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1960 - 2010

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Are European supermarkets living up to their responsibilities for labour conditions in the developing world?

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About Consumers International (CI)

Consumers International (CI) is the global federation of consumer organisations, representing over 220 groups in 115 countries. Based in London, and with regional offices in Kuala Lumpur and Santiago, CI is the campaigning global voice for consumers, our mission is to build a powerful international consumer movement to help protect and empower consumers everywhere.

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Are European supermarkets living up to their responsibilities for labour conditions in the developing world?

Credits

This report was produced by CI's London office as part of a project funded by the European Union to raise European consumers' awareness of the impact that supermarkets supply chain policies can have on poverty reduction in developing countries.

The report was written by Catherine Nicholson and Justin Macmullan with assistance from Matthew Lloyd-Cape. Comments were received from Fiona Gooch, Alessandra Mezzadri (SOAS) and Dr Bill Vorley (IIED).

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The following CI member organisations conducted the research that formed the basis of this report:

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France: Consommation, Logement et Cadre de Vie (CLCV) (Vita Romano, Marie-France Corre)

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Contents

Acronyms

BSCI – Business Social Compliance Initiative

BSCD – Business Council for Sustainable Development

CSR – Corporate Social Responsibility

DIEH – Danish Initiative for Ethical Trade

ETI – Ethical Trading Initiative

FLO – Fairtrade Labelling Organisations International

Global GAP – The Global Partnership for Good Agricultural Practice

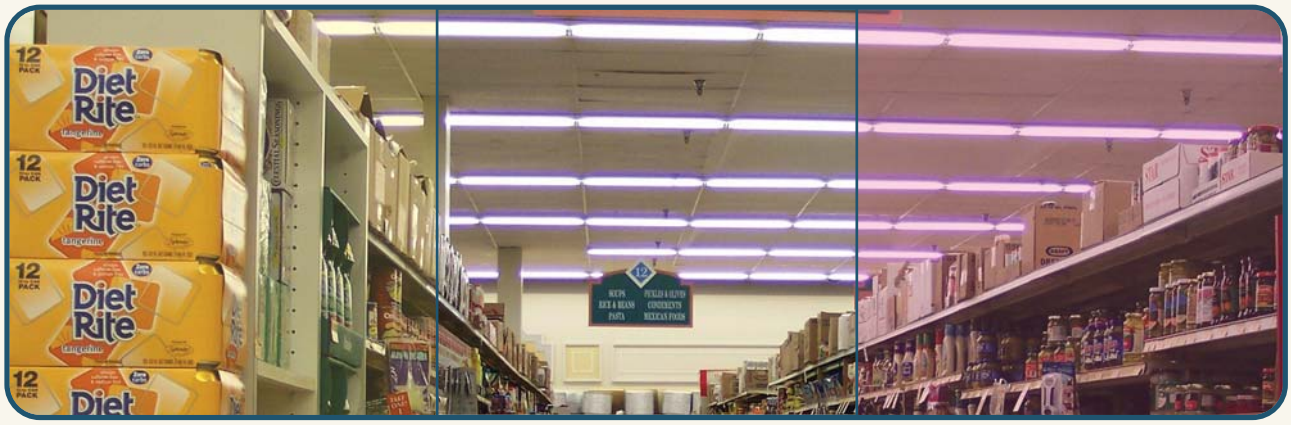
ICS – Initiative Clause Sociale

GSCP – Global Social Compliance Programme

ILO – International Labour Organisation

ISO – International Organisation for Standardisation

SA8000 – Social Accountability



Executive summary

This report is part of a project that seeks to inform European consumers about the impact of supermarket policies on producers and suppliers in developing countries and engage them in actions to support poverty reduction and development. Leading supermarkets in Belgium, Denmark, France, Greece, Italy, Poland, Portugal and Spain[1] were surveyed on their policies relating to labour conditions and trading relationships in developing country supply chains.[2]

The report focuses on food supply chains as consumers' weekly grocery shop is often their most regular form of contact with supermarkets and food is a key product group for trade between European supermarkets and developing countries. We have focused particularly on supermarkets' private or own brands as it is the area where the supermarkets exercise the greatest control.

Food markets are also of particular interest because they are an area where supermarkets are increasingly dominant players. The top five supermarket chains in six of the eight countries surveyed control over 50% of the market and this figure rises if buying groups are taken into account. This gives the supermarkets immense power. In theory, this power has the potential to deliver widespread benefits, however in highly competitive markets there is also a risk that supermarkets will abuse that power to pass costs and unacceptable risks on to suppliers and producers.

The report also includes results from a consumer survey conducted in Belgium, Denmark, France, Greece, Poland and Spain to assess consumer attitudes and awareness in this area. The survey revealed widespread support amongst consumers for supermarkets paying their suppliers enough to ensure workers receive a decent wage, even if this led to higher prices for consumers.

This supports other consumer surveys that have shown European consumers are increasingly concerned about the impact that their choices can have on others. These results point to an upward trend in those willing to make decisions based on the responsibility of companies[3]. This has led to an increase in sales of fairly traded products[4] and to the increasing conversion of conventional brands to such standards. However, our own survey suggests there is still considerable scope in some European countries to increase levels of awareness of the issues and the availability of these products.

Consumers will understand that many of the issues connected with supermarket supply chains will be complex. However, in such cases they expect that supermarkets will put the right policies in place to ensure, at the very least, that basic human rights are not undermined by their procurement practices, that they will independently verify their actions and then provide clear and accessible information as to what they are doing.

On the basis of the survey the report concludes that most supermarkets in the countries surveyed are not meeting these obligations to consumers. Despite some examples of good practice, the majority of supermarkets failed to demonstrate that they are taking adequate responsibility for labour conditions and fair trading relationships in their food supply chains.

What we found:

There was evidence of good practice

- Relatively speaking Coop Italia was found to have the most consistently good policies overall, followed by Coop Denmark.
- Auchan and Carrefour, and to a slightly lesser extent Mercadona and Colruyt, have some policies across the range of issues covered.

Coop Italia

Coop Italia showed board level commitment to CSR relating to labour conditions and fair trading relationships. They apply the SA8000 standard to their

purchasing, engage actively with a range of different stakeholder groups and they showed exceptional cooperation with the survey.

Their policy on labour standards is comprehensive, applied throughout the supply chain and independently verified. Buyers are trained and suppliers are informed and supported in the implementation of the code.

Company principles require Coop Italia to act with integrity in their trading relationships especially in relation to developing countries or minor supply chains. This is backed up by a comprehensive code of conduct and training of buyers. All suppliers have written and binding terms of trade and incentives are linked to coherence and compliance with these policies. Coop Italia has longstanding trading relationships with small-scale suppliers.

Coop Italia stocks and promotes a wide range of fairly traded products and offers preferential terms to suppliers of such products.

Coop Denmark

Coop Denmark also demonstrated commitment to CSR relating to labour conditions and fair trading relationships through their membership of the Danish Initiative for Ethical Trade (DIEH) and other initiatives to promote cooperation and good practice. Responsibility for the implementation of relevant CSR policies is integrated into the day-to-day management of the company.

The company has a comprehensive policy on labour standards and a code of conduct relating to supplier relations which includes clarity on terms of trade and pricing mechanisms, payment on time and according to written terms of trade and states that suppliers' contributions to promotions should be voluntary. Contracts, including complaint mechanisms and timing of payments for example, are negotiated with 100% of their suppliers.

Coop Denmark support the inclusion of small-scale producers in their supply chains. They also have specific targets in support of fairly traded products (10 Actions for Ethical Trade) which include significantly increasing sales and the range of independently verified fairly traded products stocked, as well as actively promoting these products and the issues behind them at their own cost.

However, generally the picture was disappointing

- **It is clear that supermarkets' CSR initiatives do not always apply to all products** and are not always actively applied to food supply chains in developing countries.
- **There is a pervasive lack of sufficiently detailed information available**. Information on supplier compliance and audit reports was either unavailable or at such a general level that it was difficult to establish whether or not audits had taken place in the relevant supply chain.
- **Supermarket codes of conduct on labour conditions and workers' rights** generally cover a high number of the core ILO conventions. However, only 5 out of 16 companies include a commitment to a living wage and only 3 reported a complaints mechanism. Relatively few supermarkets could demonstrate clear evidence that they trained their buyers in the application of their policy or code or conduct, or had a reward structure for the buyers which ensured they genuinely acted in a manner to enable its realisation in practice.
- **Ensuring fair trading relationships** with suppliers requires practical means to prevent 'bullying' tactics, share risks and costs, and encourage stability. Overall supermarket policies and codes of conduct lack measures to ensure that trading relationships are fair. For example, only 6 out of 17 companies report that their policies include the provision that contributions for promotions should be voluntary. Implementation of policies is also mixed, for example 11 companies reported the inclusion in policy that payments should be on time and according to terms of trade but corresponding information on how often this happens in practice was very limited. Ten out of 17 supermarkets refer to training their buyers in their policies, but only two refer to incentives to encourage application.
- **A survey of European suppliers** was conducted to gain a supplier's perspective of trading relationships with supermarkets. In some cases supermarket claims were supported, however there were also examples of practices that suppliers felt passed unfair additional costs and risks on to them. These examples included late payments by supermarkets, changing payment terms within a contract period and compulsory promotional costs. Late delivery penalties were reported, sometimes deducted from payments without notice. Suppliers also considered that requirements to make increasingly frequent deliveries passed increased costs and risk on to them.

  Unfortunately, despite contacting 200 suppliers in developing countries it was not possible to get any responses to our requests for information. This is not surprising given the climate of fear that is reported amongst suppliers associated with the fear of delisting[5] and underlines the difficulty in getting information in this area and supports the role of an independent body to oversee accusations of abuse.

- **Buying fairly traded products** is a practical means through which consumers can support more responsible trade. In some of the countries surveyed, notably France, Belgium and Denmark, supermarkets stock a wide range and some take part in awareness raising activities. However, there are still opportunities for supermarkets to do more in this area particularly in those countries where awareness is relatively low such as Spain, Portugal, Poland and Greece.

  It is important to note that fairly traded products must not be used as a substitute for more systemic improvements in the procurement of food items from developing countries.

Overall

There is a need for supermarket initiatives to rapidly expand their scope to cover food supply chains in developing countries. Policies on labour conditions and trading relations should be developed and implemented through multi-stakeholder processes wherever possible and processes should be put in place for independent verification.

Supermarkets should publish clear information about their CSR policies and their implementation. Governments should introduce Right to Know legislation[6], or review existing legislation if it is not effective, to ensure consumers have access to information about the sustainability of products and services.

The EC has recognised the existence of problems in the relations between European suppliers and supermarkets. Research elsewhere has shown that these issues also exist between European supermarkets and suppliers in developing countries[7]. Therefore, the EC should extend its investigation to cover developing country suppliers and make proposals for remedial action.

Ensuring that human rights are met in their supply chain should be a non-negotiable commitment that all supermarkets make. This may have a marginal impact on the cost that European consumers have to pay but supermarkets should be prepared to share any additional costs. Costs should not be passed down the supply chain to those least able to absorb them.

Introduction

This report is part of an EC funded project that seeks to raise European consumer awareness about the impact that supermarket supply chain policies can have on producers and suppliers in developing countries. It looks specifically at food supply chains, as this is a sector in which supermarkets have great influence and the products involved provide one of the most regular links between consumers in Europe and producers in developing countries.

The report includes results from a survey of supermarket policies and a consumer survey. The consumer survey was conducted in Belgium, Denmark, France, Greece, Poland and Spain. The survey of supermarket policies was conducted in the above countries with the addition of Italy and Portugal.

International trade, if combined with the right conditions, has the potential to bring major benefits to people in developing countries. Access to new markets can lead to the creation of new jobs, increased incomes and the adoption of new skills and technologies. Developing countries make considerably more each year from international trade than from overseas aid, though the benefits are not necessarily evenly shared or targeted at those most in need.

However, the benefits developing countries can realise from international trade are not automatic. Given the very different circumstances and unequal relations that can exist in international trade between companies in developed countries and producers and suppliers in developing countries it is important that those that have the greater power take responsibility for promoting and, wherever possible, ensuring fair trading relations and good working conditions.

This is a concern for consumer organisations for two reasons. Surveys, such as the one conducted by Consumers International (CI) for this project, show that in many European countries, consumers are increasingly concerned about the social impact of their consumption choices and want independent information on which to base their decisions. Secondly, there is growing recognition of the importance of incorporating issues of sustainability into all decision-making. This necessitates that consumption is not seen simply in terms of price, choice and functionality but also incorporates concerns about the social and environmental impacts.

While this project looks specifically at food supply chains in developing countries, the principles are in many cases also applicable to trade within European countries and across Europe. Poor working conditions and unfair trading relations are a concern for many European producers as well. CI members have conducted surveys of these issues in a European context and will continue to do so in the future.

Structure of the report

This report seeks to inform consumers about different aspects of Corporate Social Responsibility (CSR) policies of European supermarket chains relating to workers rights, the conditions in which goods are produced and how they are traded.

Chapter 1 outlines some of the underlying concerns with supermarket supply chains in relation to developing countries and how supermarkets have responded.

Chapter 2 explains the methodology that was followed in conducting the consumer survey and the survey of supermarket CSR policies.

Chapter 3 outlines consumer attitudes and awareness in relation to these issues.

Chapter 4 provides an overview of the overall commitments of supermarkets to CSR in relation to labour conditions and trading relationships in these

supply chains. This includes their involvement in industry initiatives, where responsibility for these aspects of CSR is located within the business, as well as how transparent the company is in relation to their social responsibility.

In **Chapter 5** we look at any policies that the supermarkets have to encourage good working conditions amongst their suppliers. In particular, the content of these policies, operational issues, their applicability to food supply chains in developing countries and the existence and effectiveness of any verification schemes.

Chapter 6 looks at policies relating to the trading relations that supermarkets have with their suppliers. This is an important issue given the buying power of many supermarket chains.

Chapter 7 looks at the promotion of certified fairly traded products by supermarkets, including their stocking of such products and initiatives they have taken to raise consumer awareness about the issues behind these products and promote their sale.

Chapter 8 gives an overview of results averaged across all areas and highlights examples of good practice.

In each chapter we have sought to highlight areas of good practice to demonstrate the feasibility of supermarkets improving their policies and encourage others to take similar steps.

Finally in our conclusions and recommendations we assess the overall situation of the European supermarket sector in relation to suppliers and producers of food in developing countries.

Fairly traded

Consumer facing standards (such as Fairtrade, Rainforest Alliance and Utz Certified for example) are identifiable to the consumer by the labels that they carry. The label tells the consumer that the product has been produced or traded according to set standards.

Although the overall objectives of these standards vary, in this report we are concerned specifically with the aspects that relate to the quality of the working conditions in which relevant goods from developing countries are produced, and how fairly they are traded.

Products produced to standards that incorporate these issues (albeit to different levels) are referred to throughout the report as *fairly traded*. We have only included standards that were found in the supermarkets surveyed.

Corporate Social Responsibility (CSR)

The ISO 26000 working definition of social responsibility[8] is as follows:

The responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that

- contributes to sustainable development, including health and the welfare of society;
- is in compliance with applicable law and consistent with international norms of behaviour, and
- is integrated throughout the organization and practised in its relationships.

In the context of this report however, we only consider aspects of corporate social responsibility relating to the labour conditions in which goods are produced and how they are traded.

Background to supermarket supply chains and development

Consumer support for responsible trade

European consumers are increasingly concerned about the social impact of their consumption choices. In 2009, CI undertook a consumer survey in six European countries (Belgium, Denmark, France, Greece, Spain and Poland). One of the aims was to assess consumer support for supermarkets paying suppliers a fair price.

In all but one of the countries surveyed the majority of consumers felt that supermarkets should pay a price that enabled suppliers to pay their workers a fair wage, even if it resulted in consumers having to pay more at the till. It is also interesting to note that the survey was conducted in June that year, at the height of a financial crisis, when most European countries were in a recession.

This supports the view that consumers are concerned about the social impacts of their consumption choices.[9] Furthermore, consumers want to use their consumption decisions to actively support positive change. The GlobeScan *CSR Monitor* suggests high and rising numbers of consumers believe they can make a difference. When asked whether consumers could make a difference in how responsibly a company behaves, more than two thirds replied positively in European countries such as France and Italy[10].

Another indicator of consumer action to support development can be found in growing sales figures for fairly traded products. The Fairtrade Foundation for example reported that in many European countries, sales of products carrying the FAIRTRADE Mark[11] grew at a rate of 20% to 75% in 2008[12] and stated that, "Despite the global recession, worldwide sales of Fairtrade products grew in 2008 as consumers spent an estimated 2.9 billion Euros on Fairtrade products globally."[13]

While there is little doubt that this is a growing trend across Europe, levels of awareness of the issue are not the same across all countries. Generally countries with lower national incomes also tend to have lower levels of awareness, and sales of fairly traded products are also lower. However, with rising incomes there is good reason to believe that consumer campaigns will be effective in raising awareness and support.

Consumer organisations are also reflecting growing concern in this area by helping to provide access to more information about the social impact of their consumption choices. Several CI members in Europe now conduct CSR surveys alongside more traditional functionality tests for a number of products.

CI members also support the introduction of Right to Know legislation for public or privately owned entities, imposing a duty to disclose any information which is relevant to consumers regarding sustainability, and which relates to products and production processes throughout their supply chain[14]. CI and its members have also been active participants in developing a new international standard (ISO 26000) for a more holistic approach to social responsibility.

If consumers are concerned about the impact that their consumption choices have on people in developing countries, their local supermarket is an obvious focus for that concern.

Arguably supermarkets are the place where European consumers have their most regular – if indirect – contact with people in developing countries. Survey results produced by GlobeScan for the years 2005-2009[15] found that food and beverages were the products or services

that consumers said they would most like to see become more socially and environmentally responsible.

With the advent of refrigerated travel and modern communications, European supermarkets are now able to stock hundreds of products that originate in developing countries. In some cases the products are sourced directly by the supermarket, but in others a European supplier may source the product from the developing country producer and then sell it on to the European supermarket.

Many of these items are common food items such as cane sugar, tea, coffee or bananas. However, supermarkets are now also stocking more exotic products such as mangos or guavas or importing out-of-season products such as green beans or apples from developing countries.

Supermarket supply chains and labour conditions

Developing country supply chains are inherently more risky in terms of working conditions and socially responsible trade because the countries in which the products are sourced are less likely to have effective legislation and well-resourced systems to ensure basic labour rights.

