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tracking supermarket progress towards a
fairer and greener food system

2003 company profile

SAFEGWAY plc

1.1 Engagement with Race to the Top

SAFEGWAY plc was one of the first companies to sign up to the Race to the Top project in 2001. It has worked constructively with other project partners to develop and test the data collection methods used by the project. Despite the uncertainty around Safeway throughout 2003 which has created a difficult environment for the company, it pressed on with RTTT data gathering, and submitted a full data set on time. The only part of the project which SAFEGWAY declined involvement in 2003 was the survey of suppliers. This was because of the corporate situation (ie take-over bids) which Safeway believed could colour suppliers' answers.

1.2 Company overview

Safeway in its current form arose out of the acquisition of Safeway Inc's UK assets by the Argyll Group in 1987. It is the fourth largest grocery retailer in the UK based on reported turnover, and has a market share of 9.2%. Safeway had 481 stores and some 92,000 full- and part-time staff as at 31 March 2003. Its stores are located throughout the UK. The company has been adding larger stores to its portfolio of relatively small supermarkets, but it still has 'structural handicaps' including a smaller size of its stores relative to Tesco, Sainsbury's and Asda.

In 1999, in order to accelerate its sales and profit growth Safeway changed its pricing strategy from conventional promotional pricing to aggressive 'high:low' promotional pricing. Turnover and operating margins then increased until 2002-3, when profitability and share performance began to be negatively impacted by the uncertainty affecting the company's future.

Since 1997 Safeway has been seeking to merge with another grocery retailer, believing that it had inadequate scale to compete effectively. A deal with Asda in 1997 was called off when it leaked prematurely into the media. On 9 January 2003, Morrisons announced an offer to purchase the entire issued share capital of Safeway. Subsequently five further parties expressed an interest in merging with Safeway. The potential bids of Asda, Sainsbury and Tesco along with Morrisons' offer, which lapsed as a result, were referred to the Competition Commission. On 26th September 2003 the Secretary of State announced that of these parties only Morrisons was cleared to make a bid for Safeway. Currently no offer has been announced.

SAFEGWAY'S emphasis on corporate responsibility has included environmental management, particularly logistics, transport and waste. The post of Environmental Manager was developed into Strategy Manager - CSR in early 2002, in line with a more integrated response to wider sustainability issues.

1.3 2003 results: overview

SAFEGWAY predictably excelled in the area where it has traditionally invested significant effort—environment (energy and waste) and was best in class. The company excluded itself from the opportunity to achieve best in class in the module dealing with trading relations with farmers by not subjecting itself to an independent survey of its suppliers. SAFEGWAY also clearly found the RTTT definition of local sourcing at odds with its own approach—data not being collated according to

RTTT proposed definitions on the amount of foods sourced and sold as local or 'locality' foods. Scores in all other modules were high, and it was in areas such as structures for consultation with staff (which are not about pay and conditions), and policies on access to stores (eg to customers with special needs) which prevented SAFEWAY from coming best in these categories.

SAFEWAY's many examples of good practice, such as its Nutrition Advice Service, and the company's path towards engagement with civil society, may be reviewed in the event of a takeover/merger. Noting the lack of engagement in CSR by Morrisons, it is important that the eventual buyer should ensure that this good start is not abandoned in the name of reducing overheads and consumer prices.

