2012, compared to 2006. Annual target reported as % reduction against previous year.	9.2%	6.4%	7.4%	10%	10%

3. Providing customers with healthy choices

This section incorporates commentary on the aim to help customers make choices that are better for them and their families, and better for the environment.

Tesco aims to help staff and customers to lead healthy lives by providing sufficient information to make healthy choices by:

- Making healthy options accessible to everyone through price and promotions, healthy ranges, and by reformulating products
- Providing the best information on the nutritional value of products and on how customers can live healthy lives
- Making it more attractive to lead an active lifestyle

Tesco has a number of approaches including healthy eating brands such as Light Choices in the UK, reformulation of over 3,600 products since 2005 to lower salt, sugar and saturated fat levels and the use of Guideline Daily Amount nutrition labelling on all own-brand food lines.

Key Performance Indicators	08/09	09/10	10/11	Target 11/12	11/12
Staff and customers active with Tesco	4.7m	6.2m	7m	7m	8.7m

4. Actively supporting local communities

Tesco aims to be a good neighbour in all the communities in which it operates providing good quality, affordable food and jobs and understanding the issues that matter to local areas. The latest CSR report promotes work in responding to the floods in Thailand and the website highlights Regeneration Partnership stores, which target local long-term unemployed people, and the opening of stores in areas which other businesses, including retailers, have abandoned or neglected.

Alongside this Tesco has developed a number of community initiatives across its global business including appointing community champions, allocating staff time for volunteering, introducing family clubs and providing equipment for schools.

Although covered under the section on buying and selling products responsibly, Tesco has highlighted its success in the UK in driving sales of 'local' food which it defines as a product produced in a county or neighbouring county in England or within the country in Ireland, Scotland and Wales. Sales increased from £850 million in 2009 to £1 billion currently.

Key Performance Indicators	08/09	09/10	10/11	Target 11/12	11/12
Staff and customer fundraising	£8.2m	£7.4m	£10m	£7.5m	£10.1m
Donate at least 1% of pre-tax profits to charities and good causes	1.9%	1.94%	1.8%	1%	1.9%

5. Creating good jobs and careers

The overall intention of the company is to ensure that employees:

- Are treated with respect
- Have an opportunity to get on
- Have a manager who helps them
- Have an interesting job

Tesco offers its employees a wide range of training and development options with a particular focus on UK apprenticeships and degree programmes. It champions effective communication with its staff through a feedback survey, trade unions and a whistle blowing policy and helpline in all markets. It highlights an aim to create 20,000 jobs in the UK over the next two years

Key Performance Indicators	08/09	09/10	10/11	Target 11/12	11/12
Staff being trained for their next job	3.3%	6%	6.2%	5.6%	5.9%

Other commitments relevant to UK farmers and growers

Tesco holds supplementary contracts with over 700 dairy farmers in Great Britain who supply fresh milk to the company via Tesco's milk suppliers (currently Arla Foods and Robert Wiseman Dairies). It pays farmers in the Tesco Sustainable Dairy Group (TSDG) a price guaranteed for six months based on costs of production. The premium for this price investment is estimated by the company at close to £30m per year. There is also a microsite dedicated to milk (www.tescomilk.com) which aims to promote sales, the TSDG and the role of the farmer.

A number of commitments relevant to British farmers do not appear to be reflected (at least prominently) in Tesco's online or print publications. Nevertheless, they warrant highlighting for the purposes of this review.

In January 2009 Tesco revealed plans to increase the volume of cheddar cheese bought from British producers from 20,000 tonnes per annum to 55,000 tonnes worth an estimated additional £100m to UK cheese manufacturers. It is not clear whether this commitment has been met. Alongside was a commitment to changing the wording on its packaging to emphasise to customers that the cheddar is British. Packs should now feature a Union Jack accompanied by the wording – 'Produced in the UK using milk from the UK'.

Livestock – Tesco operates its own livestock codes of practice with all beef farmers required to meet national farm assurance standards. Tesco's in-house agriculture team is responsible for writing and implementing codes

of practice applying to all meat and meat products. The codes cover all aspects of farming from breeding to finishing and ensuring good environmental practice as well as welfare and food safety. Tesco has established producer clubs with its main red meat suppliers, but there are no public details on how these operate.

Lamb – is sourced from the UK and acknowledged as being particularly important to some areas. New Zealand lamb is also sold predominantly in the winter months, when new season lambs are available.