In the past this has led to examples of products in European supermarkets being produced by workers who lack basic labour rights as recognised in human rights instruments and International Labour Organisations (ILO) standards. For instance, the ILO estimated that there were 30,000 child workers on banana plantations in Ecuador alone[16]. Amongst other issues workers can also receive low pay, be exposed to dangerous working conditions or lack job security.

In South Africa, where fruit exports for European supermarkets account for 30% of all agricultural exports, and many areas of Latin America, major studies have shown how job insecurity of agricultural export workers makes long-term planning very difficult, and low wages contribute to the ongoing and sometime increasing poverty of workers and their families[17].

The increasing use of 'informalised' and 'feminised' workforces to keep costs low has further undermined standards. Women and temporary seasonal workers are less likely to be members of a trade union leading to a fall in union activism and collective bargaining. Economic migration in agricultural work also undermines the ability of workers to negotiate for better conditions. Migrants are often undocumented and desperate for work, this not only leads to worse labour conditions for these workers but the existence of an alternative workforce also undermines the position of local workers. The disruption of trade unions and the hiring of informal labourers who cannot unionise are reported in Latin American[18] and South African[19] food supply chains.

Supermarket supply chains - buyer power

More recently concerns have also been raised about the growing concentration of the supermarket sector in Europe and the power that this gives the 'big players' in negotiations with smaller suppliers. There has always been an imbalance of power between large European companies and smaller companies in developing countries, however, recent consolidation and growth amongst European supermarkets has magnified this effect.

In many European countries the largest five supermarket chains now account for more than two thirds of the grocery market.

Market share of top 5 retailers

Portugal	70%
France	65%
Poland	20%
Denmark	80%
Spain	70%
Belgium	80%
Greece	50%
Italy	40%

Source: Planet Retail, May 2009

The figures above do not take into account the effect of smaller retailers grouping together in buying alliance groups that, from a suppliers' point of view, can effectively increase the concentration of the market.

Such consolidation brings opportunities and risks. A large company adopting good policies and practices can deliver far-reaching benefits, but equally the concentration of power can lead to abuses.

The UK Competition Commission in 2000 concluded that supermarkets '*having at least an 8 per cent share of grocery purchases for resale from their stores, have sufficient buyer power [to undertake abusive practices which] when carried out by any of these companies, adversely affect the competitiveness of some of their suppliers and distort competition in the supplier market—and in some cases in the retail market—for the supply of groceries.*'[20]

In 2007, a subsequent report by the UK Competition Commission stated that 46% of a total of 381 submissions from suppliers related to the transfer of risks or unexpected costs to suppliers by supermarkets. They also found that restrictive business practices (listed below) by UK retailers towards their suppliers had increased significantly in the preceding five years.

Restrictive practices carried out by grocery retailers reported to the UK Competition Commission by suppliers

- Obligatory contributions to the marketing costs of grocery retailers
- Delays in receiving payments from a grocery retailer substantially beyond the agreed time
- Required to make excessive payments to grocery retailers for customer complaints
- Additional services required in relation to packaging and distribution
- Requested price reductions for products soon before or after delivery
- Obligatory payments in return for stocking or listing products
- Not provided with standard terms of business when requested

Source: UK Competition Commission inquiry into the groceries market in 2000

In 2009, a report by SOMO/Europe Economics defined abusive buyer power in this context as '*when [buyers] squeeze suppliers' income and margins to such an extent that suppliers' have little bargaining power nor means of defence or redress. As a result of abusive buying practices suppliers' income is unpredictable and they have to bear excessive risks, meanwhile the supermarkets income increases and their risks are diminished*'.[21]

The report gives examples of abusive practices identified by competition authorities, suppliers and the media in at least 17 EU member states which reflect those listed above. Amongst other issues they also discuss the impact of imposing very low prices on suppliers which can result in producers making very little or no profit, or even losses while prices to consumers are much higher.

Recent examples of increasing recognition of abuses of supermarket buyer power in Europe

- In France, the Secretariat of State for Commerce announced in October 2009 that French retailers were being summoned before commercial courts for improper practices with suppliers.[22]
- At EU level, supplier relations are being considered by the European Economic and Social Committee, Parliament and the Directorate Generals responsible for Enterprise, Agriculture, Internal Market and Competition and Parliament.[23]
- In January 2010, following three investigations into the food retail sector by the UK Competition Commission in eight years, the UK Government accepted the recommendation that a supermarket ombudsman be established to protect the rights of farmers, producers and consumers against abuse by larger supermarket chains.[24]
- The introduction of a statutory code of conduct for grocery retailers and suppliers was announced by the Irish Government in January 2010.[25]

Following consultation with Member State Competition Authorities, the European Commission reported failings in the food supply chain in Europe resulting from '*pervasive inequalities in the bargaining power between contracting practices [that contribute] towards reducing both the speed and magnitude of price transmission along the chain.*'[26]

These asymmetries in bargaining power can lead to '*larger and more powerful actors [seeking] to impose contractual arrangements to their advantage, either through lower prices or through improved terms and conditions.*' The document from the European Commission only refers to the food supply chain within Europe, however there is every reason to suppose that the conditions found within Europe also exist in supply chains between Europe and developing countries, and are likely to be greater.

While the abuse of buyer power impacts on supplier companies in the first instance, lower prices and increased risks are inevitably passed on to producers and workers who receive lower pay or have to work longer hours.

Supporting evidence is available from an impact assessment carried out by the Institute of Development Studies on behalf of the Ethical Trading Initiative in the UK. Suppliers contacted as part of the assessment complained bitterly about the adverse effects of supermarket purchasing practices. They 'indicated falling prices and commercial pressures constrained their ability to improve working conditions. Anecdotal information suggested that these pressures are compounding the use of labour contractors as a means of coping with volatile orders. Yet the risks of labour abuse are more likely to be found amongst this group of workers.'[27]

Market pressures to reduce costs and increase efficiency can also have perverse effects on efforts to introduce stricter standards for sustainability. Raising standards and verifying progress in countries with limited labour legislation and enforcement is both costly and risky.

If supermarkets are to improve working conditions in their supply chains and have a positive developmental impact then there will be additional costs. Consumers have shown that they are prepared to bear some of this additional cost if it results in workers and producers being paid a fair wage[28]. However, this cost should be shared by the supermarkets. Additional costs should not be passed down the supply chain to those least able to absorb them.

'Supermarkets have often used the money from customers to invest with profit (eg, in interest from the bank) before paying the supplier. Late payments in France are a continuing practice that in the past have provided more income to super-markets than the profit margins from selling products'[29]

Challenges for small-scale farmers

As the vast majority of poor people in developing countries are small-scale farmers a key question is how the development of supermarket supply chains impact on this group. The power, demands and sheer scale of international supermarket chains would seem to make access for small-scale producers to these global supply chains an impossible task; however, where this can be achieved under fair trading conditions it could provide an important opportunity for poverty reduction.

Smallholder farmers face particular challenges in providing the volumes required, meeting standards and interacting with supermarkets. They are scattered, lack business and negotiation skills, and have very limited access to capital and market information. As a result, in the developing world the majority of direct suppliers to supermarkets are large exporters.

However, with support and policy measures such as cooperatives, out grower schemes and public-private initiatives, access to such markets can be possible and examples of positive practice and outcomes do exist. A study of the impact of supermarket procurement on 10,000 farmers in the highlands of Madagascar contracted to produce vegetables for European supermarkets showed that with assistance and supervision programmes the results for the community were 'higher overall welfare, greater income stability and shorter lean periods'. Other unforeseen benefits were also observed, including improved technology adoption and better resource management[30].

The response from supermarkets

Since the 1970s supermarkets have sought to respond to consumer concerns by stocking fairly traded products and the development of CSR policies.

Fairly traded products

There are a number of different standards that are identifiable through 'consumer facing' labels. These standards include, to varying degrees, the working conditions in which goods are produced and the way in which they are traded in their criteria.

These standards reflect their different objectives, origins and governance and offer consumers different levels of assurance both in terms of the different aspects of production and trade that they cover and how achievement of the standard is verified.

For example, Rainforest Alliance grew out of environmental activism and retains an environmental focus. Utz Certified was set up by the Dutch Ahold Coffee Company and gives a high priority to traceability and promoting agricultural best practices. The Fairtrade Labelling Organisation (FLO) which owns the FAIRTRADE Mark was established by development NGOs and is the only standard to guarantee suppliers a minimum price for products.

Although the overall objectives of these standards vary, in this report we are concerned specifically with the aspects that relate to the fairness of the working conditions in which relevant goods from developing countries are produced, and how fairly they are traded. Products produced to standards that incorporate these issues, albeit to different levels, are referred to throughout the report as *fairly traded*.

Fairly traded products are increasingly available in supermarkets. The conversion of some supermarket own brands/private brands, as well as the conversion of other brands has had a big impact, and sales of these products have increased dramatically in some European countries in recent years. As this has been from a relatively low base however, their total share of relevant markets is still small and sales of fairly traded products remain a niche market in all but a small number of products.

Examples of supermarkets converting own brand ranges to fairly traded – in this case Fairtrade

Coop Switzerland was the first supermarket to convert all its own brand bananas to Fairtrade in 2004. With other Swiss supermarkets making similar commitments Fairtrade bananas now account for more than 50% of the Swiss market. The UK has followed a similar path with commitments from Sainsbury's, Waitrose and the Co-op. Over a quarter of all bananas sold in the UK are now Fairtrade; the highest market share for any EU country.

The Co-operative food group in the UK has converted a number of its own brand ranges to Fairtrade. In 2002 they converted all their own brand chocolate to Fairtrade, in 2003 they converted all their own-brand coffee and in 2008 they converted their entire own-brand hot beverage range to Fairtrade. Partly as a result of the conversion of own brands, the Co-operative's Fairtrade sales increased 33.6% in 2008–2009.

As well as stocking fairly traded products, some supermarkets now promote their sale by supporting awareness events such as 'Fair Trade Fortnight' and other initiatives.

While the increased availability of fairly traded products set the scene for the rapid increases in sales that have been achieved in subsequent years, the stocking of fairly traded products alone tells consumers nothing about the policies of the supermarket itself, beyond the fact it was prepared to give consumers a socially responsible choice in relation to a small number of products (and a very small proportion of the products from developing countries that supermarkets purchase and sell).

Further details of the labels identified in this research can be found in Annex C.

Growth in Corporate Social Responsibility (CSR) policies

Another indication of supermarket responses to consumer concern about their social impact can be found in their development of CSR policies.

At best CSR policies can be genuine cross-organisational commitments that ensure a company's policies and practices seek to maximise benefits from their operations. At worst CSR policies can be a public relations exercise that seeks to deflect criticism and whitewash unethical practices. If not genuine, CSR stimulates dishonesty within supply chains putting suppliers in a no-win situation, as well as confusing developing country workers, and undermining their rights.

Key concerns for this report include the applicability of supermarket CSR policies (relating to labour conditions and trading practices) to specific supply chains. In particular whether policies are applied:

- to food products from developing countries
- beyond the group of suppliers that the supermarket is in direct contact with to include suppliers and producers in developing countries.

It is also important that all policies have effective means of verification. Criteria for assessing verification include the direct involvement of a third party or preferably a multi-stakeholder group and that the results of audits and visits are publicly available.

CSR initiatives initially existed at a company level but are now increasingly developed at an industry level and in some cases with the involvement of other stakeholders such as unions, consumer groups and other non-governmental organisations.

Finally it should be noted that there is a growing movement amongst many European NGOs that believes CSR initiatives have failed to achieve their stated aims and that a more regulatory approach is needed. This argument stresses the voluntary nature of CSR initiatives, the lack of effective verification and the lack of a system of effective sanction and compliance.

As evidence, NGOs point to continued abuses by companies that have had CSR policies for several years. At another level they highlight the structural difficulties of asking a company to implement policies that could be said to run counter to their short-term objectives as profit maximising private entities that are operating in a highly competitive market.

As described above, the pressure by supermarkets for lower prices and the passing of costs and risks down the supply chain can in itself limit the ability of suppliers and

producers to maintain and genuinely improve working conditions. The additional costs of stricter standards for sustainability can further undermine their ability to make the fundamental changes needed. Coherence between the trading practices of supermarkets and their CSR policies is essential if improvements are to be achieved.

Policies and practices

This report focuses on supermarkets' policies in the belief that this is the first step towards a supermarket adopting practices that will have a positive impact on people in developing countries. However, we recognise that policies alone are not sufficient.

An assessment of supermarkets' verification processes and transparency was included in an effort to gauge whether supermarkets are putting these policies into practice.

A survey was undertaken of suppliers and visits to stores to assess their staff's knowledge of the issues and the availability and promotion of fairly traded products.

However, CI recognises the limitations of a survey with this level of focus on policy and welcomes onsite investigations that seek to ensure company policies are being put into action.

Research methodology

This report is the result of a consumer survey and a survey of supermarket CSR policies conducted during 2009. In order to verify some of the information in the CSR survey we also undertook a short survey of supermarket suppliers and a mystery shopping exercise.

Consumer survey

The telephone survey was conducted by GlobeScan on behalf of CI.

Questions were asked relating to consumer expectations of the prices that supermarkets pay their suppliers, their awareness of fairly traded products and the visibility of fairly traded products, as well as who they trusted to give them reliable information on how fairly supermarkets treat their suppliers.

The sample size in each country was 1,000 or more members of the general public, with quotas set by gender, age and region reflecting national distributions as defined by census data. The survey was conducted in Belgium, Denmark, France, Greece, Poland and Spain in June 2009.

CSR survey

The CSR survey looked at the supermarkets' current policies relating to the conditions in which goods are produced and traded in the context of supply chains of supermarket 'private/no brand' food products originating in developing countries. For example, fresh tropical fruit, or commodities produced in developing countries such as cane sugar, rice, coffee, tea, or cocoa.

Research criteria took account of policies in the following areas:

- Indications of corporate commitment to CSR and transparency.
- The labour conditions in supermarket supply chains and how they are verified.
- How supermarkets communicate with and contract suppliers.
- The stocking and promotion of independently verified fairly traded products.

Supermarkets of regional significance were selected based on market share and representation across the participating countries. Additional supermarkets were identified by each participating organisation bringing the total number of companies surveyed over 8 countries to 35 (this figure does not include separate national approaches to the 9 international companies surveyed which were combined for analysis). Please see Annex A for a list of supermarkets included in the survey.

Survey of supermarket policies

The survey was conducted by consumer organisations in eight European countries (Belgium, Denmark, France, Greece, Italy, Poland, Portugal and Spain) and included a review of information on supermarket policies in the public domain and a questionnaire sent to the national headquarters of each supermarket.

Each project partner was responsible for identifying relevant contacts at the supermarket headquarters of the companies to be included in their survey. Questionnaires were sent by the middle of July 2009. Significant delays were experienced due to key contacts being on annual leave during the summer months. Results were received in early to mid-October 2009. Each company was offered the opportunity to review the information that had been compiled and international supermarkets were offered the opportunity to coordinate their responses[31].

Survey of suppliers

Project partners also contacted a number of European based suppliers of the supermarkets involved in the survey. A brief and confidential telephone interview/ survey was conducted covering their contractual/non-contractual agreements, communication with supermarkets and the supermarkets' promotion of their products. Responses were received from 13 suppliers, all of whom supply more than one supermarket, which provided useful anecdotal information.

Using the information collected by partners on the country of origin of products found in relevant supermarkets, CI contacted over 200 suppliers of fresh produce to European retailers in developing countries in order to gather information on their knowledge and experience of the relevant supermarkets' CSR policies in relation to working conditions in the supply chain and trading relationships with their suppliers.

Despite translation, clear explanation of the purpose of the survey, assurances of confidentiality and follow up phone calls, none were willing to take part in the survey.

Mystery shopping and anonymous enquiries

Mystery shopping research and anonymous enquiries were conducted by national consumer organisations covering the following areas:

- The quality and availability of consumer information on ethical trading practices in supermarkets stores and through customer help lines.
- The availability, placement and promotion of fairly traded products.

Assessing supermarket policies

Supermarket policies were assessed on the information available and against criteria in each of following four areas: commitment to CSR, good working conditions, fair trading relations, stocking and promotion of fairly traded products.

Based on the assessments the supermarkets polices are grouped as follows:

- **Best Available Policies**
- **Good Policies**
- **Some Policies**
- **Limited/No Policies**

The categories 'Best Available Policies' and 'Good Policies' highlight the more progressive or comprehensive policies found in the survey. This does not mean that there is not still room for development and improvement in both categories.

The category 'Some Policies' covers a wide range, including for example companies, which deserve acknowledgement for steps towards Good Policies or where there is insufficient information to justify a better assessment.

The category 'Limited/No Policies' may include companies that have relevant policies but in the case of this survey we were not given sufficient information about them to place them in a different category.

International companies have been compared at a national level. These results have been averaged for international companies, however, where a full response was only received from one country this is indicated. Country specific policies that are better than the international average are summarised in Annex D.

It should be noted that these assessments are *relative* and based on comparisons with the other supermarkets involved in the survey; they are not *absolute* judgements. The assessments only relate to the *policies* of the supermarkets.

Access to supporting information provided by the supermarkets surveyed was a key consideration. As the mystery shopping and the survey of supermarket suppliers did not provide comparable information on all the supermarket chains these results were not included in the assessment of the supermarket policies. However, reference is made to the findings in the analysis of the results.

Overall assessment

In the overall assessment of the supermarket policies, greater weight was given to the sections that focused on good working conditions and fair trading relationships. The intention was to give credit for policies that, in the opinion of the project partners, would have the greatest impact in terms of development and poverty reduction.

In the overall comparison, the final category, Limited/No Policies, is split into Limited Policies and No Policies.

All sections of the report refer to food supply chains in developing countries private/own brand, except Section D, which refers to all brands.

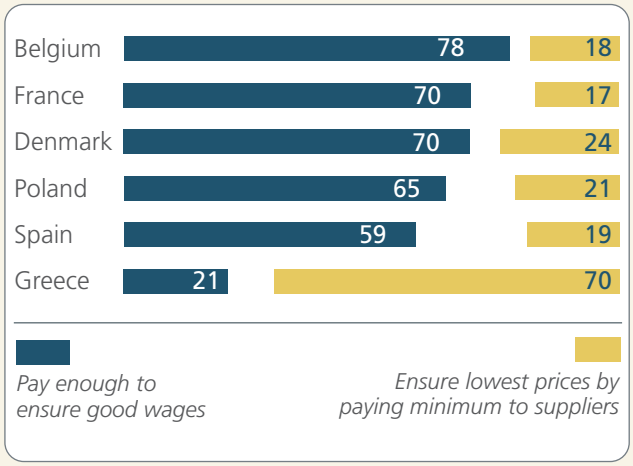
Consumer attitudes and awareness

In June 2009, CI undertook a survey in six European countries to assess consumer attitudes and awareness in relation to supermarkets and responsible trading practices. Questions included the prices that supermarkets should pay their suppliers, consumer awareness of fairly traded products and the visibility of those products, and finally, who they trusted to give them reliable information about a supermarket policies on responsible trading.