Comments from Safeway

"Safeway has participated in the project throughout its life in a number of ways, not least through advising and commenting on key performance indicators (KPIs) suggested, in showing journalists some of our innovative practices including locally landed fish in Cornwall and outdoor bred pork activities, providing information and data during 2002 and 2003 and as a member of the Advisory Group. It is committed to stakeholder engagement and will continue that process with the links established as the project has advanced. It looks forward to disclosing material information on CSR activities and progress in the 2003/4 CSR Report. (View 2001/2 and 2002/3 reports at www.safeway.co.uk. Click on Company information to find). You can also access information on other initiatives on the Safeway website including:

- # Our work with LEAF to encourage customers to visit farms in order to witness environmental practices first hand (View Our Stores and Services)
- # Our report on work to phase out chemical ingredients in own brand non-food products which has been underway since 2001 (View Our Stores and Services)
- # Safeway was recently re-accredited under the Government endorsed Energy Efficiency Accreditation Scheme

We are delighted that our CSR strategy is recognised by a number of external rating agencies including DJSI, FTSE4Good UK Index, Morley Fund Management Sustainability Index. We were also delighted to be placed in the first quintile of performance in Business in the Community's 2003 Corporate Responsibility Index.

We believe that the development of KPIs and comparison of food retailers via the Race To The Top project proved difficult to achieve in practice. KPIs were at an early stage in some areas such as local sourcing whilst in other areas the project failed to recognise the achievements made by companies or to accept the commercial sensitivity of some data.

Nevertheless the exercise has been a helpful one in forging relationships in a number of areas."

Nicola Ellen, CSR Strategy Manager, Safeway



ENVIRONMENT module. Best in class

1.1 Corporate Commitment to Environmental Responsibility & Performance

Indicator: Board-level responsibility, training and reporting for environmental issues.

SAFEWAY shows commitment to CSR through its CSR Steering Group chaired by Lawrence Christensen, the Group Operations Director. He is the main Board Director with Corporate Social Responsibility. The group meets bi-monthly and reports to the Board quarterly covering all Environmental Issues particularly when they are of concern to SAFEWAY's stakeholders. Progress against the key targets of environmental impacts for SAFEWAY (energy, transport, refrigeration and waste) are reported quarterly to the Board.

Training and development with an Environmental component does take place, but only where staff have a relevant functional responsibility. Senior management receive training on appropriate CSR issues, but it would be useful to know details and to see a structured Environment component within the staff induction process. An energy awareness campaign has been successfully trialled and is currently underway in 100 stores and 1 RDC during 2003/04.

The SAFEWAY CSR report scores highly against the ACCA Environmental Reporting Award Criteria. It is thorough and well set out including all relevant environment impact data, targets, objectives and policies. The CSR report is kept on the website (good for saving on paper!) where you can navigate each chapter separately or download the entire report and appendices.

1.2 Climate Change

Indicator: Energy Use and Emissions of Carbon Dioxide (CO₂)

SAFEWAY has been a signatory of Government's *Making a Corporate Commitment Campaign* (MACC2) since 2000. This commits the company to setting and reporting of environmental targets. Its objective is to become the leader in energy management within the food industry. It continues to use the DEFRA 'Environmental Reporting Guidelines' for company reporting on Greenhouse Gas emissions. 18m kWh of energy was obtained from renewable energy sources, which can be improved upon but it has had had problems with sourcing. SAFEWAY has also had third party energy audits carried out at four stores and one regional distribution centre.

SAFEWAY has set targets for the reduction of in-store and transport-related emissions, which are well documented in the CSR report. A '*Staff Green Travel Plan*' has been adopted, which promotes the benefits of walking and cycling to work. It has also launched a new integrated transport system, which is reducing overall fleet size and improving vehicle utilisation by planning integrated vehicle movements across all depots compared to the previous system whereby each depot computer scheduled its own deliveries to stores and the time spent with the vehicle empty. SAFEWAY also operates the largest Compressed Natural Gas HGV vehicle fleet of its kind in the world and a total of five of its eighteen regional distribution centres are now ISO14001 accredited.



1.3 Waste

Indicator: Waste Management and Minimisation

SAFEWAY has met and exceeded its waste targets for the year, hence it scored highly across the group with regards to the cost of waste sent to landfill. All waste data is thorough and well documented in the CSR report. There are no food composting schemes in place, one scheme involving waste recovery was halted during the foot and mouth crisis. Food is donated to zoos and animal sanctuaries. The company awaits guidelines from DEFRA regarding commercial confidence in recovering putrescible materials. Nearly 20% of their own-brand produce sold this year had biodegradable packaging. SAFEWAY was also the first UK retailer to offer a Nationwide scheme for customers to bring back used plastic carrier bags and aluminium cans for recycling in stores.

