

REVIEW INTO THE INTEGRITY AND ASSURANCE OF FOOD SUPPLY NETWORKS – EVIDENCE FROM SAINSBURY'S

About Sainsbury's

1. Sainsbury's was founded in 1869 at a time when public hygiene was poor and food contamination and adulteration were prevalent in inner cities. The basis of Sainsbury's success, against this backdrop, was a resolute commitment to high standards of food hygiene and providing customers with quality products that were free from adulteration.

2. Today Sainsbury's operates over 1,100 stores, about half of which are supermarkets and half are smaller convenience stores. We employ 157,000 colleagues, have over 2,000 direct food suppliers, over 23 million customer transactions a week and have a market share of about 16 per cent - making us the third largest grocery retailer in the UK.

3. From small beginnings in the nineteenth century against a backdrop of food adulteration, the values of the business and our commitment to quality products has been carried through the company's history. We continue to put our customers at the heart of everything we do and have invested in our stores, our colleagues and our channels to deliver the safe, high quality food that our customers rightly expect. Our strong culture and values are part of our identity and are what makes us different and today's strapline of *'Live Well for Less'* echoes the founders' original slogan from 1896 of *'Quality Perfect, Prices Lower'*.

BRC representation

4. As a member of the British Retail Consortium (BRC) Sainsbury's has worked closely with them in developing their response to this review and confirm that it reflects our position. In particular, and drawing on our own experiences, we agree with the BRC that:

- existing supply chain controls work well in the vast majority of cases and that the existing legislative framework is generally fit for purpose;
- all food businesses are responsible for their own products;
- targeted testing has a role to play in verifying controls but that better intelligence gathering and sharing leading to targeted interventions, as opposed to unfocused blanket measures, are key to further improving compliance and detecting fraud.

5. The remainder of this submission sets out Sainsbury's approach to ensuring integrity within our supply chains and takes account of the various issues raised in the call for evidence.

Summary of Sainsbury's position

6. As a leading food retailer, Sainsbury's is committed to providing customers with safe, high quality products that they can enjoy and trust. We take all matters of food quality, safety and authenticity extremely seriously and work hard to ensure we have the necessary processes and controls in place - from detailed product specifications through to independent audits and product testing - to ensure our high standards are upheld.

7. We are also committed to providing our customers with the information they need to make informed choices and to be confident in the products they buy. All our products are labelled in accordance with appropriate legislation and in line with relevant voluntary initiatives such as the industry agreement on country of origin. The ingredients used in Sainsbury's products are always clearly stated on the label.

8. Sainsbury's already has one of the most extensive quality control programmes in the industry and apply the same checks right across our products and ranges - from our value tier, *basics*, through to our premium tier, *Taste the Difference*. We have used DNA testing for over a decade, as well as checks on country of origin using stable isotope ratio analysis, audits of suppliers and independent product analysis by accredited laboratories.

9. During the beef contamination incident earlier this year we carried out additional testing on beef-containing products in line with guidance from the Food Standards Agency (FSA). No horsemeat was found in any Sainsbury's products, either in tests carried out by ourselves, or others. We will continue to test our products to our own high standards, and increase the investment in our existing quality control programme.

10. The adulteration of beef products was an unfortunate incident which severely damaged consumer trust. However it was an isolated incident which appears to have been the result of fraud as opposed to a systemic breakdown in the current controls regime. Those retailers, brands and others suppliers implicated clearly need to take additional remedial action. However the fact that Sainsbury's and a number of other retailers were not implicated demonstrates that robust supply chain controls, processes and audits can work well.

11. To be effective any further intervention should therefore be based on intelligence and targeted at addressing specific weaknesses or high risk areas within the supply chain and those elements or parties who undermine the existing framework.

Sainsbury's sourcing strategy

12. As outlined below, testing has a role to play in helping to verify the safety and authenticity of products. However for Sainsbury's, ensuring that our products are produced to our high quality standards goes beyond testing.

Our entire supply chain, from farm to store, is built on our strong heritage of developing long-term sustainable relationships to ensure we offer our customers the best quality products at fair prices. We work closely with over 2,500 farmers who are part of Sainsbury's dedicated Farmer Development Groups and have invested over £40 million in developing these relationships since 2006.

13. At Sainsbury's we remove complexity from our supply chains by keeping them simple and our sourcing as close to home as we possibly can. For example, the beef in all of our own brand beef burgers and fresh ready meals are made using 100 per cent British beef and our fresh chicken has been 100 per cent British for over a decade. We currently sell around 2,000 British products in our own brand range. In 2011 we set out an ambitious target to double the amount of British food we sell by 2020.

14. We believe that developing sustainable relations with farmers and suppliers and keeping our supply chains simple helps improve the integrity and the robustness of our supply chains.

Sainsbury's supply chain controls

15. At Sainsbury's we have an extensive assurance programme for the management of suppliers and products that has been in operation long before the horsemeat incident. This is designed to ensure our customers can have confidence in the safety, quality and integrity of the products they purchase and also the supply chains that these products are sourced from, regardless of whether it is our value tier or our premium product tier.