Supermarket relations with suppliers

The results demonstrate widespread consumer support for responsible trade. Despite the survey being conducted at the height of public concern over the financial crisis consumers in all but one of the six surveyed countries felt that supermarkets should pay suppliers enough to ensure decent wages for their employees, even if this means higher prices for customers.

Q1 How supermarkets should treat suppliers



Awareness and visibility of fairly traded products

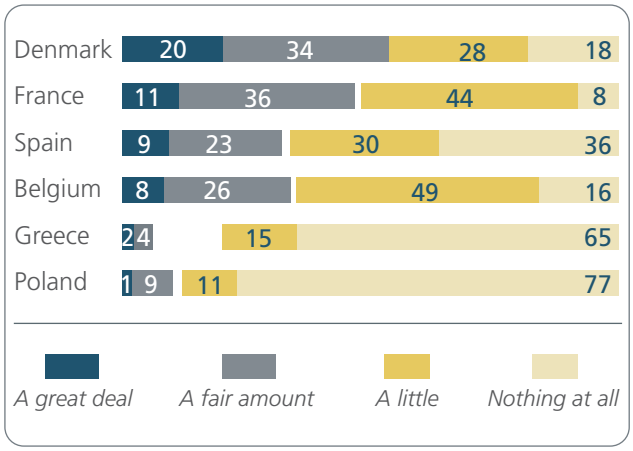
The survey also asked consumers about their awareness of fairly traded products and their visibility in stores. Again there were strong results in many of the countries surveyed. Awareness is fairly high in France and Denmark, though somewhat lower in Spain and Belgium. Consumers in Greece and Poland are the least aware of all the countries surveyed.

Most respondents in the countries surveyed have only 'occasionally' noticed fairly traded products to be available in shops, although a large proportion did indicate that they have noticed them 'often.' At opposite ends of the spectrum, only small proportions of consumers have noticed these products either very often or never.

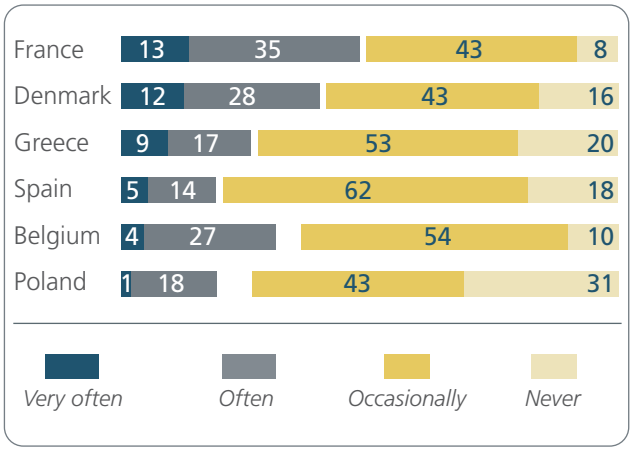
Overall, the level of visibility of fairly traded products in individual countries tended to mirror levels of consumer awareness. However, there are still significant gaps suggesting that supermarkets can do more to make these products available to consumers. As visibility is also a means to increase consumer awareness, supermarkets could also do more to promote awareness by stocking and promoting such products. Spain and Belgium demonstrate good potential to increase awareness, as only a small percentage of respondents know nothing about fairly traded products. GlobeScan note in particular that 'more than three quarters of Belgians – higher than in any other country – would prefer to see higher prices in stores than have supply chain workers denied a living wage. Awareness of fairly traded products is lower when compared with France and Denmark however, as is visibility of such products in stores.

The results did reveal a disparity within different parts of Europe, with lower levels of support for fair trading relationships, as well as lower levels of awareness of fairly traded products and lower visibility of these products in some countries. This may be explained by lower income levels in some parts of the population, the minimum wage in Greece is half that in France and Belgium for example and the disparity is even greater in the case of Poland. The relative absence of awareness raising campaigns in Greece and Poland may also be an important factor. With levels of income rising in most countries and growing experience in how to conduct effective awareness raising campaigns it is reasonable to expect that consumer campaigns will be effective at raising awareness and support for more responsible trading practices.

Q2 Consumer awareness of fairly traded products



Q3 Visibility of fairly traded product (how often noticed in shops)



Trust in information sources

Out of five sources of information on how fairly supermarkets treat their suppliers (see chart 1), respondents from all countries put the most trust in consumer organisations, followed by independent verification and labelling organisations. Supermarkets were the least trusted information source in all countries except Greece. These results reflect other surveys that have shown low and declining levels of public trust in corporations and governments.[32] The results of this survey show that consumers are sceptical about the information they receive from supermarkets concerning their relationships with suppliers.

Q4 Who consumers trust for reliable information on supermarket treatment of suppliers

	Belgium	Denmark	France	Greece	Poland	Spain
Top trusted	Consumer organisations	Consumer organisations	Consumer organisations	Consumer organisations	Consumer organisations	Consumer organisations
2nd trusted	Third party verifiers	Third party verifiers**	Third party verifiers	Third party verifiers	Third party verifiers	Third party verifiers
3rd trusted	Suppliers	Government**	Suppliers	Suppliers	Suppliers	Suppliers
4th trusted	Government	Suppliers	Government	Supermarkets	Government	Government
5th trusted	Supermarkets	Supermarkets	Supermarkets	Government	Supermarkets	Supermarkets

'Third party-verifiers' was worded as 'Independent verification and labelling organisations'
Rated 7–10 on a scale of 1 to 10, where 1 is 'Not trust at all' and 10 is 'A great deal of trust'
***Tie*

Supermarket commitment to CSR

CSR Guidelines and Initiatives

In order to assess supermarkets' overall commitment to fairer working conditions and trading practices, their stated support for international declarations, such as the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and their membership or application of different initiatives in this area were assessed, including:

- Guidelines for good practice published by multilateral institutions such as the Tripartite Declaration of Principles Concerning Multinational Enterprises, the OECD Guidelines for Multinational Enterprises and the UN Global Compact.
- Co-operative/information sharing initiatives to promote good practice such as Ethical Trading Initiatives, Business Social Compliance Initiative (BSCI), Global Social Compliance Programme (GSCP), Initiative Clause Sociale (ICS) and business to business initiatives such as Coopernic.
- Facility/site certification systems: (SA8000, Global GAP).

A comparison of these guidelines, initiatives and systems was made on the basis of their content, operational issues, enforcement systems and their relevance to the food supply chain in developing countries to help clarify the significance of supermarkets' commitment to them in the context of this survey.

Content

Key issues in the assessment of the initiatives included reference to the eight core ILO conventions that are derived from the internationally recognised four labour rights.

Initiatives were also given credit if they referred to a *living wage* as this is a recognised human right[33]. Additionally, we looked for references to *hours of work, disciplinary practices, employment relationships and health and safety at work.*

Operational issues

This considered the effectiveness of the initiatives' processes for achieving the stated aim. Significant weight was given to the quality of assurance used by the initiative with third party verification given a high weighting. Initiatives that committed to auditing all suppliers were also rated highly.

Multi-stakeholder involvement in the decision-making, the setting of the code and the operation of the system was also seen as leading to better standards of verification and better transparency and accountability for the initiative as a whole.

Some initiatives also gave support to social projects. Whilst this is to be welcomed it was considered less important than the systematic application of good conditions throughout the supply chain.

Enforcement

For initiatives to be effective in achieving their stated aims there has to be an enforcement mechanism to ensure compliance, therefore initiatives where the base code is enforced through audits as a requirement for certification were rated highly. Equally initiatives that required progress towards a base code to be demonstrated for continued membership were considered to be preferable to those that did not have such as system.

Relevance

As the focus of this survey was food supply chains in developing countries it was important to ensure that the initiative was relevant to this sector.

Comparison of initiatives relating to social responsibility identified during the survey

The initiatives below are all concerned with working conditions in which products from developing countries are produced and how they are traded.

Each initiative (broadly grouped below) is compared on content, operational issues and enforcement:

	Content of Code			Operational Indicators				Enforcement		Focus
Guidelines for good practice	ILO Core Conventions Covered	Additional Standards	Rating	Third Party Auditing Required	Multi-stakeholder involvement in governance of system and code setting	Social Projects	Rating	Mandatory fulfilment of standards verified through 3rd party audits	Rating	Evidence of system applied to food supply chains in developing countries
OECD Guidelines for Multinational Enterprises	SOME	NO	D	—	—	—	—	—	—	—
UN Global Compact	FULL	YES	B	—	—	—	—	—	—	—
Tripartite Declaration of Principles Concerning Multinational Enterprises	—	—	—	—	—	—	—	—	—	—
Cooperative/information sharing initiatives to promote good practice										
Business Council for Sustainable Development	—	—	—	—	—	—	—	—	—	—
Business Social Compliance Initiative (BSCI)	FULL	YES	B	SOME	—	•	D	PROGRESS	B	LIIMITED
Coopernic	—	—	—	—	—	—	—	—	—	—
Ethical Trade Initiative (ETI)	FULL	YES*	A	FULL	YES	•	A*	PROGRESS	B	YES
Danish Intitiative for Ethical Trade (DIEH)	FULL	YES*	A	FULL	YES	—	A	PROGRESS	B	YES
Initiative Clause Sociale (ICS)	FULL	YES	B	SOME	—	—	D	PROGRESS	B	LIIMITED
Global Social Compliance Programme (GSCP)	FULL	YES	B	SOME	—	—	D	—	—	—
Facility/site certification systems										
SA8000	FULL	YES	B	FULL	YES	—	A	FULL	A	YES
Global Gap	—	YES	E	FULL	—	•Global GRASP	B*	FULL	A	YES

RATING:	Content of Code	
	ILO Core Conventions	Additional Standards
A	FULL coverage	YES* (additional standards include: price paid should be greater than costs/living wage)
B	FULL coverage	YES
C	FULL coverage	SOME
D	SOME coverage	—
E	— (NO coverage)	YES

RATING:	Operational Indicators		
	Third Party Auditing	Multi-stakeholder involvement in governance of system and code setting	Social Projects
A*	FULL: Audits of all suppliers	YES	• (some involvement)
A	FULL: Audits of all suppliers	YES	
B*	FULL: Audits of all suppliers	—	• (some involvement)
B	FULL: Audits of all suppliers	—	
C*	Audits of SOME suppliers	YES	• (some involvement)
C	Audits of SOME suppliers	YES	
D*	Audits of SOME suppliers	—	• (some involvement)
D	Audits of SOME suppliers	—	

RATING:	Enforcement
	Mandatory fulfilment of standards verified through third party audits:
A	FULL (standards in code must be met prior to certification)
B	PROGRESS (progress towards achieving code standards required)

See Annex B for further information and references on initiatives relating to social responsibility identified during the survey.

Results

- **Best available practice in this area was considered to be systematic procurement through SA8000 or membership of multi-stakeholder initiatives that require full audits and evidence of progress for all suppliers such as ETI/DIEH.** Two companies (Coop Italia and Eroski, Spain) meet these criteria through the SA8000 certification of their purchase centres, and Coop Denmark through their membership of DIEH.
- **A number of companies combined a partial commitment to SA8000 or ETI with membership of industry initiatives to cooperate, share information on, and verify good practice in labour standards such as BSCI and ICS *specifically in relation to relevant supply chains*.** These companies included Auchan, Carrefour, Colruyt and Spar in Belgium. Auchan, Portugal's purchase centre is SA8000 certified but this only covers two relevant suppliers – as the majority of their procurement from developing countries is carried out centrally by Auchan Import/Export which is not certified.
- **Some companies reported membership of business initiatives that require some audits and improvements in labour standards in food supply chains in developing countries (such as BSCI) or demonstrated practical progress towards SA8000 certification.** While membership of business initiatives by companies such as Lidl, Makro and Delhaize should be acknowledged, a key issue is the very limited information on the implementation of these initiatives and the fact that it is not always clear to what extent a company's involvement in such initiatives is relevant to food supply chains in developing countries. Mercadona, Spain is not involved in any relevant business initiatives, but their commitment and practical progress towards SA8000 certification is acknowledged here.
- **Finally some companies gave no indication of involvement in initiatives that result in active implementation of standards in food supply chains.** For example Dia has not fully adopted Carrefour Group policies and the involvement of Aldi and El Corte Inglés in BSCI relates to non-food products only.

Board level responsibility for different aspects of CSR

In order to assess the extent to which supermarkets have integrated CSR through their organisation, information was also sought about where responsibility for CSR was located within the company.

Locating responsibility at board level and in a relevant operational area such as sourcing was considered to be an indication of a company seeking to integrate CSR into their practices. Departments such as public relations were not considered to be appropriate locations for CSR responsibility.

Specific (named) board level responsibility was also considered to demonstrate corporate commitment to:

- labour standards (and specifically labour standards in the supply chain)
- the integrity of trading relationships.

Companies' involvement in stakeholder dialogue was also considered here.

Results

- **The highest level specified for CSR responsibility was the President/Vice President of Coop Italia.** This company also has named board members at each level and describes systematic dialogue with different stakeholder groups.
- In some cases, different company structures made it difficult to identify whether responsibility for CSR is located at board level or not; nor was it possible to establish from the information received, how well responsibility for CSR is integrated into the daily management of the company.
- For example, in the case of Coop Denmark responsibility is technically not located at board level, but there is a named director with links to the board. This director has direct, ongoing responsibility for CSR and labour standards internally, as well as with suppliers. Additionally, Coop Denmark reports that responsibility for CSR is embedded into their management on a daily basis, which they consider to be a stronger structure.
- **In some companies, responsibility for labour standards in the supply chain is shared between**

different departments, in some cases including departments responsible for procurement. Auchan for example, has a steering group that brings together the purchasing director from Auchan Import Export, with directors responsible for sustainability and (clothes) quality. Colruyt, Intermarché, Belgium and Carrefour Group also stated that purchasing or commercial departments share some responsibility for labour standards in the supply chain. Only Delhaize named the individual in charge of procurement as responsible for labour standards in the supply chain.

- **Only Dia and Mercadona reported that responsibility for CSR was located in external relations.**

Stakeholder dialogue was also included here to highlight the commitment and willingness of companies to engage organisationally with different stakeholder groups and to identify good policies in this area. It is interesting to note that some companies reported on purely philanthropic activities as examples of stakeholder dialogue, but others described a more systematic approach:

- **Carrefour is involved in stakeholder dialogue at different levels.** They call an annual meeting of stakeholders, ie rating agencies, environmental and social NGOs, consumer organisations, trade unions, national and international bodies and sustainable development think-tanks. Internationally, they have worked in collaboration with FIDH on the development of their Social Charter, signed an agreement with UNI on human rights in the workplace and they participate in Social Accountability International as a member of their advisory board.
- **El Corte Inglés describes a working group including consumer associations, unions and NGO's to discuss CSR in the company.**

Public reporting on CSR targets, supplier compliance and transparency in relation to audit results

Transparency was considered to be fundamental to an effective CSR policy. Without transparency it is impossible for external stakeholders to understand the policy or its impact. Transparency therefore enables accountability, as well as facilitating learning between corporations and organisations. From a consumer perspective transparency also relates closely to consumer rights to information about products and services and can be an important element in developing trust.

We therefore looked for the highest levels of transparency in the reporting of CSR targets, supplier compliance and public access to audit results.

As an example of a supermarket's transparency we also took into account their cooperation with this survey, including their response to the questionnaire and the extent to which they made external and internal documentation available.

Results

- **Overall public reporting on progress towards CSR targets by companies lacks detail.** Information on supplier compliance and audit reports was at such a general level it was often difficult to establish whether or not audits have taken place in relevant food supply chains.
- **CSR or sustainability reports are the most common form of public reporting.** Auchan for example sets out commitments and describes overall progress made on an annual basis; Carrefour, Delhaize, Colruyt, Makro, El Corte Inglés, Feira Nova, Pingo Doce, Coop Italia, Coop Denmark, Casino also publicly report on CSR in some way.
- **Public reporting on compliance of suppliers is only available at an aggregated level** (through BSCI or ICS for example) if at all. Public access to social audits is only provided by Coop Italia who do so on request as a legal requirement.[34]

Level of participation in survey

Participation in the survey was undoubtedly affected by the fact that companies were asked to complete the questionnaire during the summer months. The length and complexity of the questionnaire also had an impact. Please see Annex A for a list of all companies included in the survey and their responses.

Results

- **Overall a total of 17 out of 35[35] companies responded to the questionnaire.** Some companies also provided additional information and a distinction was made between those who provided access to potentially more sensitive documents such as internal or commercial policies and contracts. Credit was also given to companies who supported their responses with external or public documents. Others notably Eroski, Spain and Esselunga, Italy, provided some company information but did not complete the questionnaire.
- **Despite repeated attempts to elicit a response, very little information from supermarkets in Poland and Greece was received.** The response rate in Denmark and France was also disappointing. Participation varied across international companies though in some cases (eg, Carrefour, Lidl) there was to some extent a coordinated response through the data checking process.
- **Willingness to share commercial information varied, with encouraging openness from some companies.** Internal or commercial documents were supplied by:
  - Auchan (France: Code d'ethique commerciale EURAUCHAN; Portugal: Ethical code for suppliers, Internal Code of conduct; Auchan Spain 'Código de ética comercial')
  - Cora (Ethical charter and supplier agreements)
  - Coop Denmark (Code of Conduct)
  - Delhaize (Code of Conduct)
  - Ethical code for employees (Coop Italia)
  - Code of Conduct for suppliers (Feira Nova and Pingo Doce, Portugal).
- **Although the information is not publicly available, Mercadona (Spain) and Coop Italia also invited contacts to come to their offices to view their commercial contracts.**
- Eroski, Spain sent some information and explained their refusal to take part in the survey as they were in the process of reviewing management systems for all their suppliers.

