

Department for Environment, Food and Rural Affairs

Food supply networks: integrity and assurance review

Note of meeting with Asda

Date: 12 November 2013

Attendees:

Paul Kelly – External Affairs Director – Asda

Dawn Welham – Technical director – Asda

Professor Chris Elliott – Review Lead – Review into the Integrity and Assurance of Food Supply Networks

Nick Hughes - Review into the Integrity and Assurance of Food Supply Networks

1. Unannounced audits

In July 2013, Asda announced plans to introduce unannounced BRC audits for all of its Asda brand suppliers starting 1st October 2013. It was noted that this was not a direct response to 'horsegate' although the move was accelerated by the incident. In line with other retailers, branded suppliers to Asda are not required to have GFSI certification, unless they supply own label products. The exception is local suppliers where along with the GFSI standard Asda also accepts a number of other schemes which include the following: SALSA, STS, EFSIS Safe & Legal, ISO 22000 2005. Asda said early feedback from suppliers had been positive in the sense that the unannounced audits had actually saved time due to the site not having to prepare for the audit. CE gave the example of a Northern Irish supplier which had been audited over 300 times in the past year. He said if unannounced third part audits meant that fewer customer audits needed to be carried out then it could only be a good thing, however, he cautioned that audits still needed to look for fraud regardless of whether they were announced or unannounced. He suggested that HACCP based control systems are strong at identifying food safety risks but less effective at identifying fraudulent practices. Asda agreed that there needed to be a change in mindset when looking for fraud and said that currently too much is taken on trust.

All Asda own label suppliers require GFSI accreditation; however its announcement to move to unannounced audits means that currently Asda can only accept audits carried out to the BRC standard as this is the only standard under GFSI that actually has an unannounced option. Over 99% of Asda's current supply base is certified to the BRC standard and therefore it shouldn't be different or any more expensive to move to unannounced audits. In the first 4-6 weeks since launching 55% of

suppliers have opted in to the scheme, 16% of suppliers have declined, the remainder Asda is awaiting response from. One of the reasons for declining is that some of Asda's suppliers are required to have other standards within GFSI, for example IFS (International Food Standard). Since other schemes, such as IFS, don't have an unannounced option this means in reality that rather than a combined audit for BRC and IFS Asda's suppliers need to have them conducted separately, which clearly adds in unnecessary costs. Asda said any help the Elliott Review could give in encouraging other standards to adopt unannounced options would be immensely helpful to all. BRC moved very quickly when asked to develop unannounced options for their standards and Asda doesn't anticipate that this would be very difficult for others to follow suit and implement.

Asda is the first UK retailer to adopt the BRC Global Standard for Storage and Distribution. At Asda's request, BRC have already developed an unannounced option for this audit too. The adoption of this standard will allow Asda greater visibility of the entire supply chain and not just production facilities.

It was suggested that CE should consider holding a follow-up meeting with Mark Proctor, CEO of BRC Global Standards, to discuss approaches to audits.

2. Supply chain

Asda noted that in the public's mind the geographical length of the supply chain is directly correlated with its complexity. It was noted that British consumers want local produce but there is insufficient UK production to meet that demand. Asda's model is to remove as much complexity as possible from the supply chain by bypassing intermediaries in the chain – such as traders – who add cost and can compromise transparency. As opposed to imposing a list of approved meat suppliers on its supply chain (e.g. for ready meals) Asda has taken the list of suppliers currently used by its supply base and approved them wherever possible. Its own internal technical managers visit and approve each of the suppliers on a risk assessed basis.

Asda presented a grid in which suppliers were categorised according to their intentions versus how well-informed they were. Asda aspired for all of its suppliers to be both well-intended and well-informed. Suppliers that were well-intended but poorly-informed were those that needed help with their development but the highest risk group were those suppliers that were well-informed but poorly-intended and it was these suppliers that once identified Asda would cut out of its supply chain. This approach is easily mapped across to Asda's Grow, hold decline model.

3. Sharing of information and testing

Asda suggested that having a protocol for alerting the industry to emerging risks would be of enormous benefit - especially if it included economic indicators too rather than simply the traditional food safety horizon scanning approach. It said the

argument that information on emerging risks and data on testing results is commercially sensitive is not valid and suggested that a trade body such as the BRC would be an appropriate repository for industry information. As highlighted this year on horsemeat testing, it was noted that retailers spend a great deal of money testing for the same thing and if testing could be structured so that retailers tested for different things, as instructed by a central body, and then pool their data it would not only save money but allow the industry to cast the net much wider. CE agreed and noted that a similar model exists in Northern Ireland where Queen's University Belfast collects the testing results from businesses, analyses them, anonymises them and then recirculates the data to everyone involved in the programme.

Asda raised the potential of carrying out testing during the audit, but for this to happen it would have to be part of the unannounced scheme. This could easily be co-ordinated by the BRC or other standard holders. As with the details of the BRC certification Asda would expect to be made aware of any testing results.

4. Any other business

CE thanked Asda for the invitation to the meeting and noted that his interim report was due to be published in the second week of December.

Asda said it would be happy to meet again in the New Year to further explore issues raised during the meeting. Asda said it regularly hosts meetings with industry leading Technical Directors from various food categories from a number of its leading suppliers. Asda said CE would be very welcome to attend the next scheduled meeting taking place in January 2014.

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