Overall commentary and examples of good practice:

SAFEWAY performed very well and achieved high scores across all indicators.

Areas of good practice

- # SAFEWAY has entered into a number of other energy or climate change initiatives including: the Carbon Disclosure Project; Energy Awareness Campaign (as part of the Government's Action Energy Scheme); carried out research into application of Combined Heating Refrigeration and Power; and has opened a carbon trading account. SAFEWAY was also a founder member of consumer awareness initiatives including *Buy Recycled* and *Rethink Rubbish*.
- # SAFEWAY has led the way in establishing one of the most efficient distribution systems, introducing a number of measures to reduce food miles, reduce the energy consumption of its haulage fleet, and divert freight off the roads.
- # Five of SAFEWAY's regional distribution centres are now ISO14001 accredited.
- # SAFEWAY'S 2001/2 CSR report was short listed by the Association of Chartered Certified Accountants (ACCA) for the UK Sustainability Report award.
- # SAFEWAY was also the first UK retailer to offer Nation wide scheme for customers to bring back used plastic carrier bags and aluminium cans for recycling in stores.
- # A 'Staff Green Travel Plan' has been adopted, which promotes the benefits of walking and cycling to work

Areas to be improved

- # Reduce energy emissions through modifications to store lighting and through recovering waste heat from refrigerant systems. Complete phase out of old HCFC store refrigerant systems with new more efficient units (HFCs).
- # Explore increasing energy sourced from renewable sources. Other leading supermarket purchase 10-25% of their electricity from renewable sources.
- # We recommend SAFEWAY continues to experiment with new technology in the form of alternative fuels (biodiesel, liquid petroleum gas, compressed natural gas) and new vehicle designs that minimise fuel use through aerodynamic changes and new tyres.
- # We encourage the continued diversion of vehicles off the roads through the use of rail freight. Combined transport can provide very cost-effective and reliable alternatives to road-only options.
- # We suggest SAFEWAY continues to increase its waste minimisation focus by setting more ambitious targets, as they are exceeding their current targets. Increase the use of recycled materials in packaging and seek to utilise more biodegradable packaging. Consider trialling a composting scheme in line with other leading supermarkets with a long-term aim of the compost



being marketed locally.

- ⌘ Consideration should be given to implementing environment and full cost accounting as part of SAFEWAY's risk management and internal control, which can be published within the Annual Environmental report.
- ⌘ Introduce Environmental awareness training for all SAFEWAY staff, through the induction process.

Comments from SAFEWAY plc:

"Safeway is delighted that the strengths of its environmental strategy have been recognised by RTTT for the way that the business identifies and manages its environmental impacts and reports on its activities and progress.

This conclusion is in line with external ratings by other organisations. These include:

- ⌘ ARENA Network's sixth annual survey of Northern Ireland companies and local authorities has placed Safeway in the top quintile of performance.
- ⌘ Business in the Environment's 7th Index of Environmental Engagement placed Safeway in the Premier League
- ⌘ Safeway is a constituent of the Dow Jones Sustainability Index and the FTSE4Good UK Index
- ⌘ Safeway is a constituent of the Morley Fund Management Sustainability Matrix with a current C2 rating
- ⌘ SERM gives Safeway an AA+ rating (top possible score AAA+)
- ⌘ Storebrand Investments SRI assessment of 86 retailers globally included Safeway in the 'best in class' percentile of Storebrand's environmental and social performance analysis . Safeway scored 168 points (best was 169) for its environmental performance, 163 points (best score 173) for its social performance

In response to specific suggestions made in this section:

- ⌘ Food composting will commence once it is commercially comparable to diversion to landfill. This is not the case at present.
- ⌘ Safeway's use of Compressed Natural Gas (CNG) has been a business as usual operation since 1998. Evaluation of alternative fuels for retailer HGV application has already determined that LPG (better suited for smaller vehicles) and used vegetable oil (benefits for emissions and noise levels less significant than for CNG), are currently not appropriate for our HGV fleet.
- ⌘ Our stated objectives and targets on rail, waste, energy already support recommendations made by RTTT."