16. Firstly, our product specifications set out clearly, and in detail, the ingredients, processes and standards we expect our products to be produced to, including the type of meat, its origin or source, the cuts of meat to be used and production requirements, such as welfare standards.

17. Secondly, all of the processing plants we use are approved within European food legislation and are subject to inspection and enforcement by the relevant food authority. The processing plants we use are also approved under the BRC Global Standard for Food Safety, or for smaller plants, with the Safe and Local Supplier Approval (SALSA) standard. These standards include regular and possible unannounced audits.

18. We have an extensive programme of product testing to ensure our high quality standards are being maintained. This includes tests that we require all of our suppliers to conduct on raw materials, during the making of products and on finished products. We also have a separate programme of analysis that we conduct ourselves through independent accredited laboratories that purchase products from stores (as customers) and analyse them to ensure they meet our quality and safety standards. This includes ingredient

authenticity and covers species and country of origin along with a number of other factors.

19. We have a team of Product Technologists who conduct routine visits and audits to our suppliers. In addition, Sainsbury's also has a team of inspectors that have extensive experience in the meat and other industries who are dedicated to conducting unannounced audits of our supply base including meat, fish and poultry suppliers. These inspections are conducted at any time of the day and on any day of the week and provide additional assurance of the controls in place at these specific suppliers.

20. All of these measures, from the detailed product specification to the audits and sampling are designed to ensure compliance over and above the statutory requirements.

Responsibility for controls

21. It is the responsibility for everybody in the supply chain, including manufacturers of branded products, to ensure the integrity and authenticity of their own products and to communicate their assurance processes to their customers as they see fit.

22. The beef contamination incident highlighted the importance of being able to trace products back through the supply chain. At Sainsbury's we keep our supply chains simple and as highlighted above, we have a suite of controls in place to ensure their integrity. Although we were not implicated in the incident, our knowledge of our supply chains, supported by, for example our detailed products specifications of origin or source of products, allows us to trace any Sainsbury's own brand products back through the supply chain as required. Retailers do not have the same detailed knowledge of the supply chains of branded products as the product specification and the suppliers used to manufacture them are specified by the branded manufacturers themselves.

23. This does not mean that retailers, branded manufacturers, catering firms or public sector food providers can not be the victims of abuses or fraud with their supply chains. For example, if their suppliers ignore product specifications. But without making the producer or owner of the product responsible commercially, there will be less incentive for them to ensure integrity within their supply chains and a diminished ability to trace products back through their supply chain in the event of a future incident.

Existing legislative and enforcement frameworks

24. Those brands, retailers and other suppliers implicated in the beef contamination incident clearly need to take additional remedial action. However the fact that the incident was restricted to a relatively small number of supply chains indicates that the existing regulatory regime, along with the controls applied by individual businesses, are generally effective and fit for purpose. Any changes to the enforcement of official controls should reflect

this point and be aimed at tackling the deliberate adulteration and specific weaknesses or high risk parts of the supply chain, based on intelligence.

25. In the recent incident, the breaches of the supply controls occurred further up the chain and this is where any additional intervention is likely to be most effective. Downstream measures such as tamper proof labels at the point of sale are unlikely to be an effective or an appropriate deterrent to food fraud.

Testing as a control

26. Sainsbury's has been DNA testing for over ten years and has longstanding relationships with independent accredited laboratories. Our testing is conducted externally at one of the very few laboratories accredited both as a laboratory and also for the use of real time Polymerase Chain Reaction (PCR) for meat speciation. The limit of sensitivity of the tests on Sainsbury's products is in the region of 0.1%.

27. In the recent beef adulteration incident, DNA testing of products played an important role in demonstrating and providing assurance to the public that adulteration was isolated to a small number of supply chains. It continues to play a role when targeted and based on intelligence and we continue to increase our investment in food research; expanding our company laboratory and product testing programme. However we should be careful not to over-rely on testing as a control measure. It is not possible to test every single product for every possible deviation from product specification or control, so it should only ever supplement, not replace, the other supply chain controls that are in place, such as traceability, inspections, audits, etc.

Horizon scanning and intelligence gathering

28. Crucial to the integrity of the supply chain is ensuring that there is an efficient and effective system in place to identify emerging risks and to gather and share intelligence. This is an area that could be improved, particularly with the development of risk models that incorporate commodity data.

29. Sainsbury's meet regularly with the BRC to horizon scan for any emerging issues and we have a rapid response unit within the business which allows us to respond quickly to any concerns which arise. This allows us to work with our supply chain to identify and trace the source of any potential issue and take the necessary steps to resolve the issue and maintain customer confidence.

30. Government can play a key role in engaging wider stakeholders, particularly at international level given the global nature of most commodity supply chains, and co-ordinating and sharing intelligence that companies, individually, are less able to perform.