Overall summary of results by company on commitment to CSR

- Coop Italia shows the greatest level of corporate commitment, accountability and transparency according to these criteria, closely followed by Coop Denmark.
- Carrefour demonstrated commitment to CSR in terms of its location in the company, specified board level responsibility at each level and involvement in wide ranging stakeholder dialogue. Colruyt, and Auchan (especially Spain and Portugal) also showed commitment to CSR as did Eroski despite the very limited information due to their current policy review.
- Mercadona showed particular transparency in their cooperation with this survey.

Corporate Commitment to CSR

	Involvement in CSR initiatives	Board level responsibility & stakeholder dialogue	Public reporting on CSR and Transparency	Cooperation with this survey
AUCHAN Spain, Italy, Portugal, France (*Poland*)	Good Policies	Some Policies	Some Policies	Some Cooperation
LIDL Belgium, Spain, Italy, Portugal, Denmark, Greece (*Poland*)	Some Policies	Good Policies	Some Policies	Some Cooperation
CARREFOUR Spain, Italy, France (*Belgium, Greece, Poland*)	Good Policies	Good Policies	Good Policies	Some Cooperation
INTERMARCHÉ Belgium (*France, Portugal and Poland*)	Limited / No Policies (Belgium only)	Limited / No Policies (Belgium only)	Limited / No Policies (Belgium only)	Some Cooperation (Belgium only)
DIA Spain, Portugal (*Greece*)	Limited / No Policies	Limited / No Policies	Limited / No Policies	Some Cooperation
CORA Belgium (*France*)	Limited / No Policies (Belgium only)	Some Policies (Belgium only)	Limited / No Policies (Belgium only)	Some Cooperation (Belgium only)
DELHAIZE Belgium (*Greece*)	Some Policies (Belgium only)	Good Policies (Belgium only)	Some Policies (Belgium only)	Some Cooperation (Belgium only)
COLRUYT Belgium	Good Policies	Good Policies	Some Policies	Good Cooperation
SPAR Belgium	Good Policies	Good Policies	Limited / No Policies	Some Cooperation
MAKRO Belgium	Some Policies	Good Policies	Some Policies	Good Cooperation
EL CORTE INGLÉS Spain	Limited / No Policies	Good Policies	Some Policies	Some Cooperation
MERCADONA Spain	Some Policies	Some Policies	Limited / No Policies	Best Cooperation
FEIRA NOVA & PINGO DOCE (Jerónimo Martins Group) Portugal	Limited / No Policies	Good Policies	Some Policies	Good Cooperation
COOP Italy	Best Available Policies	Best Available Policies	Best Available Policies	Best Cooperation
COOP Denmark	Best Available Policies	Good Policies	Some Policies	Best Cooperation
CASINO France	Some Policies	Limited / No Policies	Some Policies	Some Cooperation
VEROPOULOS Greece	Limited / No Policies	Limited / No Policies	Limited / No Policies	Some Cooperation
EROSKI Spain**	Best Available Policies	Limited / No Policies	Some Policies	Some Cooperation
ESSELUNGA Italy**	Limited / No Policies	Limited / No Policies	Limited / No Policies	Some Cooperation

Please note that the comparison is relative and based on information available during this survey only.
International companies in countries in italics did not respond so are not included. **Did not respond to questionnaire.

- 'Best Available Policies' and 'Good Policies' highlight the more progressive or comprehensive policies found in the survey. This does not mean that there is not still room for development and improvement in both categories.
- 'Some Polices' covers a wide range, including for example companies, which deserve acknowledgement for steps towards good policies or where there is insufficient information to justify a better assessment.
- 'Limited/No Policies' may include companies that have relevant policies but in the case of this survey we were not given sufficient information about them to place them in a different category.

Ensuring good working conditions throughout the supply chain

This section looks specifically at the policies that supermarkets have in place to promote good working conditions throughout food supply chains in developing countries.

The content of supermarket policies

Each supermarket was asked to provide information about its policy or code of conduct. This was assessed according to the core ILO labour conventions, as well as other standards drawn from examples of international best practice.

Given the focus of this study the relevance of the code to the food supply chain in developing countries was also considered. Supporting evidence, such as a copy of the code of conduct was requested.

The specific elements that were included in the assessment of the supermarket codes included:

- Freedom of association and the right to collective bargaining*
- Forced or bonded labour*
- Child labour*
- Non-discrimination*
- A living wage
- Healthy and safe working conditions
- Maximum hours of work
- Disciplinary practices
- Security of employment (right to clear and written terms of employment)

(*ILO core labour conventions)

Results

Although a significant number of companies who participated in the survey reported the existence of a code of conduct on labour standards covering a range of elements, less than half the respondents include a commitment to a living wage and only three include a complaints mechanism.

- **Sixteen companies reported an existing policy or code of conduct on labour standards,** 14 of which covered all the elements relating to the core ILO conventions.
- **Coop Italia's policy covers all elements specified.** Five other companies (Auchan, Lidl, Makro, Coop Denmark and Mercadona) reported that their policies include over ten or more of the specified elements including the minimum wage. These companies also state that their policies apply to all products groups (and therefore theoretically to food products from developing countries).
- **Only six reported the inclusion of a commitment to a living wage in their policies** (Lidl, Cora (Belgium), Coop Italia, Mercadona, Intermarché (Belgium) and Casino), the latter two provided no supporting information.
- **Colruyt, Coop Italia and Coop Denmark include a complaints mechanism in their policies.**
- Substantiating information was provided by Auchan (Spain, Portugal and France); Lidl (Belgium, Spain, Portugal, Denmark and Greece); Cora (Belgium); Delhaize (Belgium) for coffee, and Coop Denmark. The offer to validate information was taken up for Coop Italia and Mercadona, Spain.
- Credit was not given to companies whose policies are still under development (eg, Delhaize).

Application of labour standards/codes of conduct through the supply chain

The first obligation of any international company is to obey the labour laws in the countries in which it is operating. However, given the fact that some countries have limited labour laws and/or the enforcement of their labour laws is lax, company codes have an important role in ensuring, as a minimum, that labour conditions meet ILO standards and that those standards are enforced. A code of practice should go beyond the law and where there is no relevant law, the code has additional meaning. A code can also be useful where a supply chain applies to many different countries.

Modern supermarket supply chains are complex and can include a number of suppliers between the supermarket and the producer. In order for a code of conduct to have an impact on producers it is therefore necessary for the supermarket to commit to working with its suppliers to ensure that the standards in their code apply throughout their supply chain

For the code to be meaningful there must also be a system of monitoring and independent verification to ensure the code is being implemented. And in the event of non-compliance with the code, procedures have to be in place to ensure conditions are improved.

Again the relevance of companies' commitments to the food supply chain in developing countries was taken into consideration and supporting documentation was sought to verify companies' claims.

Results

- **The application of codes of conduct on labour standards within food supply chains in developing countries is difficult to establish except where certification is available.** Some companies such as El Corte Inglés state specifically that policies only apply to the first tier and they purchase very few products from outside the EC.
- **Only two companies state specifically that their code of conduct on labour standards applies beyond the first tier of the supply chain,** compliance is monitored and independently verified and that this takes place specifically within relevant food supply chains in developing countries. Coop Italia also gives detailed information on the systematic application of its policy through SA8000 and permits access to audit results on application. Colruyt states that '*all active non-European food suppliers have been (independently) audited at least once since 2002*'.
- **Even where companies are members of specific industry initiatives, it is difficult to establish whether or not compliance with policies is monitored or independently verified in *relevant supply chains* or not.** Where there have been few audits, there is no information on the proportion of audits in relevant supply chains; or where policies and systems apply only to specific schemes or suppliers, companies have been assessed as demonstrating 'Some Policies'.
- **Auchan, Carrefour, Lidl and Cora (Belgium) for example report that their code of conduct on labour standards applies throughout their supply chain and that compliance is monitored and independently verified but very little information is available** on the extent to which compliance with policies is verified in relevant supply chains in practice. Although Carrefour also state that they give preference to SA8000 certified products, for which no additional verification is required, Carrefour and Auchan refer to ICS, and others to BSCI in relation to supply chains in developing countries for which very few audits have been carried out in food supply chains in developing countries.
- El Corte Inglés (who apply their policy only to the first tier of the supply chain) state specifically that although they have undertaken over 100 BSCI audits, none have yet been done in food supply chains. '*According BSCI practices, social audits should start on suppliers that have the greatest weight in the purchases of the company, food is not a priority*'.
- **Nine out of 17 companies reported the use of a corrective action plan agreed with suppliers prior to termination of contracts as a system to remedy non-compliance.** Seven companies did not explain their current policy and only Cora stated simply that in the event of non-compliance their contract with the supplier would cease with no mention of the chance for remedial action.
- **A degree of over claim is likely in terms of absolute certainty of application of codes of conduct throughout the supply chain.** Coop Denmark is clear on their doubts over this: '*In principle, Coop's responsibility concerns the entire supply chain, but they are only able to control the 1st tier supplier*'. Coop claims that this is in accordance with the guidelines adopted by DIEH the Danish Initiative for Ethical Trade (DIEH).

Training and support for the application of labour standards throughout the supply chain

An indication of the likely effectiveness of a code of conduct in influencing practice down the supply chain is the extent to which the supermarkets' own buyers and contracted buyers are trained to understand the content of the code and how this might impact on a supplier.

At the next level the supermarket can provide training and other practical activities to support suppliers in understanding and implementing the code. There should also be a requirement that the suppliers inform their workers of the content of the code.

Due to the possible variation in the quality of commitments and programmes in this area we asked for descriptive supporting information, for instance stating the number of training sessions held and the particular actions taken.

Results

None of the companies surveyed demonstrated comprehensive coverage of all the indicators.

- **Few companies showed overall good levels of commitment to training and support** for the application of the code of conduct on labour standards. COOP Italia described the most comprehensive support with systematic training in the SA8000 system.
- **Carrefour[36] Spain describes their training for all new buyers in business ethics, audit management systems for quality and sustainable development, and the use of their Social Charter in purchasing.** Makro Belgium offers BSCI supplier awareness training and their buyers are trained in the application of the policy. All three companies offered some kind of support to suppliers (eg, technical support, training) and require suppliers to inform their workers about their policies.
- **Only Lidl states that they offer training to buyers of *contracted* companies in the application of their policies/codes of conduct.** Coop Denmark also offers training to buyers of their contracted suppliers, but states that this does not apply to food products.
- **Some companies (such as Auchan) have systematic training for buyers who source directly** or, as in the case of Carrefour, are developing systematic training in this area.
- El Corte Inglés, Feira Nova and Pingo Doce indicate that they carry out some training of their buyers but this is not in conjunction with any other activities and very little information is given.

Overall summary of results by company for ensuring good working conditions in the supply chain

- Coop Italia were considered to have the 'Best Available Policies' relating to labour standards in the supply chain, their implementation and support to suppliers in this area.
- No companies were assessed as having 'Good Policies' overall in this area, but Auchan, Lidl, Makro, Mercadona and Coop Denmark were all considered to have comprehensive policies on labour standards in the supply chain and Colruyt in the application of those policies. In addition, Makro gave examples of support to suppliers in implementing their policies.

Support for good working conditions

	Policies to promote good working conditions	Application of policy on labour standards: Verification and compliance	Application of policy on labour standards: Training and support
AUCHAN Spain, Italy, Portugal, France (*Poland*)	Good Policies	Some Policies	Some Policies
LIDL Belgium, Spain, Italy, (*Poland*) Portugal, Denmark, Greece	Good Policies	Some Policies	Some Policies
CARREFOUR Spain, Italy, France (*Belgium, Greece, Poland*)	Some Policies	Some Policies	Some Policies
INTERMARCHÉ Belgium (*France, Portugal and Poland*)	Some Policies (Belgium only)	Limited/No Policies (Belgium only)	Some Policies (Belgium only)
DIA Spain, Portugal (Greece)	Limited/No Policies	Limited/No Policies	Limited/No Policies
CORA Belgium (*France*)	Some Policies (Belgium only)	Some Policies (Belgium only)	Limited/No Policies (Belgium only)
DELHAIZE Belgium (*Greece*)	Limited/No Policies (Belgium only)	Some Policies (Belgium only)	Limited/No Policies (Belgium only)
COLRUYT Belgium	Some Policies	Good Policies	Some Policies
SPAR Belgium	Some Policies	Some Policies	Limited/No Policies
MAKRO Belgium	Good Policies	Some Policies	Good Policies
EL CORTE INGLÉS Spain	Some Policies	Limited/No Policies	Some Policies
MERCADONA Spain	Good Policies	Some Policies	Some Policies
FEIRA NOVA & PINGO DOCE (Jerónimo Martins Group) Portugal	Some Policies	Limited/No Policies	Some Policies
COOP Italy	Best Available Policies	Best Available Policies	Best Available Policies
COOP Denmark	Good Policies	Some Policies	Limited/No Policies
CASINO France	Some Policies	Limited/No Policies	Limited/No Policies
VEROPOULOS Greece	Limited/No Policies	Limited/No Policies	Limited/No Policies
EROSKI Spain**	Some Policies	Some Policies	Limited/No Policies
ESSELUNGA Italy**	Limited/No Policies	Limited/No Policies	Limited/No Policies

Please note that the comparison is relative and based on information available during this survey only.
International companies in countries in italics did not respond so are not included. **Did not respond to questionnaire.

- 'Best Available Policies' and 'Good Policies' highlight the more progressive or comprehensive policies found in the survey. This does not mean that there is not still room for development and improvement in both categories.
- 'Some Polices' covers a wide range, including for example companies, which deserve acknowledgement for steps towards good policies or where there is insufficient information to justify a better assessment.
- 'Limited/No Policies' may include companies that have relevant policies but in the case of this survey we were not given sufficient information about them to place them in a different category.

Fair trading relationships

With the growth of supermarket size and power there is increasing concern about the ability of supermarket chains to exert undue influence on their suppliers as described in Chapter 1. This issue has been raised in relation to suppliers within Europe, but given the disparity in size and power between some European supermarket chains and many suppliers of developing country products the concerns may be even more pronounced.

In particular there are concerns that supermarkets are able to exert their power in order to reduce the prices paid to suppliers and pass on unacceptable levels of risk. Demands for greater flexibility, faster turnaround times and lower costs are likely to impact on the pay, job security and conditions of workers and producers.

Trading integrity with supply chain policies

The nature of trading relations between supermarkets and their suppliers is a relatively new area of concern in comparison to concerns about labour conditions in the supply chain.

We therefore sought information about any codes of conduct or polices that the supermarkets may have concerning their relations with suppliers. The content of these policies was assessed according to a set of 18 criteria developed with the cooperation of non-governmental organisations working on this issue.[37]

Supporting documentation was requested including evidence of the relevance of the policy to food supply chains in developing countries.

Results

In this section it is possible to cross-reference some of the company statements with anecdotal information from suppliers. However, as this information is not comprehensive it has only been referred to in the analysis of results and not the assessment of all companies.

- **Not all companies have formal policies on supplier relationships, but some referred to contracts; others to purchase agreements and general policies that they considered represented policy on these issues.** Supporting information was taken into account and although some companies (eg, Delhaize, Colruyt, and Spar in Belgium) described policies currently in development, assessments were made on the basis of existing policies only.
- **Coop Italia have the most comprehensive policy covering 16 of the specified elements (such as clarity on terms of trade, complaints mechanisms for example).** Carrefour, Spain report coverage of 15 elements but there is no documentation to support this. Coop Denmark, Auchan, Carrefour and El Corte Inglés all report policies with wide coverage of specified elements from our criteria and also provided information to support this.
- **Lidl and Makro gave very little information about formal policies or contracts setting out purchasing/ supplier relationships across relevant product groups.** This is in contrast to their comprehensive policies on labour standards.
- Elements most commonly covered by company policies included:
  - clarity on terms of trade (13 out of 17 companies)
  - quality and quantity required (13 out of 17 companies)
  - delivery schedule (11 out of 17 companies)

– payment on time and according to terms of trade (11 out of 17 companies)

– clarity on pricing mechanisms (11 out of 17 companies).

However, inclusion in policy does not tell us whether the 'clear terms of trade' or payment terms for example are fair or happen in practice. The elements that could be said to indicate a more proactive approach to ensuring fair relationships occurred much less frequently and even in these cases there was little or no supporting information:

- **Four out of 17 companies report that they forbid the use of delisting[38] tactics as a means of getting better terms of trade in existing policy.** (Coop Italia, Mercadona, Intermarché and Carrefour in Spain only. However, no information is available on how this is enforced)
- **Six out of 17 companies state in existing policy that supplier contributions for promotions and launches are voluntary.** (Auchan, Carrefour, Intermarché (Belgium), El Corte Inglés, Feira Nova and Pingo Doce (Jerónimo Martins Group) and Coop Italia)
- **Four out of 17 companies report the inclusion of risk assessments of adverse social impacts down the supply chain.** (Mercadona, Intermarché (Belgium) and Auchan and Carrefour in Spain only)

More companies claim to have complaint mechanisms in their policies on trading relationships than in their policies on labour standards. In total 11 out of 17 companies referred to complaint mechanisms in relation to trading relationships, but Auchan only in Portugal and Carrefour only in Spain.

No information is available on how companies ensure that complaints received are investigated and dealt with fairly[39], but the existence of complaint mechanisms in contracts with suppliers is endorsed by suppliers in Spain, Italy, Belgium and Denmark, but refuted in France (one supplier stated although a complaints mechanism was included in their contract they were not on equal terms with Auchan, the supermarket concerned).

Although some supporting information was provided and Coop Italia and Mercadona offered contacts the opportunity to view commercial documents at their offices, there is commercial sensitivity about such documents and very limited supporting information is available.

Delhaize (Belgium), Colruyt and Spar (Belgium) report they are in the process of developing a policy. Delhaize and Colruyt/Spar claim their policies will cover 17 and 10 out of 17 elements specified respectively.

Application of policy through the supply chain

As with the supermarket codes of conduct relating to labour conditions, it was important to assess the application of the supermarket policies on fair trading relations throughout the supply chain.

This included commitments from the supermarket to apply the policy to all relevant suppliers and sub-contracted suppliers, as well as systems to monitor and verify the application of the policy.

Information was also sought on the number of suppliers that had been informed and were aware of the code of practice and the proportion of buyers that had received training in the code.

Additionally, given that the application of the policy could be said to undermine the achievement of short term goals that may have been set in terms of reducing prices and improving delivery times, a question was also asked about the incentives that the board, managers and buyers had for complying with the policy on fair trading relations.