PRODUCERS module

2.1 Corporate commitment to trading integrity with the supply chain

Indicator: Board-level responsibility for trading integrity

SAFEWAY has a named Board member—Jack Sinclair, Group Marketing and Trading Director—who is accountable for integrity of trading relationships with all SAFEWAY suppliers. At an operational level the SAFEWAY Trading Team report to John Durkan, Trading Director, who in turn reports to Jack Sinclair.

2.2 Trading integrity with the supply chain

Indicator: Standards and codes of practice.

SAFEWAY has signed up to the Department of Trade and Industry's Code of Practice on relationships with suppliers. Furthermore, the company reports that it also has its own code of conduct (Code of Business Practice) and its Terms and Conditions of Purchase contain some elements that are stronger than the DTI code--these were supplied to IIED on request, but are not available on the SAFEWAY website. SAFEWAY reports that Terms and Conditions of Purchase were sent to all 2000 suppliers in October 2002. SAFEWAY also reported that it requires its first level suppliers to abide by the code(s) with *their* suppliers in order to ensure that these good policies penetrate along supply chains to smaller suppliers and farmers—this is incorporated into SAFEWAY's Terms and Conditions of Purchase'. Buyers—generally the point of contact for suppliers with the company—are involved in a “comprehensive training programme” on the “provisions and application of the Code.”

SAFEWAY has implemented the Food Standards Agency Best Practice on Country of Origin Labelling; in other words, UK farmers and consumers can be sure that imported food is not misleadingly labelled to ‘appear’ British.

SAFEWAY also reports that the company is committed to NOT making higher profits on organic and Fairtrade products, though no specific policy appears to be in place. Both sectors “are managed in exactly the same way as mainstream products, with comparable targets on sales and profitability.”

2.3 Fair trading relationships

Indicator: Integrity of the trading relationship with UK farmers and suppliers

In a statement dated 1 August 2003, SAFEWAY stated that “given the extraordinary circumstances that Safeway faces that we will not participate in the 2003 third party supplier survey.” SAFEWAY thus excluded itself from the opportunity to achieve a high score in the Producers module.



2.4 Support for smallholder producers in developing countries

Indicator: Availability of and promotion of Fairtrade Marked products

SAFEWAY now stocks 20 Fairtrade products, and over the past year has developed own brand FT products. Fairtrade citrus lines will be introduced shortly.

Overall commentary and examples of good practice:

Examples of best practice by SAFEWAY:

- €# **Dealing with the supply chain.** SAFEWAY ensures that its code of conduct for trading with suppliers penetrates further 'upstream' to primary producers by including the Code of Conduct within the Terms and Conditions of purchase from 1st tier suppliers; ie. those first level suppliers must respect the code when dealing with 'third party' suppliers.
- €# **Labelling.** All meat and products containing meat give an indication of their country of origin. This relates to all new products and those undergoing label or product re-design. For example, new ready meal products indicate country of origin of the protein elements of the product. Likewise, recently launched ready meals indicate that the chicken is from Thailand.
- €# **Own brand.** SAFEWAY is launching a reformulated roast and ground own brand coffee range using coffee produced to Utz Kapeh standards for responsible coffee—not a 'Fairtrade' label, but a code is based on the EUREPGAP Protocol for Fruits and Vegetables. This Protocol was developed by the leading European retailers to provide basic assurance for food safety and environmentally and socially appropriate growing practices.

