

Groceries Supply Code of Practice (GSCOP)

Summary of Annual Compliance Report 2019 - 2020

The Groceries (Supply Chain Practices) Market Investigation Order 2009 and The Groceries Supply Code of Practice (Code) have been in effect since 4th February 2010. They apply to grocery retailers with a turnover above £1 billion and impose obligations governing their relationships with suppliers. This includes submitting an Annual Compliance Report to the Competition and Markets Authority and the Groceries Code Adjudicator.

Ocado Group plc was originally designated on 1st November 2018 and superseded by Ocado Retail Limited on 16th October 2019 following the creation of the latter through a joint venture between Ocado Group plc and Marks & Spencer plc on 5th August 2019.

We recognise the crucial role that our suppliers play in meeting the expectations of our customers at Ocado Retail. We're committed to engaging collaboratively with our suppliers to ensure our relationships are conducted fairly and lawfully, in line with the requirements of the Code. This summary of our Annual Compliance Report is for the period of 2nd December 2019 to 29th November 2020.

Background

During this financial year, Ocado Retail undertook its biggest operational change to date as we implemented the changeover from selling Waitrose products to selling M&S products, launching the public-facing element of the joint venture. This was accompanied by a full range review and detailed supplier negotiations as we worked to reset and establish the new proposition. The Buying Team was briefed throughout this process on the Code requirements and the approach to take when dealing with our suppliers to ensure we work in a collaborative and transparent way.

During the initial COVID-19 restrictions we experienced high levels of customer demand and worked closely with our suppliers to help prioritise products that customers wanted the most. This was achieved during a short period of time and is testament to our collaborative approach to building good relationships with our suppliers. We are grateful to our suppliers for their support during this period of uncertainty and we have continued to monitor customer demand to ensure we are able to meet their expectations.

Ocado Retail has met all reporting requirements through timely submission of the Annual Compliance Report for 2019 to the CMA and submission of the Progress Update Reports to the GCA during 2020. The CCO has provided ad-hoc updates to the GCA when requests have been received for further information and was available for additional phone contact by the GCA for monthly updates relating to any supplier escalations arising from activities undertaken during the initial stages of COVID-19.

Governance

We developed a new governance structure and implemented this throughout the financial year. This includes monthly review meetings that are held with each supplier-facing business area, including Buying, Finance and Supply Chain Teams, to review key metrics, project initiatives impacting suppliers and any supplier escalations. The purpose is to identify trends, maintain oversight and agree any actions on a continuous improvement basis. We have also introduced quarterly governance meetings with functional directors to ensure visibility and engagement at senior levels of

the organisation. The CCO provides regular updates to the Audit Committee and there is a standing agenda item to review progress at each audit meeting.

Training

We created a new online training module for Annual Refresher Training that took place during April and May. The module is also used as the basis for induction training, with all new starters required to complete this within the first two weeks of joining the organisation. Over the course of the financial year, a total of 538 colleagues from Ocado Retail and Ocado Group completed the online module, which represents 97% of those eligible, with the remainder having recently joined the organisation prior to the end of the year.

We also developed new training material to support trainer-led sessions for supplier facing business areas, with an initial focus on the Buying Team. The training outlines our shared culture and individual responsibilities to ensure a strong behavioural foundation for compliance with the Code. The core elements of the Code are highlighted and are further supported by a number of case studies, themes and key messages. The sessions are designed to be interactive and colleagues are encouraged to ask questions throughout, with delivery taking place virtually due to social distancing restrictions. Following a successful pilot, 101 colleagues were trained by the end of the financial year.

New Starters

We have strengthened our new starter process to include a welcome email that is sent by the CCO to new colleagues. This outlines our designated status and provides a link to the Code, advises on the training requirements, and provides further contact details for help and support. We are also introducing a step for new colleagues to check-in with their line manager before they make any contact with suppliers so that we can ensure we are comfortable with their level of knowledge. These steps have also been incorporated into our induction material to ensure a consistent message for colleagues joining the organisation.

Supplier Initiatives & Communications

We have agreed that the CCO will be included at an early stage in all core projects that affect suppliers, which represents a step change in our approach. This ensures appropriate communications to suppliers that outline the initiative, benefits, any potential implications and the approach that will be taken, ensuring clarity and timeliness of core messages.

During this financial year there have been a number of communications to suppliers relating to COVID-19, the joint venture with Marks & Spencer plc, branded sourcing negotiations, tender processes, the opening of a new Customer Fulfilment Centre and Brexit. In conjunction with the Legal Team, the CCO provides guidance on the proposed communications and the requirements for supplier engagement relating to any changes that may amend the future relationship. Project Teams are required to track the issuing of communications, dealing with any bounce-backs, queries or issues as appropriate, and providing updates to the CCO as part of the overall project progression.

Supplier Survey

We were pleased with the results of the Groceries Code Adjudicator's annual Supplier Survey that highlighted that the majority of our suppliers, 93%, agree that Ocado Retail conducts its trading relationships fairly, in good faith and without duress, placing us 7th out of 13 retailers. We are

grateful to our suppliers for taking the time to provide their feedback and have reviewed the results with each of the teams responsible in order to identify areas where additional actions can be taken to further improve our performance.

Supplier Disputes

Our teams work closely with suppliers to resolve any issues that arise, the vast majority of which are resolved at the first point of contact. During the financial year we did not receive any formal disputes and dealt with three escalations informally as follows: -

- Two complaints were received and resolved by the Buying Team (level one)
- One complaint was received and resolved by the CCO (level two)

The three complaints were considered to be within the scope of the Code and were resolved in conjunction with each supplier concerned. Alongside the resolution we also identified additional steps that we have built into our approach in order to avoid any recurrence.

Key Contacts

We encourage all of our suppliers to raise any queries or feedback directly with their named contact within the Buying Team or with the Senior Buying Manager for their category. Alternatively, any payment or invoicing issues can be directed to payables@ocadoretail.com.

If any of our suppliers wish to raise queries outside of the Buying Team or would like to have a conversation in confidence, please contact our Code Compliance Officer (CCO), Robert Skelton, by email at gscop@ocadoretail.com.

Contact details for the Groceries Code Adjudicator (GCA) along with more information about GSCOP can be found [here](#).