Results

There is very little information available to support the application of policies in this area due to commercial sensitivities. To try to counter this, weight is given to indicators of quite advanced practice such as incentives for coherence between policy and practice. It should be noted however, that this assessment is made on the basis of practice reported by supermarkets.

- **Only three companies (Lidl, Makro and Coop Italia) report that their policy or contracts on this issue apply beyond the first tier of the supply chain.** Only Coop Italia and Casino report independent verification of this policy and for the latter there is no supporting information.
- **Training of buyers (buying directly) in the policy is widespread (reported by 10/17 supermarkets),**

but no companies report offering training to contracted companies. Coop Denmark offers training on this issue but only in relation to non-food products.

- **Only two companies reported incentives relating to the application of policy in this area at board, management and buyer level (Auchan Spain and Coop Italia).**

  A number of companies had incentives specifically for coherence including Coop Italia (all levels); Auchan Portugal; Carrefour Spain (board level); Carrefour Spain (management and buyer level).

  Delhaize, Belgium has incentives at management level for coherence but as their policy is still in development is not clear if this is current or planned practice.

  Incentives for levels of compliance achieved were reported by Auchan Spain (management level) and Coop Italia (board and management level).

  Incentives for stability of relationships with suppliers were reported only by Auchan Spain and Coop Italia.

Coop Italia describes the most systematic application of policy on procurement/supplier relations. Their policy and SA8000 principles are applied in 'every country and every supply chain'. As a cooperative company, they state that the integrity of trading relationships is central to their values and mission – 'especially when referred to developing countries or minor supply chains'[40].

Communication and terms of trade with suppliers

In order to ensure the application of fair trading policies both supermarket staff and suppliers must be aware of the relevant policies. Therefore, a number of questions were asked in relation to the availability of written and binding terms of trade explaining the buyers' policy on ordering, quality and complaints. The terms of trade should also give clear and consistent payment terms and an order timetable with specifications and delivery times.

Finally, it is important that suppliers have an effective complaints mechanism that gives them some form of redress in the case of any failure on the part of the supermarket to abide by the policy or contract.

Pricing issues

A key concern in relation to fair trading relations is the price that the supermarket agrees with the supplier and whether this price enables the producer to cover the cost of production and pay a living wage. Payments below cost should be forbidden in supermarket policies on purchasing and supplier relationships and there should be specific measures to ensure that the price paid exceeds the cost of production.

As cash flow is also an important issue for most companies, an associated issue is whether the supermarket has an effective policy on paying suppliers on time and according to agreed written terms of trade. Requiring a supplier to deliver to a strict timetable but paying late passes all the risk onto the supplier.

Companies should be able to report a high proportion of payments that are made on time according to the contract.

Stability of relationships with suppliers

To enable security for suppliers, supermarkets should have a policy commitment to developing long-term stable relationships that enable suppliers to plan, and invest in innovation and develop their businesses. The key is for suppliers to be able to trust trading agreements given by retailers and know that if they cease to trade with the retailer there will be notice and clarity on what basis so that suppliers can aim to improve and stay in the supply chain.

Supporting policies and information that describe the measures taken were requested to verify the supermarkets' claims.

Support for small-scale suppliers and producers

Supermarkets that have a genuine commitment to sustainability should support small-scale farmers in their supply chains as it is one of the most effective ways to reduce poverty, as well as delivering other environmental and community benefits. However, the nature of supermarket supply chains that require large quantities and the ability to absorb risks often mitigate against the involvement of small-scale producers[41].

To support the involvement of small-scale producers, supermarkets should review their own practices to ensure that they support, enable and facilitate good livelihood options for smallholders.

Results

The results from these areas are considered together below but are dealt with separately in the table in order not to lose the detail of different supermarkets' approaches.

The indicators in this section are used to assess as far as possible how policy statements on supplier relationships translate into practice. There is very little supporting information (beyond the policy documents themselves).

Some information from suppliers is available to support or refute some of the statements made by supermarkets in this section, but as explained above this is anecdotal only and has not been used in the assessment, but added here for information.

- **Eleven of the 17 companies that responded reported that over 75% of their suppliers have binding terms of trade.** Only one company (Casino) reported that only 0-25% of suppliers have binding terms of trade.
- **Coop Italia states that 100% of suppliers have written/binding terms of trade, including the timing of payments and a complaints mechanism.** They state a commitment to a minimum period between the latest change in requirements and delivery date. Coop Denmark also has these conditions with the exception of a policy on minimum time between changes and delivery, which they say, varies with the product in question.
- Suppliers reported that the very frequent deliveries required by supermarkets trying to maximise efficiency in their turnover of stock means that the existence of a policy on minimum time between changes and delivery was not considered relevant by many (nationally based) suppliers surveyed. It is possible that the impact of changes at short notice is likely to be of more relevance to suppliers of fresh produce or labour intensive products located in developing countries.
- **Changes to systems impact on suppliers.** New systems requiring more frequent delivery such as those used by Auchan, Spain (Alcampo) are more efficient for the supermarket but were considered to increase the risk to this Spanish supplier who now has to deliver twice a week: '*This system has a negative impact on the small suppliers, because it increases the transport costs, increases the work for the suppliers to prepare the orders, and increases the risk of rupture of stocks at the sales point.*'
- **The timing of payments is frequently reported as being included in binding terms of trade with 12 of the 17 companies that responded reporting that 75-100% of payments are made on time and according to terms of trade.** Suppliers confirmed information provided by some supermarkets (Coop Denmark and Carrefour Spain and Italy) and provided positive information on the practices of others (Esselunga and all Danish supermarkets). In the case of Auchan Spain, which reported only 25% of payments made on time and according to terms of trade, a supplier reported better than average payment terms of 30 days.
- **However, anecdotal information from suppliers was mixed regarding payments on time.** Some suppliers claimed that they didn't receive payments on time from Carrefour France. Carrefour France claim 75% of payments made on time and according to terms of trade. Suppliers also state that although payments are often made according to terms, terms can be unfavourable to suppliers or they can be late – especially in France (Leclerc, Cora and Systeme U). In the case of Casino, a supplier reported having to buy a "shortening of payment time", ie the right to be paid within 60 instead of 90 days and state that: '*Each year, the supplier must dedicate 0.20% of its turnover to buy this "shortening of payment time".*
- **Only 5 of the 17 companies that responded (Auchan in Portugal only) report the inclusion of a complaints mechanism.** Although feedback from suppliers indicates that these mechanisms may be more prevalent than is indicated. The exception to this is in France where suppliers reported no complaints mechanism in agreements with Auchan, Carrefour, Leclerc and Intermarché[42]. There is no information on how complaints are investigated and resolved.
- **The majority of companies refer only to fairly traded products in relation to any specific activities or policies to ensure that prices do not fall below costs.** However, beyond a specific policy to stock large numbers of products, this cannot really be seen as a proactive effort on their part. Some companies quote specific activities: Feira Nova and Pingo Doce (Jerónimo Martins Group) for example, state that they base negotiations with suppliers on all aspects of the cost structure to prevent prices falling below the cost to the supplier. El Corte Inglés analyse costs and prices and comparative studies; Coop Italia refer to the use of their complaints mechanism and Mercadona to provisions in their 'lifetime contracts' (see next page).
- **Overall there were few examples of practical activities to promote stability in relationships with suppliers.** Some companies refer to company principles based on trust and backed up by organisational policy (Coop Italia) and contracts (Coop

Denmark). Mercadona refers to the "lifetime contracts" agreed with suppliers through the "Marco de buenas prácticas Comerciales" (Framework Convention for Better Business). These contracts are medium to long term and include provisions on price and stability.

- **Only Coop Italia and Auchan (Spain only) report that incentives for buyers are linked to the stability of relationships with suppliers.**
- **Several different initiatives were described as support for small-scale suppliers.** Coop Denmark and Coop Italia referred to both long-term relationships with suppliers and specific initiatives to include small suppliers in the supply chain.
- **Several other supermarkets give examples of activities to support small-scale producers.** Carrefour refers to its policy of procuring certified fairly traded products, but also gave the example of the development of a direct relationship with a quinoa supplier. Makro refer to a small farm project undertaken with GTZ, and Colruyt refer to co-financing of initiatives with government and universities – citing the example of sustainable shrimp farming in Vietnam. Although these might be a step towards including small-scale suppliers in their supply chains, they are not significant in terms of policy or practice and so have been categorised as 'Some Policies'.

Supporting stability

Mercadona's agreements with medium and long term suppliers of fruits and vegetables ensure that suppliers will recover the cost of production of their crops and make a profit. The company also agrees to pay a stable price for each kilo of fruit and vegetables to help protect suppliers from the possible impact of a general price decrease or a bad harvest.

Partnerships to support small farmers in Kenya

Coop Denmark work together with FDB (The Danish Consumers Co-operative Society) in a project concerning fresh products from Kenya. FDB supports a wholesale company, and consumers can grant micro-loans to the farmers. The farmers then supply the wholesale company who sell their products to Coop Denmark. This project is a part of Coop's 10 actions in the area of Ethical Trade, in this case to identify specific goods which make it possible to implement development projects. These projects aim to improve the conditions for the farmers and producers in Africa[43].

Overall summary of results by company for ensuring fair trading relationships with suppliers

Coop Italia showed the 'Best Available Policies' towards relationships with suppliers.

No companies were assessed as having 'Good Policies' overall, but Coop Denmark showed 'Good Policies' for supplier relations, communications and terms of trade and support from small-scale producers. Auchan reported stronger policies in Spain and Portugal than in other countries of operation included in the survey.

Fair trading relationships

	Policies	Implementation, compliance, training & incentives	Communication and terms issues	Price and payment	Stability of relationships with suppliers	Support for small-scale producers
AUCHAN Spain, Italy, Portugal, France (*Poland*)	Good Policies	Some Policies	Some Policies	Limited/No Policies	Limited/No Policies	Limited/No policies
LIDL Belgium, Spain, Italy, Portugal, Denmark, Greece (*Poland*)	Limited/No Policies	Limited/No Policies	Some Policies	Limited/No Policies	Limited/No Policies	Limited/No policies
CARREFOUR Spain Italy, France (*Belgium, Greece, Poland*)	Some Policies	Some Policies	Limited/No Policies	Some Policies	Limited/No Policies	Some Policies
INTERMARCHÉ Belgium *(France, Portugal and Poland)*	Some Policies (Belgium only)	Some Policies (Belgium only)	Limited/No Policies (Belgium only)	Limited/No Policies (Belgium only)	Some Policies (Belgium only)	Limited/No Policies (Belgium only)
DIA Spain, Portugal (*Greece*)	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No policies
CORA Belgium (*France*)	Limited/No Policies (Belgium only)	Limited/No Policies (Belgium only)	Some Policies (Belgium only)	Limited No Policies (Belgium only)	Limited/No Policies (Belgium only)	Limited/No policies (Belgium only)
DELHAIZE Belgium (*Greece*)	Limited/No Policies (Belgium only)	Limited/No Policies (Belgium only)	Limited/No Policies (Belgium only)	Limited/No Policies (Belgium only)	Limited/No Policies (Belgium only)	Limited/No policies (Belgium only)
COLRUYT Belgium	Limited/No Policies	Limited/No Policies	Some Policies	Limited/No Policies	Limited/No Policies	Some Policies
SPAR Belgium	Limited/No Policies	Limited/No Policies	Some Policies	Limited/No Policies	Limited/No Policies	Limited/No policies
MAKRO Belgium	Limited/No Policies	Limited/No Policies	Some Policies	Limited/No Policies	Limited/No Policies	Some Policies
EL CORTE INGLÉS Spain	Good Policies	Some Policies	Some Policies	Some Policies	Some Policies	Limited/No policies
MERCADONA Spain	Good Policies	Some Policies	Some Policies	Good Policies	Good Policies	Limited/No policies
FEIRA NOVA & PINGO DOCE (Jerónimo Martins Group) Portugal	Some Policies	Limited/No Policies	Some Policies	Some Policies	Limited / No Policies	Limited/No policies
COOP Italy	Best Available Policies	Best Available Policies	Best Available Policies	Best Available Policies	Best Available Policies	Best Available Policies
COOP Denmark	Good Policies	Some Policies	Good Policies	Some Policies	Some Policies	Good Policies
CASINO France	Limited/No Policies	Some Policies	Limited/No Policies	Limited/No Policies	Limited / No Policies	Limited/No policies
VEROPOULOS Greece	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited / No Policies	Limited/No policies
EROSKI Spain**	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No Policies
ESSELUNGA Italy**	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No Policies	Limited/No Policies

Please note that the comparison is relative and based on information available during this survey only.
International companies in countries in italics did not respond so are not included. **Did not respond to questionnaire.

- 'Best Available Policies' and 'Good Policies' highlight the more progressive or comprehensive policies found in the survey. This does not mean that there is not still room for development and improvement in both categories.
- 'Some Polices' covers a wide range, including for example companies, which deserve acknowledgement for steps towards good policies or where there is insufficient information to justify a better assessment.
- 'Limited/No Policies' may include companies that have relevant policies but in the case of this survey we were not given sufficient information about them to place them in a different category.

What suppliers say

Despite attempts to gather a wider perspective from suppliers in Europe and developing countries, responses were only received from 13 suppliers (all of which sell to more than one retailer) based in 6 European countries.

- **National variation within** companies was illustrated in relation to Carrefour and Auchan, where there appeared to be better relations with suppliers in Spain than in France where suppliers reported pressure to reduce prices, late payments and delivery penalties.
- In Denmark, some pressure to **reduce prices** was reported in relation to all national supermarkets, even when this represented a breach of contract. Overall however, this was considered rare and in relation to products which are not selling well.
- **Late payments by supermarkets** were most commonly reported by suppliers in France. Carrefour, Leclerc, Syteme U and Cora were mentioned in France and Intermarché in both France and Belgium.

Additional charges

- The most commonly reported additional charges were **delivery penalties,** which in France can reach up to 10-15% of the value of non-delivered products even though the loss to the supermarket is lower. Such penalties are frequently included in terms of trade. This was quoted as more of an issue in relation to delivery to warehouses than to stores. Although these were reported in the case of Auchan and Carrefour it should also be noted that with these supermarkets suppliers reported that the penalty could sometimes be negotiated. Leclerc has different central purchasing agencies in different regions of France, each with its own practice regarding delivery penalties and with some of them no negotiation over the amount is possible. Delivery systems often place all the risk on the supplier – to hold the stock - deliver in full – at the agreed time slot – or face a penalty.
- Some suppliers reported that penalties were sometimes deducted without warning or trying to find a solution – '*Supermarkets present [the supplier] with a fait accompli and it is not always possible for [the supplier] to get the amount back, even if the deduction was not justified or excessive*'.
- It was also reported that Leclerc (France) require suppliers to take part in supplier exhibitions at their own expense under the threat of delisting.
- In Denmark there is some degree of compulsory purchase of advertising (eg, in flyers) reported by Danish suppliers.

Support for fairly traded products

The stocking of fairly traded products does not in itself demonstrate a supermarket's social responsibility. It does, however, give their customers the opportunity to support fairer trade.

Additionally a supermarket can help to raise awareness of the products and increase sales through their promotion and specific support for the suppliers of these products.

Schemes to market fairly traded products vary in the social commitments that they make. In this survey we did not distinguish between them except to require that they included certification standards that included reference to labour standards and mandatory third party verification. All brands, including 'private/own' brands that met these criteria were included.

The following comparison was made using similar criteria to those used for the summary of initiatives relating to social responsibility identified during the survey (see Chapter 4).

Comparison of labels identified during the suruey

The initiatives below are all concerned with working conditions in which products from developing countries are produced and how they are traded.

	Content of Code			Operational Indicators			
Labels	ILO Core Conventions Covered	Additional Standards	Rating	Third Party Auditing Required	Multi-stakeholder involvement in governance of system and code setting	Social Projects	Rating
Cafemundi	—	—	—	—	—	•	*
Colibri	—	—	—	SOME	—	•	E
Ethical Tea Partnership	FULL	YES	B	SOME	—	•	D*
FLO/ Fairtrade	FULL	YES*	A	FULL	YES	•	A*
Rainforest Alliance	SOME	YES	D	FULL	—	—	B
Utz Certified	FULL	YES	B	FULL	—	—	B
WFTO (Altromercato /CTM)	FULL	YES*	A	SOME	YES	—	C

Key to table on page 37:

RATING:	Content of Code ILO Core Conventions	Additional Standards
A	FULL coverage	YES* (additional standards include: price paid should be greater than costs/living wage)
B	FULL coverage	YES
C	FULL coverage	SOME
D	SOME coverage	—
E	— (NO coverage)	YES

RATING:	Operational Indicators Third Party Auditing	Multi-stakeholder involvement in governance of system and code setting	Social Projects
A*	FULL: Audits of all suppliers	YES	• (some involvement)
A	FULL: Audits of all suppliers	YES	
B*	FULL: Audits of all suppliers	—	• (some involvement)
B	FULL: Audits of all suppliers	—	
C*	Audits of SOME suppliers or self certification after initial audit	YES	• (some involvement)
C	Audits of SOME suppliers or self certification after initial audit	YES	
D*	Audits of SOME suppliers or self certification after initial audit	—	• (some involvement)
D	Audits of SOME suppliers or self certification after initial audit	—	
*	No information on audits	—	• (some involvement)

See Annex C for further information on the different labels identified in the survey.

Stocking of fairly traded products

Supermarkets can increase the availability of fairly traded products by increasing the number of product lines where fairly traded options are available, as well as increasing the number of stores stocking fairly traded products.

To avoid favouring very large stores, stocking of fairly traded products was assessed primarily on how many of a specified range[44] of products were available in different stores rather than the total numbers of products, for instance whether or not tea was stocked was considered, rather than how many different lines of tea.

Results

- **Auchan (France and Italy), Carrefour (France), Delhaize (Belgium) and Coop Italia had the most comprehensive range.** They stocked all ten (and possibly more) of the specified products with all products carrying a label that achieves the specified standard and 100% of their stores stocked at least one product. All these companies (Auchan and Carrefour in France only) actually stock a substantially wider range than that specified.
- Auchan (Spain) stocked fairly traded options in six to nine of the specified product lines as did Lidl in the countries stocking their Fairglobe[45] range: (Denmark, Belgium and Italy), and Carrefour (Poland, Italy).
- **Carrefour stocked the most fairly traded products across its countries of operation.** This includes Poland where overall availability is limited.
- Products carrying the FAIRTRADE Mark were the most widely represented of the different labels found in all countries except Greece.
- The only significant range of products carrying a label that did not meet the criteria was the Colruyt own brand 'Colibri' as it is a mechanism for supporting social projects and has no reference to labour standards. This did not in any case affect the categorisation of Colruyt who stock a wide range of products carrying labels that meet the specified standard.