Areas for improvement:

- €# SAFEWAY excluded itself from the opportunity to achieve Best in Class in the Producers module by not subjecting itself to an independent survey of its suppliers. While its decision is understandable considering the takeover interest around the company, RTTT considers that the supplier survey is the most important element of this module, because it measures practice rather than policy. SAFEWAY has been singled out by critics for demanding up-front fees from suppliers. Safeway denies making demands. The company explains that a feature of SAFEWAY's High:Low pricing policy requires support from suppliers to run the deep discount deals on offer every week. This means that large suppliers are involved in promotional activities; they provide part-funding for the promotional programme. This pricing strategy makes supplier relations (and its measurement) particularly important for SAFEWAY.

Comments from SAFEWAY plc:

"Over the past year, as the hitherto rapid growth rate of the organic market has slowed, especially in the produce sector, Safeway has increased its promotional activity in the organic categories. This has involved some loss of margin but has increased the company's sales growth.

As is shown by the findings of RTTT, Safeway is committed to developing and maintaining strong and effective relationships with its suppliers. Safeway remains fully committed to the DTI Code of Practice throughout its Supply Chain. Safeway will continue to drive the implementation of EUREP standards throughout its supply chains, and encourage the development of further Fairtrade products. Safeway recognises that strong relationships with its suppliers are vital to its ongoing success. The fact that Safeway is the only major multiple retailer prepared to take part in RTTT is a clear sign of its commitments and delivery in this area."



WORKERS module

3.1 Corporate commitment to Labour Standards within the company and in the supply chain

Indicator: Board-level responsibility

SAFEWAY scored full marks for company commitment to labour standards. The structure reflects a comprehensive allocation of resource time to labour standards within the company and to monitoring compliance of the Company Code that is applied to all own-brand products and their associated supply chains.

3.2 Labour Standards within the Company

Indicator: Remuneration of Supermarket employees and conditions of employment

SAFEWAY scored reasonably well for labour standards within the company but lost points for not providing information (which the company considers to be business-sensitive) on labour turnover for some of the questions that would have improved the final score.

Staff working as General Assistants/ Checkout Operators have a good record of staying with the company. Staff set the parameters for their working hours when they join SAFEWAY and some flexibility is available, subject to schedules. Rates of pay are in excess of the National Minimum Wage and the company builds in additional allowances for regional differences.

The range of staff benefits on offer is good although some benefits are dependent on length of service.

3.3 Core labour rights and employee representation

Indicator: UK Company employee representation

The company scored very well on the communication of its policies on labour rights and procedures. It scored less well on its structures for consultation with staff which SAFEWAY says are not about pay and conditions.

Similarly, the company does not negotiate over pay (with the exception of some areas of the business such as logistics) although it operates a recognition agreement with USDAW, covering a high proportion of retail staff.

Company provision for staff representatives is good, with paid time off to attend meetings and training courses but company commitment to the role of staff representatives could be improved given the restrictions detailed above.

3.4 Labour standards in the supply chain

Indicator: Existence and application of Labour Standards Code of Conduct

SAFEWAY has adopted the Ethical Trade Initiative (ETI) Base Code for all own-brand products and their associated supply chains since 2000. It became a member of ETI in June 1999. The company's response to the questionnaire and supporting information supplied is confirmation of the range of good practice it has developed in this area and demonstrates a positive commitment to the



Code. SAFEWAY's 2002/03 CSR Report reinforces this message and confirms its desire to raise awareness within the company, with suppliers and with its customers.

The company trains its buyers and technologists in ethical trading issues and has procedures to review Code compliance by its suppliers. It does not provide any direct financial assistance to help suppliers meet the standards required by the Code.

Monitoring is conducted both internally and through a number of second party independent audits. Assistance of NGOs and trade unions is part of this process. SAFEWAY has a good record of taking significant corrective actions with its suppliers.