Pork – Tesco policy insists on equivalent standards being met wherever the company sources from. This includes a commitment that no Tesco brand pork or pork products will come from systems which use stalls or tethers

Chicken – any chicken sourced from abroad is reared to the same standards as British chicken.

Eggs – All of fresh eggs are sourced from selected farm-assured British farms. Tesco has committed along with other major grocery retailers to only sourcing egg products that meet the new EU standard for laying cages from 1 January 2012 for its own brand foods.

An additional microsite (www.tesco.com/local) promotes food that is locally produced to each store.

NFU Commentary

Tesco's CSR report covers a range of global initiatives and commitments rather than focussing exclusively on its activities within the UK. The introduction to the report provides a sense of the high level of importance that CSR is held within Tesco and is a significant factor in the steering wheel that is used to manage the performance of the business.

It is also encouraging to see that a number of significant commitments (albeit not relating directly to agriculture) have KPIs and targets assigned to them to measure performance. Some obvious progress has been made in areas such as carbon footprinting and reduction of carbon dioxide emissions. However, despite the use of KPIs in some areas, significant elements of the CSR report do not appear to be measured against targets and some priorities are neither quantified nor allocated a baseline from which to measure progress from.

Given the global nature of the Tesco business, the report covers the whole group's operations. It is therefore understandable that the CSR reporting process makes relatively few references to the supply chain in the UK and to commitments to farmers. That said it contains some detailed references to other UK activities such as the environment, healthy choices and staff development. And whilst Tesco provides some public information elsewhere on its sourcing policies and relationships with UK farmers, we feel that it could do significantly more to champion these aspects with investors, the media and the general public.

Sourcing

The company has made significant progress in sourcing local products from the UK, increasing sales by value from £850m to £1bn in 2 years. Tesco is by far and away UK farming's biggest customer and in store appears proud to champion provenance and relationships with farmer suppliers in terms of fresh produce, 'Finest' meat ranges and fresh milk. That said we found no public reference to the scale of UK sourcing by the company and quite limited public commitments to develop British and/or local sourcing further. This is disappointing although we are aware that local food in particular is seen as an important area for future growth.

Products listed on the Tesco local microsite seem to focus largely on processed products (snack foods, pies alcohol etc.). There is a great opportunity for the company to demonstrate how its drive on local sourcing has created market opportunities for farmers as local food suppliers.

There is an opportunity then for the company to champion more prominently the scale of its domestic sourcing and update on specific public commitments such as providing greater clarity on the volumes and proportions of lamb, pork (including bacon) chicken and cheddar cheese bought from British producers. We recognise that a business as large as Tesco may face some challenges in always sourcing from the UK. But it could send out very powerful signals to suppliers in this country if it were to adopt commitments in favour of increasing sourcing in product categories such as fresh meat or produce.

The audit of pork suppliers completed by Integra covers the whole of the EU. It is recognised that due to logistical issues, suppliers outside the UK are audited less frequently than those in the UK. Nevertheless, the traceability management system which seeks to guarantee these standards are met is unclear.

Supplier Relationships

Overall, few public references are made to Tesco's work in developing its UK agricultural supply chains and we feel that the company may be underselling the significantly beneficial supply chain work that it has led in the dairy sector in particular.

Tesco has led the field amongst the major supermarkets in the UK in developing a dedicated, contractual relationship with liquid milk suppliers in Great Britain. The NFU has held up the TSDG as a model for engagement with farmer suppliers. The TSDG combines a series of standards and commitments expected of farmer suppliers with a clear pricing commitment from Tesco. These arrangements go deeper than other major retailers. A commitment to guarantee prices for 6-months provides a degree of predictability and stability to farmers that is rarely present in UK dairy contracts. The company has also invested significant resource in developing the Tesco Dairy Centre of Excellence to conduct research to improve the performance of farms within the Tesco pool.

Tesco has also fostered relations with suppliers in other sectors albeit on a less formalised basis. Nevertheless, some of these relationships have matured over many years. The company is keen to promote its role in supporting local communities and helping to develop a community spirit. It may therefore be missing an opportunity to say more about its determination to foster a similar sense of community with its farmer suppliers.

Whilst 74% of respondents to the supplier survey agree that they are treated with respect it is interesting that only 56% of suppliers actually responded to the survey. Although an improvement from the previous year it is a sign that Tesco has some work to do if it wishes to be acknowledged for positive supplier relations.