Stocking varies within the same company across the countries in which it operates, reflecting local awareness and demand. Affordability may also be an issue as such products are often more expensive than other products. (In Poland responses to store enquiries raised the issue of quality and price and reflected a perception that fairly traded products were more expensive). Delhaize for example stocks a wide range of products in Belgium and only two products (both tea) in Greece. Carrefour's stocking policy also varies by country, they report that overall they market and promote 621 products in the countries surveyed but in Greece only one product was recorded. Stocking between stores in the same country also varies widely.

Promotion of fairly traded products

In countries where awareness of fairly traded products and the issues behind them is quite high, the stocking of fairly traded products can be seen in a purely commercial context as a way to encourage sales. Therefore for the purposes of this survey a more interesting aspect was to look at the extent to which supermarkets promote fairly traded products and who pays for these promotions. Another factor taken into account was the knowledge of staff – key to any proactive in-store promotion.

The shelf space devoted to fairly traded products and the height at which they are displayed is one aspect of promotion. However, some supermarkets also run other promotions, either linked to national Fair Trade Weeks or held separately. As the usual practice is for suppliers to pay for in-store promotions, it is also relevant to ask who pays for these promotions with the assumption that a supermarket paying for the promotion indicates some commitment to promoting fairly traded products and the issues behind them.

Finally, we also conducted a number of anonymous enquiries to assess staff knowledge and awareness of fairly traded products and the benefits to producers.

Results

Several supermarkets took part in initiatives to proactively promote fairly traded products.

- Auchan (in Spain, France and Italy); Carrefour (France and Italy), Delhaize (Belgium) and Eroski, Spain were all involved in a wide range of promotional activities.
- Auchan Spain (Alcampo) has also collaborated with Intermon Oxfam on the *Fifteen Days of Fair Trade* for five years and Auchan France promote *Fair Trade Fortnight*, as well as a week of international solidarity and a week of sustainable development.
- Eroski, Spain carry out and pay for awareness campaigns. This includes events such as the annual *Fifteen Days of Fair Trade* in collaboration with Intermon Oxfam; consumer training on responsible consumption (including information on fairly traded products) and articles in its magazine, *Consumer*.
- Carrefour described promotional events in Italy and France. Carrefour France described a wide range of activities including staff and public awareness, participation in Fair Trade Week and information in their newsletter and website on organisations such as Max Havelaar France[46] and Carrefour policy.
- Coop Denmark promotes fairly traded products at their own expense with campaigns during the year such as the *Fair Trade Coffee Break*.
- **In general staff knowledge about fairly traded products was very low.**
- **Staff knowledge of the standards behind these labels was highest in Denmark.** In response to general queries about relevant products, staff at Coop Denmark, Spar, Superbest and Dansk Supermarked showed the greatest awareness and referred to fair and guaranteed prices and support for social projects. Staff at BOMI stores in Poland showed some awareness of different aspects and although to a lesser extent so did staff at Auchan in Spain and Portugal, Carrefour in Belgium, Leclerc in Poland and in Eroski, Spain.
- Fairly traded products were placed in a range of locations in the store, including special shelves or displays in some cases (although sometimes displayed, and confused with organic/bio products). But it is difficult to draw overall conclusions across countries surveyed as what is ideal in terms of a supplier also varies with the context. For example in a market where awareness is low, a special display might raise awareness of such products, however in a more established market some suppliers prefer their products to be placed alongside other 'regular' products where regular customers might expect to find them.

Trading relationships with suppliers of fairly traded products

Another aspect of a supermarket's policies in this area can be seen in the extent to which supermarkets claim to treat suppliers of fairly traded products preferentially in recognition of the values behind these initiatives or as regular suppliers.

Therefore we asked supermarkets if they had a specific policy relating to contracts with suppliers of fairly traded products and in particular whether:

- they have a specific policy on the margin that can be charged for fairly traded products
- they permit pressure to be put on suppliers to reduce costs for large quantities
- other preferential trade terms for suppliers of fairly traded products were available.

Results

- Coop Italia reported that their policy or position statement on fairly traded products covers: terms of trade with suppliers; promotion, price margins and any labelled 'private/no brand' products. Their policy also includes preferential terms for suppliers and does not permit pressure to reduce prices.
- Coop Denmark state that promoting fairly traded products and offering preferential terms (covering terms of trade, promotion and own labels) to suppliers of these products are a part of Coop's strategy in the area of Ethical Trade.
- Colruyt also has a formal policy position stating the company's support for such initiatives. Other companies Carrefour, Auchan (in Spain and Portugal), Delhaize[47] and Intermarché (Belgium only) and Casino make only general references in sustainability policy or contracts with relevant suppliers for example.

Overall summary of results by company for supporting fairly traded products

- Four companies, Coop Italia, Coop Denmark, Auchan (France only) and Delhaize (Belgium only) were assessed as showing a 'Good Policies' overall in support of fairly traded products.
- Coop Italia and Coop Denmark show committed support of fairly traded products over and above stocking a wide range with 'Best Available Policies' for relations with suppliers (Coop Italia); for promotion (Coop Denmark).
- Carrefour stock a wide range of fairly traded products throughout the countries surveyed (including non-respondents), including some in Poland and Greece where availability of such products is very low, however Carrefour has limited policies in support of suppliers of fairly traded products.

Support for fairly traded products

	Stocking of fairly traded products	Promotion of fairly traded products	Relations with suppliers of fairly traded products
AUCHAN Spain, Italy, Portugal, France (*Poland*)	Good Policies	Some Policies	Some Policies
LIDL Belgium, Spain, Italy, Portugal, Denmark, Greece (*Poland*)	Some Policies	Limited/No Policies	Limited/No Policies
CARREFOUR Spain, Italy, France (*Belgium, Greece, Poland*)	Good Policies	Some Policies	Limited/No Policies
INTERMARCHÉ Belgium (*France, Portugal and Poland*)	Some Policies (Belgium only)	Some Policies (Belgium only)	Some Policies (Belgium only)
DIA Spain, Portugal (Greece)	Limited/No Policies	Limited/No Policies	Limited/No Policies
CORA Belgium (France)	Good Policies (Belgium only)	Some Policies (Belgium only)	Limited/No Policies (Belgium only)
DELHAIZE Belgium (*Greece*)	Best Available Policies (Belgium only)	Good Policies (Belgium only)	Some Policies (Belgium only)
COLRUYT Belgium	Good Policies	Some Policies	Some Policies
SPAR Belgium	Some Policies	Limited/No Policies	Limited/No Policies
MAKRO Belgium	Some Policies	Some Policies	Limited/No Policies
EL CORTE INGLÉS Spain	Some Policies	Limited/No Policies	Limited/No Policies
MERCADONA Spain	Limited/No Policies	Limited/No Policies	Limited/No Policies
FEIRA NOVA & PINGO DOCE (Jerónimo Martins Group) Portugal	Limited/No Policies	Limited/No Policies	Limited/No Policies
COOP Italy	Best Available Policies	Good Policies	Best Available Policies
COOP Denmark	Good Policies	Best Available Policies	Good Policies
CASINO France	Some Policies	Limited/No Policies	Limited/No Policies
VEROPOULOS Greece	Some Policies	Limited/No Policies	Limited/No Policies
EROSKI Spain**	Some Policies	Good Policies	Limited/No Policies
ESSELUNGA Italy**	Some Policies	Limited/No Policies	Some Policies

Please note that the comparison is relative and based on information available during this survey only.
International companies in countries in italics did not respond so are not included. **Did not respond to questionnaire.

- 'Best Available Policies' and 'Good Policies' highlight the more progressive or comprehensive policies found in the survey. This does not mean that there is not still room for development and improvement in both categories.
- 'Some Polices' covers a wide range, including for example companies, which deserve acknowledgement for steps towards good policies or where there is insufficient information to justify a better assessment.
- 'Limited/No Policies' may include companies that have relevant policies but in the case of this survey we were not given sufficient information about them to place them in a different category.

Overall summary of results by company

Relatively speaking and from the information available Coop Italia was assessed as having the most consistently 'Good Policies' by a significant margin, followed by Coop Denmark.

Auchan and Carrefour were the next best of the companies researched, with policies in Spain above the company average for both companies. The variation in practice, for example between Spain and Italy (good practice endorsed by suppliers) and France (some pressure to reduce prices and additional charges reported by suppliers) in the cases of both Auchan and Carrefour suggest the importance of national influences as well as company policy on the treatment of suppliers. Mercadona and Colruyt also show some polices over all areas.

Coop Italia

Coop Italia showed board level commitment to CSR relating to labour conditions and fair trading relationships. They apply the SA8000 standard to their purchasing and have broad stakeholder involvement in their activities, including representation by ANCC (Associazione Nazionale delle Cooperative di Consumatori) on the board of Fairtrade Italia. They cooperated fully with the survey, including a visit to headquarters by a researcher to view audit results and commercial documents that are not publicly available.

The company has the most comprehensive policy on labour standards of all companies surveyed and covered a living wage and complaints mechanism. The policy is applied throughout the supply chain and independently verified. Buyers are trained according to the SA8000 standard and periodically updated, suppliers are informed about the code and support is offered in the implementation of the code and where necessary with a remedial action plan.

Coop Italia states that their principles as a cooperative company require them to act with integrity in their trading relationships especially in relation to developing countries or minor supply chains. Their code of conduct [La Carta dei Valori: Bari:1997] is comprehensive and includes amongst other issues: a complaints mechanism, payment on time and according to written terms of trade, clarity over pricing mechanisms and suppliers contributions for promotions are voluntary. The code forbids the use of delisting tactics to get better terms of trade and below cost selling, and 100% of suppliers have written and binding terms of trade.

Coop Italia train their buyers in the use of the code of conduct, all suppliers have written and binding terms of trade and incentives are used at board and management level for the level of compliance and coherence between policy and practice, and also at buyer level for the level of compliance and the stability of relationships. Coop Italia has longstanding trading relationships with small-scale suppliers and has met the cost of specific activities to support small-scale producers, including projects relating to social rights in agriculture in 2005 and 2009.

A wide range of independently verified fairly traded products are stocked by Coop Italia and all stores stock some products. Coop Italia actively promotes these products, and its policy covers preferential terms to suppliers of such products and does not allow pressure to reduce prices for large quantities.

Coop Denmark

Coop Denmark also demonstrated commitment to CSR relating to labour conditions and fair trading relationships through their membership of the Danish Initiative for Ethical Trade (DIEH) and other initiatives to promote cooperation and good practice. Responsibility for implementing CSR policies is integrated into the day-to-day management of the company and they have a comprehensive policy on labour standards including complaints mechanism.

Coop Denmark's Code of Conduct relating to supplier relations includes clarity on terms of trade and pricing mechanisms, payment on time and according to written terms of trade, a complaints mechanism and states that supplier contributions to promotions should be voluntary.

100% of Coop Denmark's suppliers have written contracts, which include for example, the timing of payments and a complaints mechanism. Coop state that to ensure coherence between their Code of Conduct on labour standards and purchasing practices, they negotiate contracts with their suppliers before signing.

Coop Denmark gave examples of specific activities to support the inclusion of small-scale producers in their supply chains. They also have specific targets for their support of fairly traded products (10 Actions for Ethical Trade[48]) which includes doubling sales of independently verified fairly traded products in three years, increasing the number of products available and actively promoting these products and the issues behind them at their own cost.

Overall summary

	Corporate Commitment to CSR	Support for good working conditions	Fair trading relationships	Support for fairly traded products	Overall assessment
AUCHAN Spain, Italy, Portugal,France (*Poland*)	Some Policies	Some Policies	Some Policies	Some Policies	Some Policies
LIDL Belgium, Spain, Italy, Portugal, Denmark Greece (*Poland*)	Some Policies	Some Policies	Limited Policies	Limited Policies	Limited Policies
CARREFOUR Spain, Italy, France (*Belgium, Greece, Poland*)	Some Policies	Some Policies	Limited Policies	Some Policies	Some Policies
INTERMARCHÉ Belgium (*France, Portugal and Poland*)	(Belgium - Cooperation only)	Limited Polices (Belgium only)	Limited Policies (Belgium only)	Some Policies (Belgium only)	Limited Policies
DIA Spain, Portugal (*Greece*)	Cooperation only	No Policies	No Policies	No Policies	No Policies
CORA Belgium (*France*)	Limited Policies (Belgium only)	Limited Policies (Belgium only)	Limited Policies (Belgium only)	Some Policies (Belgium only)	Limited Policies (Belgium only)
DELHAIZE Belgium (*Greece*)	Some Policies (Belgium only)	Limited Polices (Belgium only)	No Policies (Belgium only)	Good Policies (Belgium only)	Limited Policies (Belgium only)
COLRUYT Belgium	Some Policies	Some Policies	Limited Policies	Some Policies	Some Policies
SPAR Belgium	Some Policies	Limited Policies	Limited Policies	Limited Policies	Limited Policies
MAKRO Belgium	Some Policies	Some Policies	Limited Policies	Limited Policies	Limited Policies
EL CORTE INGLÉS Spain	Limited Policies	Limited Policies	Some Policies	Limited Policies	Limited Policies
MERCADONA Spain	Some Policies	Some Policies	Some Policies	No Policies	Some Policies
FEIRA NOVA & PINGO DOCE (Jerónimo Martins Group) Portugal	Limited Policies	Limited Policies	Limited Policies	No Policies	Limited Policies
COOP Italy	Best Available Policies	Best Available Policies	Best Available Policies	Good Policies	Good Policies
COOP Denmark	Good Policies	Some Policies	Some Policies	Good Policies	Some Policies
CASINO France	Limited Policies	Limited Policies	Limited Policies	Limited Policies	Limited Policies
VEROPOULOS Greece	Cooperation only	No Policies	No Policies	Limited Policies	Limited Policies
EROSKI Spain**	Some Policies	Limited Policies	Limited/No Policies	Limited Policies	Limited Policies
ESSELUNGA Italy**	Cooperation only	Limited/No Policies	Limited/No Policies	Limited Policies	Limited Policies

Please note that the comparison is relative and based on information available during this survey only.
International companies in countries in italics did not respond so are not included. **Did not respond to questionnaire.

Key

- 'Best Available Policies' and 'Good Policies' highlight the more progressive or comprehensive policies found in the survey. This does not mean that there is not still room for development and improvement in both categories.
- 'Some Polices' covers a wide range, including for example companies, which deserve acknowledgement for steps towards good policies or where there is insufficient information to justify a better assessment.
- 'Limited' companies have limited policies, their policies in each area are not comprehensive or there was very little information available for the survey.
- 'No Policies' there is no indication/information on any policies in this area.

Conclusions and recommendations

How supermarkets choose to wield their considerable power has a significant impact on the lives of those throughout their supply chains. In addition to the fundamental importance of ensuring that their procurement supports rather than undermines improvements in human rights and working conditions for those that produce and supply the goods they sell, supermarkets have much to gain in trust and goodwill from consumers, staff and suppliers by making their procurement more socially responsible. Good practices and a longer-term approach can help supermarkets to attract and retain the best suppliers and staff, and lead to cost savings and innovation.

This survey examined supermarket policies on working conditions and fair trading relations with food producers and suppliers in developing countries. The report examines the extent to which they seek to ensure that their procurement does not undermine basic human rights and, where possible, support development and the reduction of poverty.

Additionally we undertook a survey of consumer attitudes and awareness in relation to responsible trade and a survey of suppliers to assess their experiences of working with supermarkets.

Consumer perspectives

Most European consumers are concerned with the social impact of their consumer choices. The CI survey conducted in 2009 supported results from European and international surveys that suggest consumer support for responsible trade is widespread and growing.

However, country specific dynamics are important. The CI survey demonstrated that consumer attitudes do vary across different countries with our survey suggesting lower levels in Greece and Poland.

Different economic contexts (for instance a lower national minimum wage) may explain resistance to more responsible trade, as this is often associated with higher prices. However, there have also been fewer awareness campaigns in relation to these issues and this may also be an important contributing factor.

Given that emerging/developing economies are becoming increasingly important markets for supermarkets; consumer organisations, NGOs and groups promoting and marketing fairly traded products should work together to raise awareness of responsible trade amongst consumers and companies in those countries.

Supermarkets also have their part to play in raising awareness by publishing information relating to their activities in this area and responding to surveys such as the one conducted by CI.

In many European countries, fairly traded products have been an important vehicle for raising issues of responsible trade with consumers and are a potential area for NGOs to work with supermarkets.

Where national organisations promoting fairly traded products have low capacity there should be opportunities to twin with established organisations in order to develop the availability of products.

Consumers' right to information

Most consumers will appreciate that the issues connected with supply chains in developing countries will in some cases be complex. In these cases there is an expectation that the supermarket will have the right policies in place, provide independent verification that the policies are being put into practice and communicate this information to consumers in a clear and accessible form. Unfortunately in this case, many supermarkets appear to be failing consumers on all counts.

Cooperation with the survey varied and this limited our ability to give comprehensive results. However, several supermarkets responded to the questionnaire and despite commercial sensitivities, some companies were willing to provide internal documents and two invited contacts to view documents they were not willing to disclose publicly.

However, several supermarkets fail to make information about their policies publicly available. Some supermarkets were more transparent in their home countries whilst neglecting to make information available in the other markets in which they operate. International chains that fail to give this information in one country whilst making the information available in another country are guilty of a double standard that undermines consumers' right to information about the products and services they are purchasing. They can also be said to be undermining efforts in those countries to increase consumer awareness about these issues.

Supermarket policies

This survey looked primarily at supermarket policies and therefore there are limits to what we can infer about the impact that these supermarkets are having 'on-the-ground' in developing countries.

Despite this, the results give consumers an indication as to how different supermarkets are seeking to improve the working conditions of food producers in developing countries and their trading relationships with food suppliers from developing countries. Unfortunately, they also highlight significant areas of concern.

Initiatives relating to social responsibility identified during the survey

Despite involvement in a variety of CSR initiatives, overall companies are not taking full responsibility for ensuring that basic labour standards are met in food supply chains in developing countries.

Compared with the other industry initiatives described in the report, SA8000 gives the best available level of assurance that policies on labour standards are being complied with. However, as an audit based scheme, SA8000 is more easily applied to large companies and factories and also does not lend itself to the resolution of sensitive (and often invisible) issues such as discrimination. SA8000 also does not provide any assurance on the fairness of trading relationships.