Overall commentary and examples of good practice:

SAFEWAY's high score for the Workers' module demonstrates its firm commitment to labour standards both internally and through its supply chain despite current uncertainty about its future.

In general, the company scored reasonably well on pay and conditions of employment within the company. It lost marks because SAFEWAY says its structures for consultation with staff are not about pay and conditions and the company does not negotiate over pay. Additional marks were lost because the company felt unable to supply some data because of its confidential nature.

The company's response to the questionnaire and supporting information supplied is confirmation of the range of good practice it has developed for labour standards in the supply chain and for the implementation and monitoring of the ETI Base Code, adopted as its own. The high number of significant corrective actions already achieved is further evidence of this.

Examples of good practice:

- €# New initiative between SAFEWAY and USDAW to offer Lifelong Learning opportunities for retail staff in Scotland. This gives staff the chance to enrol on courses and enhance their skills, both for personal development and also to gain recognised qualifications.
- €# SAFEWAY has included toys in the ETI Base Code since 2002, bringing this category into line with the rest of the business.
- €# SAFEWAY technologists and suppliers are using a "toolkit" to undertake social assessments of first tier suppliers for own brand products. In addition, SAFEWAY has run regional seminars for suppliers on gang labour.
- €# SAFEWAY is part of the DEFRA Gang Master Working Group that is developing a code of practice for gang masters and is also involved in the ETI initiative.

Areas for improvement:

- €# Currently, some staff benefits are dependent on length of service rather than being offered on commencement of employment
- €# SAFEWAY's commitment to the role of staff representatives could be improved given the restrictions detailed above.
- €# The ETI Code is currently only applied to own-brand suppliers.
- €# SAFEWAY has not, as yet, had any social audits verified by a third party.

Comments from SAFEWAY plc:

"We are pleased to have received a high score for the Workers module showing our firm commitment to labour standards, particularly in a period of some business uncertainty.



Safeway's labour turnover trends have shown continuous improvement over an 18 month period against a rising industry average. Ever since the bid in January and during the resultant uncertainty the figures have remained stable and in line with previous years.

We are confused about the comments made about core labour rights and employee representation. We do negotiate pay in several areas of the business for example Logistics. Is the premise that negotiated pay deals are better for employees in terms of output than none negotiated? We find the results disappointing as we have a benchmark consultation process across much of the business.

Some key good practices which we have had recognised externally or have received internal high feedback scores on may not have been noted as part of the report but we feel are worthy of comment:

- €# We have received Investors In People accreditation across 5 Divisions including Supply Chain and Logistics recognising excellence in communication, training and development and business planning. 5 others including Trading and Technical Operations are currently on the IIP journey – Our People Strategy has been externally recognised by a HR awarding body acknowledging our commitment to labour standards and their impact on business strategy.
- €# We have won both Regional and National awards for our NVQ provision across the Retail arm of the business and also have an internal standard assessing body supporting this.
- €# Our Colleague Council structure has been established 2 years ahead of legislative requirement and has been reported as groundbreaking in UK businesses by an external publication in terms of the free flow of information afforded by it.
- €# Our communication/consultation processes are also supported by processes that are industry benchmarks with video-conference linked meetings for everyone in the business on a monthly basis; our interactive internet question and answer site for all colleagues and our telephone helpdesk are available to all.
- €# We have also won jointly with our Pensions Team external acknowledgement of our communication strategy on change of pension provision.
- €# We have also had established for 10 months a programme of training and development modules giving colleagues the opportunity to enhance personal skills across a range of personal and business activities.