The growth of the Tesco Knowledge Hub (estimated to reach 1000 members by the end of 2012) is encouraging. It would be useful to understand the practical benefits this is providing to suppliers.

Sustainability

The prominence afforded to climate change and the depth in which the issue is discussed is a clear indication of its importance to Tesco. The supermarket has achieved the difficult task of setting targets and methodologies for measurement such as reduce emissions of the products in supply chain by 30% by 2020. Achieving this goal is likely to have an impact on suppliers and requires a significant amount of partnership working if unintended consequences are to be avoided. Previously there was a commitment to agreeing carbon reduction plans for five sectors in Tesco's supply chain. It's not clear if this has been met and to what extent it reflects partnership working.

Tesco has gone to considerable lengths to address carbon in its supply chains. Given the drive to decarbonise the UK economy, it is hard to argue against the logic of this approach. We feel that Tesco along with other retailers has a responsibility to ensure that:

- its methodology for calculating emissions at farm level is robust and verifiable given the range in performance in farming systems
- it recognises that investments need to be made by producers to ensure that their businesses can be significantly more productive in the long-term.

Water usage is also an area Tesco has highlighted both within the CSR review and the website. Whilst the UK is not listed as a priority area in the current review, previously there was a commitment to work with produce teams in the UK to develop water stewardship strategies. It's not apparent how this previous commitment has been taken forward by Tesco and its UK produce suppliers. An update on this commitment would be beneficial.

Turning to animal welfare, an important commitment is to ensure that all livestock farms (including those exporting to the UK) must meet the same standards including equivalent welfare standards as UK farmers. This helps to ensure that UK farmers are not disadvantaged by Tesco's current sourcing policies.

Given the global nature of Tesco's business, it is perhaps unsurprising that Red Tractor Assurance does not receive a mention in the Group CSR reporting process. According to figures in the last Red Tractor Labelling audit published by Assured Food Standards, Tesco has a very good story to tell in terms of the proportion of Red Tractor food sold in its stores with over three quarters of all packaging featuring the logo where it is possible to do so (i.e. sourced from assured British sources). Reference is made to the role of Red Tractor Assurance in promoting higher welfare and environmental standards on Tesco's farming website. Further detailed information is also provided on specific company standards that apply to farmers supplying Tesco across the main categories.

Opportunities to develop commitments

In addition to comments raised above we see a number of immediate opportunities for Tesco to build upon its existing commitments in the following ways:

- Greater profile generally for UK agriculture within corporate and public pages of Tesco website and CR review
- Champion scale of UK sourcing currently and develop commitments to extend UK sourcing in areas such as fresh meat and produce
- Demonstrate ways in which growth of local sourcing has benefitted some farmers directly. This will help inspire producers to seek out opportunities
- Develop KPIs for Supplier Viewpoint positive responses specifically for UK. Ensure target KPIs do not slip backwards
- Update commitments on UK water stewardship

Waitrose

Introduction

Waitrose currently operates 279 shops with a grocery retail market share of 4.5% according to Kantar Worldpanel (May 2012). The company operates a range of formats from convenience stores to larger supermarkets and is part of the John Lewis Partnership which additionally operates 28 John Lewis department stores. The business also trades online via www.waitrose.com

The John Lewis Partnership is reportedly the largest employee-owned company in the UK with more than 76,500 employees (referred to as Partners) owning the business, sharing both rewards and responsibilities.

The introduction to the Partnership's latest CSR report⁴⁰ by chairman, Charlie Mayfield, argues that the Partnership has reaped the benefit of investing during the recession as both department stores and Waitrose have seen strong performances recently. In addressing CSR he indicates that the company has taken a more strategic approach in 2010/11, embedding commitments further into investment plans.

CSR Commitments

The Partnership's CSR commitments cover the whole group therefore, not all areas are relevant to food and farming. The commitments are laid out in both an annual CSR report and the waitrose.com website.

The group's CSR commitments are classified under one of four headings: People, Environment, Communities and Customers, Products and Suppliers. The Waitrose division has consolidated its CSR strategy under four pillars called 'The Waitrose way' that covers four key areas: Championing British, Trading Lightly, Treating People Fairly and Living Well.

People

There is only one KPI listed in this area and concerns with employee satisfaction. Partners are surveyed each year with 83% of people saying they would recommend John Lewis as a great place to work. There is a strong engagement strategy promoted in the CSR report including the joint ownership structure of the business that is seen as providing a common purpose. Engagement is also channelled through a democratic network of elected councils, committees and forums. The Partnership has invested in a training and development programme including the launching of a new national apprenticeship programme and has received a Business in the Community award.