Although they do not provide the assurance of a certification scheme (such as SA8000), schemes such as ETI, DIEH provide the best available indication of multi-stakeholder involvement key to developing effective policies and solutions. They can also support members to make improvements in specific areas of operation. ETI for example has produced guidelines to help retailers, suppliers, trade unions and NGOs to improve the working conditions of smallholders and their workers[49].

The involvement of different stakeholders, particularly those with locally based expertise about workers' rights, audits and the analysis of compliance should give consumers some assurance that supermarkets are getting correct information about where improvements need to be made. However, unfortunately it is not possible for consumers to identify which supermarkets that are members of these initiatives implement all the recommendations and which are dragging their heels.

This report treats industry initiatives on CSR (such as SA8000 and ETI) and independent socially responsible labelling schemes separately. Although some of the labelling schemes also cover labour conditions. Fairtrade is the only one that also offers producers a guaranteed price, which means that it goes beyond any of the industry CSR initiatives in terms of supporting fairer trading relationships between producers and retailers. The structure and systems behind fairly traded products can also build the power of producers and workers so that they can negotiate with retailers on an on-going basis to get better terms.

As such it is clear that European supermarkets can still learn from the models and practices developed by some of the independent socially responsible labelling schemes in applying fairness to all their supply chains.

Clarity and transparency of supermarket policies and responses

A constant challenge in conducting the survey was the lack of transparency in many industry and company initiatives. Information was often limited and aggregated information made it impossible to understand which supply chains had been audited and whether these suppliers or producers were in developing countries or in Europe.

As a result it was often difficult to understand exactly what commitment a supermarket had made in relation to particular supply chains. This was true of supermarkets' involvement in CSR initiatives such as BSCI and ICS due to the very limited and aggregated information available.

The fact that only aggregated statistics are publicly available also meant that there was a lack of transparency over specific CSR targets and progress towards them. With the exception of Coop Italia, there is also no disaggregated information available on compliance of suppliers or audits.

Although in some cases, information is provided on the total number of audits carried out in developing countries (or high risk countries) there is very little information available on the extent to which compliance is verified amongst suppliers in relevant supply chains.

Whilst audits are important as a means of verifying claims and learning from experience they should not become a distraction from the implementation of corrective actions and working with suppliers to motivate and enable improvements.

Content of policies on labour conditions

In a context where basic labour rights are not legally enforced, company codes have an important role in ensuring as a minimum that labour conditions meet ILO standards and that those standards are enforced.

Although nearly all companies reported a policy on labour standards, these do not all cover basic ILO conventions and key elements such as a living wage and the availability of a complaints mechanism, only occur in a very small number of cases.

Relevance of policies to food supply chains and developing countries

The relevance of supermarket policies to food producers and suppliers in developing countries was not clearly established.

It appears that there is very limited application of industry initiatives to food supply chains in developing countries and these supply chains are not considered a high priority, despite many of these countries presenting a higher level of risk because of frequent lack of enforced legislation relating to labour standards. This can partly be explained, though not excused, by the fact that the origins of several of these initiatives, such as SA8000, BSCI and ICS lie in the textiles/soft goods sector.

In contrast schemes such as Fairtrade and Rainforest Alliance have their origins in agriculture and are therefore highly relevant. Again this underlines the point above that supermarkets can learn from the models and practices developed by these schemes that were developed to benefit the weakest in agricultural supply chains.

It was often unclear as to whether supermarkets' commitments covered their whole supply chain. Despite the fact that all supermarkets stock some products that originate in developing countries, only seven companies apply their policy beyond the first tier of the supply chain. Other supermarkets failed to take responsibility beyond their first tier suppliers, which in many cases were European. El Corte Inglés stated that 'purchases of food are performed mostly in Spain and EU. Imports from third countries are very low and generally not relevant.'

Whilst the use of indirect suppliers complicates the supply chain, if the supermarket does not apply their code beyond their first tier suppliers then they are not able to give the consumer any information as to the conditions in which the products they have bought are being produced.

Relatively few supermarkets claimed to have a complaints mechanism for labour abuses and although several companies reported third party verification, the lack of supporting documentation for developing country food supply chains made this hard to substantiate. Without independent third party verification it is impossible to say with certainty the extent to which policies are implemented and what impact policies have 'on the ground'.

Support to suppliers in implementing labour policies is very limited. Eleven companies say they train their own buyers in their labour policies, but only one company (Lidl) claims to train buyers who work for contracted companies. This is a further indication of the failure of companies to take practical steps to ensure their policies are applied consistently and effectively further down the supply chain.

Relationships with suppliers

Only five companies report the existence of a specific policy on supplier relations, although others refer to systematic use of contracts but overall, commitment in policy to ensuring trading relationships are fair is very low.

Although complaint mechanisms are reported more frequently than in relation to policies on labour standards, companies refer most frequently to logistical issues and least frequently to the practical provisions that could potentially help to make sure trading relationships are fair and to prevent abuses of buyer power, such as clear and fair terms of trade with effective complaint mechanisms, or ensuring that supplier contributions for promotion are voluntary.

The application of these policies beyond the first tier of the supply chain is even lower than for policies on labour standards. No companies reported training of buyers of subcontracted companies. The use of incentives relating to policy implementation and coherence between policy and practice were only reported by three companies: Coop Italia, Auchan (Spain and Portugal only) and Carrefour (Spain only).

Anecdotal information from suppliers illustrates the complexity of this area. Only two companies (Coop Italia and Coop Denmark) state that 100% of suppliers have written/binding terms of trade, including timing of payments and complaint mechanisms. Over half the companies that responded reported that 75-100% of their suppliers had binding terms of trade, but we do not know how long these contracts last or if these terms of trade are fair. Only five companies report the inclusion of a complaints mechanism, and although information from suppliers suggests that they occur more frequently in practice, the discrepancy suggests that the practice is not yet systematised in supermarkets' policies.

Suppliers did not consider a minimum time period between changes in requirements and delivery were relevant, but this does not mean this is not an issue for suppliers outside Europe. Supermarkets are constantly developing their procurement systems to maximise efficiency and profitability and examples such as increased frequency of deliveries reported in Spain illustrate the impact of such changes on the suppliers – in this case, higher costs.

More companies reported the inclusion of 'payment on time and according to written terms of trade' than provided information on the percentage of suppliers actually paid on time. This may be understandable given the wide range and detail of information requested, but unfortunate considering the information from suppliers on late payments.

Very few examples were given of activities to ensure that the price paid exceeds the cost of production. Again this is worrying given that 'price' is central to the relationship between the supermarket and the supplier.

The information from suppliers was anecdotal, not comprehensive and in general very few inconsistencies were found between information on what is covered by terms of trade provided by supermarkets and from suppliers except concerning additional charges and pressure to reduce prices. In some cases however, this reflects the fact that supermarkets did not all respond fully to the questionnaire, and so there was no information to contradict.

There is most evidence of unfair treatment of suppliers in France, to a lesser extent in Belgium and some in Denmark.

The unwillingness of suppliers to talk openly about their trading relationships with supermarkets reflects the unequal relationship they have and makes it very difficult to establish a clear picture of how supermarkets reported principles and policies translate into practice. The suppliers that responded verified the claims made by some supermarkets but also gave examples of abuses of power.

Coop Italia and Coop Denmark are the only companies with examples of proactive policy commitments to promote stability and the inclusion of small-scale suppliers. Mercadona's 'lifelong' contracts are practical examples of an initiative to support stability in supplier relations. Carrefour, Colruyt and Makro provide examples of support for the participation of small-scale producers in supply chains in developing countries but most examples given relate to the stocking of certified fairly traded products

Overall, this reflects the emphasis placed by supermarkets on the need for guaranteed volumes and consistent sources of supply, but there are still practical measures that they can take to make sure their systems include rather than exclude small-scale producers and benefits for retailers in terms of a sustainable supply base.

Again the evidence gathered in this survey suggests that supermarkets are only just beginning to address these concerns in their supply chains and have yet to develop the necessary incentives and verification systems to ensure that their trading relationships do not undermine the stated objectives of their CSR policies.

This suggests that the role of purchasing teams in shaping, as well as implementing more responsible sourcing is yet to be fully recognised, as is their responsibility to enable and encourage good performance by suppliers. The use of performance and reward structures can significantly influence behaviour and practical tools such as the complementary buyer and supplier scorecards developed by the Responsible Purchasing Initiative[50] can be used to develop performance indicators relating to responsible sourcing.

The structure of the food supply chain between Europe and developing countries, and the lack of practical initiatives from supermarkets, suggests that the EC should extend its investigation of failings in the food supply chain in Europe to include food supply chains between Europe and developing countries and if necessary suggest remedial actions.

Fairly traded products

As mentioned above, the stocking of fairly traded products is one way in which supermarkets can support good labour conditions, fairer trading relations, and the inclusion of small-scale producers. However, these benefits are only realised by the producers and suppliers of the labelled products and do not represent a company-wide commitment to producers and suppliers of food

products from developing countries. Therefore, stocking and promoting fairly traded products should not be considered as an alternative to a more systematic approach to improving working conditions and trading relations for producers and suppliers of all food products from developing countries.

Many supermarkets were found to stock fairly traded products and there were a number of good examples of supermarkets promoting these products, sometimes at their own expense. However, knowledge of issues behind fairly trade products was low to non-existent in many countries.

In some countries it was also noted that there were significant trends towards increased third party verification for private and own brands. The implications of the trend towards private/own brands carrying fairly traded labels need to be explored further.

Coop Italia and Coop Denmark have the most comprehensive policy regarding preferential treatment of suppliers of fairly traded products.

The stocking and promotion of fairly traded products is to be welcomed and it provides consumers with a very practical means by which they can support more responsible trading. However, in all supermarkets, these products make up a very small percentage of the products that originate in developing countries and therefore supermarkets should not use them to illustrate how socially responsible their procurement is.

The lack of action and information provided by supermarkets in relation to producers and suppliers of food products from developing countries that do not carry a fairly traded label must raise questions about their commitment to mainstreaming responsible trade.

Recommendations to improve CSR in food supply chains involving developing countries

Accountability and transparency

- Companies should be fully accountable for their CSR to board level and ensure that social responsibility is integrated into their management, accountability and performance reward structures. Individual managers, buyers and suppliers should be bonused for responsible purchasing.
- Wherever possible, CSR activities should be developed and implemented through multi-stakeholder processes that recognise the skills and expertise of different groups and involve them at a governance level.
- Companies should report more systematically on their CSR objectives and progress towards them in all the countries in which they operate. This should include non-aggregated information about the results of audits including information about the product group and the country of origin. Information about compliance and corrective action should also be made available.
- Governments should introduce Right to Know legislation or review existing legislation if it is not effective in ensuring companies are making information about the sustainability of their products available for public scrutiny.

Good working conditions

- All supermarkets should have comprehensive policies on labour standards through the supply chain. Policies should include core ILO conventions, a living wage, health and safety, disciplinary practices, security of employment and gender/family friendly policies. Policies should include risk assessments, fair complaint mechanisms and provisions to ensure coherence between policy and practice.
- Companies should take responsibility for labour standards in supply chains of food from developing countries beyond European based suppliers. The companies own buyers and those of contracted supplier companies should be trained in the application of the policy on labour standards, and how commercial terms need to be adapted to enable the realisation of labour rights and independent means should be used to verify compliance.
- Where possible policies should be developed as part of industry or business initiatives to ensure coherence and reduce duplication for suppliers. Existing initiatives such as GSCP, BSCI and ICS should broaden their relevance and prioritise developing effective policies in relation to the food supply chain more rapidly.
- The application of all policies should be independently verified.

Trading relations with suppliers

- All companies should formalise company principles and values into an explicit policy on supplier relationships. This should include practical provisions to guard against unfair trading practices such as the use of (or the threat of) de-listing to obtain better terms of trade, retrospective discounts, compulsory additional charges and a transparent complaints mechanism.

- In addition to policy commitments, supermarkets should take practical steps to make sure their trading relationships are fair and do not undermine the ability of other actors to implement good labour standards further down the supply chain. This is particularly important in supply chains where the imbalance of power is greatest and where production is labour intensive and the products are perishable.
- Companies should develop fair and transparent rules for communication, terms of trade, pricing and payment issues, including practical initiatives to ensure that prices do not fall below the cost of production. Consideration should be given to the impact that changes in systems may have on suppliers.
- Companies should recognise the need for stability to enable producers to improve working conditions where needed, as well as to plan and innovate.
- In order to be socially responsible, systems for the procurement of food products from developing countries must also accommodate appropriate and sustainable models of production that in many cases includes the inclusion of small-scale producers in the supply chain. This can be achieved through making a long-term commitment to purchase products from these suppliers and working with organisations that are able to build up the organisational capacity of small-scale producer groups so that they are able to deliver produce to an international standard, as well as communicate and negotiate with the supermarkets.
- Companies should report on schemes that enable small-scale producers to benefit from international trade.
- The EC should extend its investigation into failings in the food supply chain to include the impact on food suppliers from developing countries and consider the establishment of an independent body to oversee accusations of abuse. This independent dedicated body would build up expertise into the dynamics of supermarket – supplier relationships, and monitor an agreed code of practice. The body should be able to receive anonymous complaints from suppliers and organisations with knowledge about relevant supply chains.
- Supermarkets that talk fairness and justice in trading should support the adoption of progressive public legislation that will create a level playing field for all relevant operators.

Fairly traded products

- Fairly traded products are a proven method for increasing awareness of the links between trade and poverty amongst consumers, and for ensuring that those farmers and workers who contributed to making the fairly traded product, are not exploited and also experience some community benefit. Supermarkets, non-governmental organisations and consumer groups should therefore work together to promote such products amongst consumers to raise awareness of the issues, increase the variety of products available and boost sales.
- Supermarkets should not put a higher margin on fairly traded products, which results in reduced sales of those products compared to what they would otherwise experience.
- The stocking of fairly traded products should not be presented as an alternative to implementing more effective policy and practice to ensure good working conditions and fair trading relationships for all producers and suppliers involved in food supply chains in developing countries.

Supermarkets included in the survey

Companies	Responded	No Response
Auchan	Spain, Italy, Portugal, France	Poland
Lidl	Belgium, Spain, Italy, Portugal, Denmark, Greece	Poland
Carrefour	Spain, Italy, France	Belgium, Greece, Poland
Intermarché	Belgium	France, Portugal, Poland
Dia	Spain, Portugal	Greece
Cora	Belgium	France
Delhaize	Belgium	Greece
Colruyt	Belgium	
Spar	Belgium	Spar Denmark
Makro	Belgium	
El Corte Inglés	Spain	
Mercadona	Spain	
Feira Nova & Pingo Doce (Jerónimo Martins Group)[51]	Portugal	
Coop Italia	Italy	
Coop Denmark	Denmark	
Casino	France	
Veropoulous	Greece	
Leclerc		Poland, France
Aldi Nord		Belgium, Denmark
Eroski	Spain (partial, no questionnaire)	
Modelo and Continente (Sonae Group)		Portugal
Esselunga	Italy (partial, no questionnaire)	Italy
Conad		Italy
Dansk Supermarked		Denmark
Superbest		Denmark
Systeme U		France
Veropoulos		Greece
Atlantic S/market SA		Greece
Galaxias		Greece
Skavenitis		Greece
Makro Cash and Carry Hellas (Metro Group)		Greece
Biedronka (Jerónimo Martins Group)		Poland
BOMI		Poland
REAL (Metro Group)		Poland
TESCO		Poland

Summary of initiatives relating to corporate social responsibility identified during the survey

The initiatives below are all concerned with working conditions in which products from developing countries are produced and how they are traded.

Business Social Compliance Initiative (BSCI)

www.bsci-eu.org

The BSCI is an industry initiative founded in 2002 by the Foreign Trade Association (Brussels) aimed at establishing 'a common platform for the various European companies' Codes of Conducts and monitoring systems and to lay the groundwork for a common European monitoring system for social compliance'. BSCI members commit themselves to incorporate at least two thirds of their suppliers into the BSCI system within three and a half years of joining the initiative. There is very little evidence of audits taking place within food supply chains in developing countries.

The Initiative Clause Sociale (ICS)

www.ics-asso.org

The ICS was established by three French retailers in 1998 and by 2006 had 12 members, including several major French supermarkets. Their baseline code is based on the Universal Declaration of Human Rights, specific local labour laws and some ILO core conventions, and implementation is verified by third party audits. In the ICS system, member companies share information on audit results and solutions to supply chain problems with the aim of moving toward higher labour standards.[52] There is very little evidence of audits taking place within food supply chains in developing countries.

Global Social Compliance Programme (GSCP)

www.gscpnet.com

GSCP is a business-driven programme for companies who want to harmonise their auditing systems to reduce duplication. The GSCP also concentrates on sharing information between companies on supply chain problems and also on auditing results to prevent unnecessary repetitions of audits of the same supplier.

Coopernic
European Alliance of Independent Trading Companies

In February 2006, Colruyt, CONAD, COOP, E. Leclerc and REWE Group announced the creation of COOPERNIC, which functions as a buying cooperative[53]. The organisation was established in order to minimise supply chain costs and does not have any ethical standards for supply chain activity.

Business Council for Sustainable Development (BSCD)/ World Business Council for Sustainable Development (WBCSD))

(www.bcsd-uk.co.uk)

The BCSD/WBCSD is a CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development. The association promotes the role of business in policy development with governments, NGOs and intergovernmental organisations in the areas of energy and climate, development, the role of business, ecosystems[54]. The organisation does not provide auditing or supply chain management systems.

Ethical Trade Initiative (ETI)

www.ethicaltrade.org

The ETI is a learning, not an endorsement initiative. Its governance system provides equal footing for the corporate, NGO and trade union members. These members include large supermarket chains, NGOs and trade unions representing over 160 million workers worldwide. All member corporations audit the suppliers that they have chosen to include in the initiative. A panel of NGOs, similar corporations and trade union representatives then discuss the annual reports in order to identify priority areas where ETI needs to undertake 'learning' activities/projects/programmes to identify best practice in improving particular aspects of raising labour standards. The ETI also carries out research projects into

issues such as living wages, and offers training on ethical trade issues to corporate and third sector organisations[55].

Danish Ethical Trade Initiative (DIEH)

www.dieh.dk

Following the model of the ETI, the DIEH (founded in February 2008) is a multi-stakeholder initiative that brings together trade unions, business associations, non-governmental organisations (NGOs) and companies to promote ethical trade and responsible supply chain management among Danish companies[56]. However, the scope and size of the organisation is smaller and has less international representation in the membership list, especially amongst trade unions[57].