Environment

The Partnership places a strong emphasis on carbon emissions reduction with a target to achieve a 15% absolute reduction in operational CO2 equivalent emissions by 2020/21 against a 2010/11 baseline.

A number of areas are targeted such as transport, use of alternative fuels, improving store energy efficiency, use of renewable energy and on site power generation. The Partnership is also committed to halving the refrigeration and cooling emissions by 2012/13 compared to 2008/09 levels and reducing shop water use by 20% per square foot of trading floor area by 2013/14 against a 2010/2011 baseline.

In addressing packaging, waste and recycling, Waitrose completed an audit to understand how packaging could be reduced without compromising product quality or shelf life in 2010. This led to a number of trials and the subsequent roll-out of the 'flow-wrap' packs for minced beef, diced beef and poultry estimated to save some 90 tonnes of plastic and 214 tonnes of CO2. The Partnership is also reducing the amount of operational waste sent to landfill and improving the amount of waste it recycles. Additionally, food waste from the majority of Waitrose shops (+ 5 John Lewis stores) is now sent to anaerobic digestion plants and is said to be on track to deliver against its target of sending zero waste to landfill by the end of 2012, through a combination of this and food donation.

⁴⁰ John Lewis Partnership – A Clear View - Corporate Social Responsibility Report 2011

Communities

Through the 'Waitrose way' the Partnership wants the company to be at the heart of communities with the Communities Matters scheme involving customers in deciding how much is donated to selected causes. In 2010/11 some £2.7 million was donated to 8,500 worthy causes. Additionally it has launched a Partner volunteering scheme that provides 250 hours per branch per annum, in service to the local community.

Customers, Products and Suppliers

John Lewis is strongly committed to British manufacturers, working to increase the number of British suppliers across the Partnership. John Lewis has also recently introduced an in-store and online 'Made in UK' identifier.

The CSR report includes a section entitled 'Championing British', which states that the company believes in bringing its customers British food and produce at its best and in celebrating British seasonal food. This policy includes stocking and clearly promoting British products in season both in-store and through wider communications. The company argues that championing British starts at home through its own 4000 acre farm on the Leckford Estate⁴¹ in Hampshire and that a sustainable and economically viable British Agricultural sector is key to the British economy and the maintenance of our countryside.

More information is provided via the Waitrose.com website. This explains that wherever possible buyers seek to buy British and that all Waitrose fresh chicken, beef and pork (including that sold as sausages), bacon, duck and goose is British. All turkeys come from the UK or Ireland, During the British Season all lamb, venison and game is British Sourced.

Waitrose has set up more than 30 livestock producer groups that aim to give producers an assured market, clear direction, and a stable base on which to build their businesses and invest in the future. The company's Milk Price Pledge is based on a commitment to pay its dairy farmers⁴² a premium over the market price. The pricing model for British pig farmers, takes into account the cost of sustainable production methods in order to provide suppliers with a fair return.

Waitrose adds value to the farmers and producers through whole carcass utilisation which leads to extensive use of primary meats in added value products.

Waitrose places a strong emphasis on animal welfare stating that many of the standards exceed legal requirements and have been recognised by the RSPCA and Compassion in World Farming, which are supported by the company's own inspections and assurance schemes.

In addition to animal welfare, Waitrose also demands higher environmental standards, requiring all its British fruit, vegetables and major flower growers to meet the Linking Environment and Farming (LEAF) Marque certification standard.

The website also states that:

- All fresh beef, lamb, pork, chicken and turkey used in John Lewis restaurants is Red Tractor certified and fresh produce is sourced from UK-based Red Tractor or LEAF-accredited growers wherever possible.
- Waitrose has been officially recognised by the RSPCA and Compassion in World Farming for its standards. Free-range eggs are used in own-brand Waitrose products. The company selects processing partners to minimise 'time to slaughter' journeys and uses UK livestock with very few exceptions, such as New Zealand lamb when in season.

⁴¹ The working farm produces arable crops including bread-making wheat which is used to make a range of Leckford label flours. The farm also supplies milk, apples, pears, apple juice, cider, free range eggs and mushrooms as well as Leckford free range chickens to Waitrose branches. Waitrose believes that operating an integrated farm management system enables the farm to be efficient and environmentally responsible.