SA8000

www.sa-intl.org

The SA8000 system requires that suppliers achieve a minimum labour standard prior to certification and the establishment of a management system that creates an ongoing worker – management dialogue which should ideally provide a mechanism to discuss workplace issues. SA8000 certified suppliers are regularly third party audited against a base code covering the ILO core rights. In order to ensure certification standards, non-compliance can lead to suppliers losing their SA8000 status.

While this system does provide a high level of assurance to retailers, and potentially consumers, it is based on an accounting audit model which may not deal adequately with sensitive issues such as sexual harassment or gender discrimination. It is also expensive to implement, which can exclude small-scale producers in developing countries, favouring large firms instead.

As with other auditing systems SA8000 does not consider the root causes of labour abuses including retailer/supplier relationships (and in some cases purchasing practices which prevent suppliers being able to live up to the standards)[58].

However, the SA8000 system, while by no means perfect, seems to be the clearest and most reliable labour standard initiative currently used in supermarket food supply chains.

Global GAP (formerly Eurep GAP)

www.globalgap.org

Originally launched in 1997, Global GAP is primarily designed to maintain consumer confidence in food quality and safety. Labour standards are not a central feature for example basic living conditions and sanitation is classed as a 'minor must'. Consequently 'standards can only be seen as first steps regarding corporate social responsibility of grocery retailers[59]'.

GRASP Project

http://www.globalgap.org/cms/front_content.php?idart=812)

The Global G.R.A.S.P module of GlobalGAP auditing system was a two-year public/private pilot scheme run established by GTZ, Swiss Coop and GlobalGAP from 2005 to 2007. The aim of the project was to establish a social auditing system in line with the established quality control auditing systems in place. Four pilot regions were established in Brazil, Vietnam, Kenya and Spain/Morocco. Due to the high cost of social audits, a great deal of reliance was placed on documentary evidence that means that the approach developed 'cannot be compared to that of full social audits'[60].

GRASP Audit process: The GRASP Assessments are not complete social audits with in-depth investigations, but focus on documentary review of an implemented social management system.

ISO26000

www.iso.org/iso/socialresponsibility.pdf

The ISO 26000 (due to be finally negotiated in May 2010) aims to bring all the different elements of social responsibility under one standard including: organisational governance, human rights, labour practices, environment, fair operating practices, consumer issues, and contribution to the community and society.

An early working group resolution stated that 'there is a need for a guidance document [on CSR] and not for a specification document intended for conformity assessment', and that ISO 26000 is '*not intended for certification purpose, or regulatory or contractual use*'[61].

This voluntary system of implementation, using stakeholders to verify compliance rather than auditors, would have the advantage of overcoming the high cost barrier that some certification schemes place on suppliers from developing countries'.

Summary of labels identified in the suruey

The labels below are all concerned with working conditions and trade in which products from developing countries are produced and how they are traded.

Fair Labelling Organisations International (FLO)/Fairtrade

FLO is made up of 19 'Labelling Initiatives', three 'Producer Networks', and two 'Associate Members', who work toward creating fairer trading conditions for agricultural producers in developing countries. Any product bearing the FAIRTRADE Mark has been certified through the FLO-CERT auditing system which has high standards for labour rights, a guaranteed minimum price for producers, and support for small-scale producer organisations, including social premiums and the opportunity for pre-financing where needed. The producer networks represent producers on the board[62].

The World Fair Trade Organisation (WFTO)

Formerly the International Fair Trade Organisation, the WFTO is a worldwide certification body. WFTO has a strong code of conduct on labour rights and working conditions, and a democratic governance structure with board members being elected by the membership. In order to gain the seal, a business must implement the Sustainable Fair Trade Management System (SFTMS). Because the organisation rather than the product gains certification, produce can be sold anywhere in the world whereas FLO certified products can only be sold in countries with a Fairtrade body. However, verification that standards are being met is made through a self-certification system rather than third party audits.

Rainforest Alliance

The Rainforest Alliance (RA) is primarily an environmental label with some social/labour conditions in their base code[63]. However, freedom of association and collective bargaining are not included[64]. Auditing and record keeping are given a high priority but there is no minimum guaranteed price and pre- financing is not available. The Rainforest Alliance seal can be used on products containing only 30% certified content[65].

UTZ CERTIFIED

The system is established on a market principle: UTZ certification provides buyers with highly traceable coffee beans which can be guaranteed to have been grown under specific labour/environmental conditions. UTZ also provides information to growers about agricultural best practices and market information. This in theory means that UTZ CERTIFIED beans should fetch a higher price due to their quality and the social and environmental standards of their production[66]. Producers should be able to better understand the market and make informed decisions about the current value of their product. However, no minimum price or premium is guaranteed to producers.

Ethical Tea Partnership

www.ethicalteapartnership.org

The Ethical Tea Partnership (ETP) 'is an alliance of tea packers who are working together to improve the sustainability of the tea sector'. These packers supply 50 companies selling tea in over 100 countries. This industry-based initiative is aimed at wholesale change of the tea sector rather than to create competition between brands on ethical grounds as other "ethical labels" do[67]. Their Code of Conduct stipulates high labour standards for members to implement on their plantations. However, third party audits are not used, rather an internal system of progressive improvements is established through dialogue between the ETP, tea estates and producers[68].

Bioequitable

This label combines standards on organic production and socially responsible procurement and certifies small and medium-sized businesses. However, from the information available it is unclear how strong their base-code is or to how it is monitored and verified[69].

Café Mundi

Café Mundi was established by several coffee companies to improve the living conditions of workers on coffee plantations. A proportion of the price paid for Café Mundi coffee goes towards eight micro-projects (health, education etc) on plantations to in South America, Africa and Asia. As such, this label describes itself as an 'aid programme' to fight poverty[70], rather than a different way of trading. Improving labour standards on plantations is not part of this programme.

Colibri

This scheme is run by Colruyt in Belgium. Sales of Colibri products raise funds for social projects but no further information is available.

Company specific policies of international companies

International companies and countries surveyed	Country Specific Policies *The assessment of each international company was averaged across its countries of operation to give a picture of the companies policies overall. Examples of 'above average' policies are highlighted here.*	
AUCHAN: Spain, Italy, Portugal, France, Poland	**Spain:**	*Good Policies* for corporate commitment (board level and stakeholder dialogue)
		Good Cooperation with survey
		Best Available Policy on implementation of policy on supplier relations
		Good Policies on stability of relationships with suppliers
		Good Policies on promotion of fairly traded products
	Italy:	*Best Available Policies* on stocking of fairly traded products
	France:	*Best Available Policies* on stocking fairly traded products
		Good Policies on promotion of fairly traded products
	Portugal:	*Good Policies* for corporate commitment (board level and stakeholder dialogue)
		Good Policies on public reporting
		Good Cooperation with survey
		Good Policies on implementation of policy on supplier relations
		Good Policies on communication and terms of trade
LIDL: Belgium, Spain, Italy, Portugal, Denmark, Greece, Poland	**Belgium:**	*Good Cooperation* with survey
		Good Policies on stocking fairly traded products and some policies on promoting fairly traded products
	Spain:	*Good Cooperation* with survey
	Portugal:	*Good Cooperation* with survey
	Denmark:	*Good Cooperation* with survey
		Good Policies on stocking fairly traded products and some policies on promoting fairly traded products.
	Greece:	*Good Cooperation* with survey
	Italy:	*Good Policies* on stocking fairly traded products and some policies on promoting fairly traded products
CARREFOUR: Spain, Belgium, Italy, France, Greece, Poland	**Spain:**	*Good Policies* in training in application of policy on labour standards
		Good Policies on implementation of policy on supplier relations
	France:	*Good Cooperation* with survey
		Best Available Policies on stocking fairly traded products

Continued on next page

INTERMARCHÉ: France, Belgium, Portugal and Poland	**Belgium:**	*Some Cooperation* with survey *Some Policies* on labour conditions and training and support in implementing these policies *Some Policies* on fair trading relationships and their implementation *Some Policies* on stability of relationships with suppliers
DIA: Spain, Greece	**Spain and Portugal:**	*Good Cooperation* with survey
	Greece:	*Some Policies* in stocking fairly traded products
CORA: Belgium & France	**Belgium:**	*Good Cooperation* with survey *Some Policies* on labour conditions and application of labour policy *Some Policies* on communication and terms of trade *Good Policies* on stocking fairly traded products
DELHAIZE: Belgium, Greece	**Belgium:**	*Good Cooperation* with survey *Some Policies:* Application of labour policy *Best Available Policies* on stocking fairly traded products

Endnotes

[1] Please see Annex A for a list of the supermarkets surveyed.

[2] The results are based on the surveyed supermarkets' responses to our questionnaire and information that is publicly available. See Chapter two for more information on the methodology used.

[3] *CSR Monitor* has 'documented significant shifts in consumer attitudes and behaviours in response to corporate responsibility around the world. The latest wave of research supports the notion that active, ethical consumption is increasingly prevalent in today's developed markets'. In GlobeScan *CSR Monitor,* 2008.

[4] Labels such as Fairtrade, Rainforest Alliance and Utz Certified represent different standards. These standards vary significantly but in this report we are concerned with the aspects that relate to the working conditions in which relevant goods from developing countries are produced and how fairly they are traded. For this reason these products will be referred to as *fairly* traded.

[5] Delisting in the context of abuse of supermarket buyer power has been defined as follows: '*When suppliers refuse to reduce prices or make other payments or concessions supermarkets have been threatening (and actually carrying out the threat) not to deal with them anymore*'. Myriam Vander Stichele, SOMO & Bob Young, *The Abuse of Supermarket Buyer Power in the EU Food Retail Sector: Preliminary Survey of Evidence*, Europe Economics (2009), p16.

[6] `Right to know' legislation for public or privately owned entities, imposes a duty on publicly and privately owned entities to disclose any information which is relevant to consumers regarding sustainability, and which relates to products and production processes throughout their supply chain.

[7] For example, Oli Brown with Christina Sander, *Supermarket Buying Power: Global Supply Chains and Smallholder Farmers* (2007)

[8] The ISO standard will be applicable to all types of organisation and therefore uses the term social responsibility rather than corporate social responsibility.

[9] Consumers across all markets express strong intention to purchase from responsible companies (GlobeScan *CSR Monitor*, 2009).

[10] Consumers can make a difference in how responsibly a company behaves (GlobeScan *CSR Monitor*, 2007).

[11] In some European countries the equivalent of the FAIRTRADE Mark is MAX HAVELAAR.

[12] Fairtrade flows against economic tide, Fairtrade Labelling Organisations International (FLO) 17 April 2009.

[13] http://www.fairtrade.org.uk/press_office/press_releases_and_statements/jun_2009/global_fairtrade_sales_increase_by_22.aspx

[14] Statement from Consumers International's 17th World Congress: *The Future of Consumer Protection*, Lisbon, 2003

[15] Demand remains strongest for social and environmental food/beverage product offerings (GlobeScan *CSR Monitor,* 2009)

[16] Oxfam *Last Stop – Supermarket: The Scoop on Tropical Fruit: Retailers' Buying Power: The conditions under which pineapples and bananas sold in Germany are produced*, (2008).

[17] Barrientos, S and S Smith *Mainstreaming Fair Trade in Global Value Chains: Own Brand Sourcing of Fruit and Cocoa in UK Supermarkets* in "Fair Trade: the challenges of transforming globalization, Routledge, London, (2007)

[18] Human Rights Watch, *Tainted Harvest: Child Labor and Obstacles to Organizing on Ecuador's Banana Plantations*, (2005). Available at http://www.hrw.org/en/reports/2002/04/25/tainted-harvest.

[19] Barrientos, S et al, *Global production and flexible employment in South African horticulture: experience of contract workers in fruit exports*, Sociologia Ruralis, Vol 43 No.4 October, (2003). Also, the *Sour Grapes* by War on Want, available at http://www.waronwant.org/campaigns/supermarkets/wine-industry/inform/16458-sour-grapes

[20] Source: UK Competition Commission inquiry into the groceries market in 2000

[21] Myriam Vander Stichele, SOMO and Bob Young, Europe Economics, *The Abuse of Supermarket Buyer Power in the EU Food Retail Sector*: Preliminary Survey of Evidence, p16, (2009)

[22] http://actualite.aol.fr/letat-assigne-9-distributeurs-pour-pratiques/article/20091028100430174494804

[23] Myriam Vander Stichele, SOMO and Bob Young, Europe Economics, *The Abuse of Supermarket Buyer Power in the EU Food Retail Sector: Preliminary Survey of Evidence*, p9, (2009)

[24] http://www.guardian.co.uk/business/2010/jan/13/consumer-affairs-supermarket-ombudsman

[25] http://www.irishtimes.com/newspaper/ireland/2010/0114/1224262292095.html

[26] *A better functioning food supply chain in Europe*. Communication from the commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Provisional version. 28.10.2009

[27] Stephanie Barrientos, *Are supermarket codes benefiting workers?*. Food Ethics Council. Vol 2 Issue 1. Spring 2007

[28] See Chapter 3 in this report.

[29] Myriam Vander Stichele, SOMO and Bob Young, Europe Economics, *The Abuse of Supermarket Buyer Power in the EU Food Retail Sector: Preliminary Survey of Evidence*, p18, (2009)

[30] Minten, B,Randrianarison, L. and Swinnen, J.F.M (2005) *Supermarkets, International Trade and Farmers in Developing Countries; Evidence from Madagascar*. Strategies and Analysis for Grown and Access (SAGA), Cornell and Clark Atlanta universities, in cooperation with USAID, September 2005 – quoted in Oli Brown with Christina Sander *Supermarket Buying Power: Global Supply Chains and Smallholder Farmers* March 2007, IISD

[31] Metro Group was the exception to this as in one country they were added to the original list of companies to be surveyed.

[32] *What Assures Consumers in an Economic Downturn? Reviewing the agenda in the global economic crisis*, The Co-operative, Accountability. April 2009

[33] Article 23, paragraph 3 of the Universal Declaration of Human Rights

[34] According to Coop Italia, the contents of social audit reports are covered by the Italian Privacy laws and regulations. Any stakeholder is allowed to access on demand in [Coop Italia] offices.

[35] These figures combine national responses from international supermarkets and combined responses from Modelo and Continente (Sonae Group) and Feira Nova and Pingo Doce (Jerónimo Martins Group) in Portugal.

[36] In addition to support in the application of policies and the requirement to inform workers to Carrefour Group described its formal training programme which is not yet operational, due to be implemented in late 2009.

[37] Traidcraft and the publications of the Responsible Purchasing Initiative www.responsible-purchasing.org. International Institute for Environment and Development (IIED) in relation to the 'Race to the Top' Project 2002-2004 www.racetothetop.org

[38] Delisting in the context of abuse of supermarket buyer power has been defined as follows: '*When suppliers refuse to reduce prices or make other payments or concessions supermarkets have been threatening (and actually carrying out the threat) not to deal with them anymore*'. Myriam Vander Stichele,SOMO and Bob Young, Europe Economics, The Abuse of Supermarket Buyer Power in the EU Food Retail Sector: Preliminary Survey of Evidence, p16, (2009)

[39] Supermarkets were not asked to provide this information.

[40] Coop Italia's code for employees was sent with their questionnaire, collective contracts were viewed at company HQ and training material is available to view on request.

[41] The Agrifood Standards Programme (IIED, NRI and Dfid UK) explored opportunities for more favourable outcomes for small producers in developing countries to participate in international horticultural supply chains. www.agrifoodstandards.net

[42] Please note that as no French supermarkets responded to this question in France, this does not contradict their response.

[43] http://www.fdb.dk/fdb/maerkesager/etiskhandel/mikrolaan/baggrund/Sider/KyomeFreshogCoop.aspx

[44] The specified range included some of the most commonly stocked products, including tea, instant and ground coffee, chocolate beverages and confectionary, honey, rice, sugar and bananas.

[45] Lidl's Fairglobe range carries the FAIRTRADE Mark.

[46] Max Havelaar is an independent labelling organisation and part of FLO.

[47] Delhaize also reported this as a part of a general policy that is still under development.

[48] http://www.coop.dk/ansvarlighed/etisk+handel/10+handlinger.aspx

[49] http://www.ethicaltrade.org/resources/key-eti-resources/eti-smallholder-guidelines-eng

[50] Chartered Institute of Purchasing and Supply (CIPS) and Traidcraft as part of the Responsible Purchasing Initiative: *Win/Win: Achieving Sustainable Procurement with the Developing World*, (2010) www.responsible-purchasing.org/reports

[51] As one combined response was received from Jerónimo Martins Group regarding these two companies, they are referred to together.

[52] http://www.ics-asso.org/doc4/page2_eng.htm

[53] Press release, 16 February 2006, available at www.euronext.com/fic/000/003/632/36328.pdf

[54] See the "About us" section of the website for more details: http://www.wbcsd.org/templates/TemplateWBCSD5/layout.asp?type=p&MenuId=NjA&doOpen=1&ClickMenu=LeftMenu

[55] http://www.ethicaltrade.org/about-eti

[56] http://www.dieh.dk/in_english/who_we_are

[57] http://www.dieh.dk/in_english/members

[58] Reviewing Santa's Workshop Swedwatch, 2009 http://www.sverigeskonsumenter.se/fileserver/091202.Rapport.Stor.Etik.pdf

[59] CSR Report: *Retailers and Discounters*. International technical report based on IMUG report, 2006

[60] P5, GRASP Project Report, 2007, available at www.globalgap.org/cms/upload/Resources/.../GRASP-Report-Part-I.pdf

[61] Han-Kyun Rho, *Understanding the Nature of ISO 26000: A Coming International Standard on Social Responsibility*, p8, (2007)

[62] http://www.fairtrade.net

[63] http://www.rainforest-alliance.org

[64] See 'Sustainable Agricultural Standard', available at http://www.rainforest-alliance.org/agriculture.cfm?id=standards_farms

[65] See this article for more details: http://www.guardian.co.uk/lifeandstyle/2004/nov/24/foodanddrink.shopping1

[66] http://www.utzcertified.org/index.php?pageID=162

[67] http://www.ethicalteapartnership.org/pages.asp?page_id=18&parent_id=18

[68] http://www.ethicalteapartnership.org/pages.asp?page_id=86&parent_id=20

[69] http://www.bioequitable.com/en

[70] http://www.cafemundi.org/index.php?id=7&L=2

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