Along with several other Waitrose suppliers, Leckford is a LEAF Demonstration Farm. Waitrose also uses the farm to share information and promote best practice with other suppliers, food experts, students and buyers through a regular programme of events.

⁴² Waitrose has a well-established partnership with over 60 dairy farmers who supply the retailer via the processor, Dairy Crest.

The website states that the Partnership is proud of its British suppliers and forges strong relationships founded on trust, fairness and a passion for good food. Buyers are expected to spend time with suppliers building trust and respect. The section 'Trading Fairly' asserts that the company gives suppliers clear guidance on payment terms and pays them on time: the Partnership has become a co-supporter of the Government's Prompt Payment Code. A Waitrose project team ensures compliance with the GSCOP and the terms of the code are communicated to all suppliers.

NFU Commentary

Waitrose is often perceived by suppliers and commentators to be a good business to deal with. Its CSR policies in general appear to be straightforward and uncomplicated with perhaps a higher degree of emphasis placed on supplier relations than with most other retailers.

Although the company's structure, market positioning and scale all help it forge closer relationships, equally it has to trade competitively so the fact that it really vaunts the importance of building strong relations with suppliers is something we really commend. Whether the experience on the ground always reflects the intentions contained in the company's policies is not easy to tell, but the intentions to forge lasting, strong commercial relationships are absolutely correct.

There has been much discussion in the early part of 2012 about the value of the John Lewis ownership model, which has been held up as an example of a more responsible and inclusive form of business. This review is not the opportunity for a detailed discussion on this, but we believe that there is scope for further exploration into how suppliers could become more fully integrated into the business as Partners.

Sourcing

In sourcing all its fresh chicken, beef and pork (including that sold as sausages), duck and goose and bacon from Britain and seasonal lamb, game and venison Waitrose makes a considerable commitment to UK Farmers. Ideally, it would be useful to understand the proportions generally, but particularly lamb and turkey, sourced outside of the UK, but overall the company has very strong UK sourcing credentials.

The company could be a little clearer about its sourcing of seasonal British produce, particularly as it requires only its UK suppliers to be LEAF Mark certified. This could, theoretically, lead to situations where imports produced to lower standards are sourced and sold in preference to British produce. Clarity on whether equivalent standards of production are required is needed.

Supplier Relationships

As mentioned, Waitrose places a high emphasis in its CR policies on relations with suppliers. What's particularly commendable is the desire to ensure that buyers and others within the business develop strong relationships with their suppliers.

In the dairy sector at least, the company has developed a very close relationship with a group of dairy farmers over a number of years which appears to work well for both farmers and Waitrose. The milk price pledge may not be based on a clear formula as with some other price models, but the significant premium offered appears to command the support and loyalty of Waitrose suppliers

The 30 Waitrose livestock supplier groups are linked to the company through its dedicated beef supplier, Dovecote Park⁴³. Group members have regular open days, fieldsmen visits, direct two way communication with the factories, and newsletters in an attempt to reinforce the importance of a supply chain partnership between the farmer, the meat processor, and the retailer. Again, the feedback from suppliers is that the relationship feels like a meaningful and lasting partnership although it could perhaps be clearer how the producer groups address economic sustainability issues.

Waitrose may be missing an opportunity to promote how its supplier relationships supersede those of some other supermarkets. This is an idea the company could consider.

⁴³ <http://www.dovecotepark.com/index.php?id=5>

The ownership of the Leckford Estate affords Waitrose an opportunity to play a key role in research and development and knowledge transfer. We understand that there is a programme to promote best practice with suppliers, food experts, students and buyers through a regular programme of events at the Estate. More details or some examples of how the programme has benefitted suppliers could be included within the company's CSR reporting or website.

Sustainability

The John Lewis Partnership CSR report places a strong emphasis on the reduction of carbon. It has considered how to devise a methodology for appraisal and set some goals to achieve, something that they should be commended for.

Production of goods (which includes food) is clearly identified as being outside the carbon footprint boundary but the CSR report does state that in an attempt to reduce carbon, waste and water use Waitrose is introducing supplier targets. Further details on the standards aren't available and it would be beneficial for Waitrose to better communicate the requirements and consider the potential impacts on the supply chain.

Opportunities to develop commitments

- Give even greater profile to strong supplier relations
- Clarity over UK sourcing for turkey and lamb with desire to move towards 100% British
- Specify LEAF equivalent standards where expected of UK suppliers
- Highlight examples of knowledge transfer work of Leckford Estate
- Investigate Partnership opportunities for farmer suppliers