Safeway's programme on Ethical Trade continues to strengthen as a result of the integration of Ethical Trade into core business processes such as supplier selection, and ongoing supplier management by both technical and commercial teams. A core component of this activity has been a continuing focus on reviewing supplier standards through a combination of social assessments by trained Safeway Technologists and targeted 2nd party audits on selected 'high risk sites'. Performance has been further enhanced through the appointment of a dedicated co-ordinator for Socially Responsible Sourcing allowing the business to focus on developing approaches to make the implementation of social standards in its supply chains more sustainable. These have included focused workshops for suppliers, and funding the development of SEDEX, an internet-based tool to facilitate the sharing of information related to social standards in its supply chains. Safeway has continued to increase both its direct and indirect spend in this area, establishing Ethical Trade as a major activity for the operational teams supporting the Safeway Brand. We provide indirect assistance in a number of ways including the provision of a social toolkit downloadable from a supplier-facing website, the funding of issue-related workshops for suppliers and through funding 50% of the cost of 2nd party social audits of suppliers' sites, encouraging suppliers to share the reports with other customers with whom they have trading relationships."



LOCAL ECONOMIES module

4.1 Support for the local economy

Indicator: Company policy on sourcing food 'locally' and 'locality' foods, and on promotion

Safeway Stores plc does not have a written corporate policy on local, locality or regional products retailed.

However, the company is committed to a 'UK First' buying policy where product and specification are available, including red meat, apples, pears, dairy and organics. The Company's objective is to play a full role in reducing Britain's high food import bill by buying British products wherever these meet their standards.

Safeway store managers are able to identify potential products that they wish to be stocked in their stores, and report these back to head office, where the products are assessed to see if they meet Safeway's requirements and can be stocked.

Regarding allocation of a proportion of overall food promotions budget to 'promote' the sale of local and locality foods, Safeway is unable to provide this information as it does not allocate promotional budgets to individual product areas.

4.2 Support for the local economy

Indicator: Extent of local and regional sourcing and promotion

No data was given on the percentages of foods sourced and sold as local or locality foods. No data was given on whether and how local/locality foods were promoted during 2002/03.

Regarding whether Safeway have 'promoted' local and locality food during 2002/03, Safeway is unable to provide this information as it does not allocate promotional budgets to individual product areas.

Safeway did not provide clear data on whether or not they have dedicated staff responsible for sourcing local and locality foods. They commented that their buyers are employed by commodity group and that local and locality foods are managed within their respective parent categories.

4.3 Support for the local economy

Indicator: Extent of local and regional sourcing and promotion

A store shelf survey of local and locality foods stocked by retailers - focusing on apples, potatoes, fresh milk, pre-packed cheese, fresh beef and fresh lamb - was conducted by Sustain and the NFWI. The final survey sample consisted of just 7 stores. This sample was smaller than desired, and had a more limited geographical coverage than desired, thereby reducing the extent to which the store survey findings can be taken as representative of the retailer's overall performance in terms of local sourcing.

Bearing these limitations in mind, of the Safeway stores surveyed it was found that none had local apples, local milk or local beef in stock, and only 14% (i.e. 1 store) stocked local potatoes, 14% stocked local cheese and 14% stocked local lamb. Of the local foods stocked, there were few



varieties (on average 2 local potatoes, 1 local cheese and 1 local lamb cut).

Stocking rates for locality foods were better, with 14% of stores stocking locality apples, 43% stocking locality potatoes, 71% stocking locality milk, 86% stocking locality cheese, 57% stocking locality beef, and 71% stocking locality lamb. The average number of different varieties of these locality foods were: 1.2 varieties of locality milks, 2 varieties of locality apples, 2 varieties of locality beef, 2 varieties of locality lamb, 2.7 varieties of locality potatoes, and 9.1 varieties of locality cheeses in stores.

None of the Safeway stores had any customer information leaflets on local foods, and just 14% of the stores surveyed (ie 1 store) had an in-store display of local foods.

These results indicate that in practice Safeway is stocking a small selection of local products. Safeway's stocking of locality products in mainland stores was higher than one might have expected based on the limited policies and information provided in the response to the Module questionnaire.

Overall commentary and examples of good practice:

Safeway stated that it does not have written policies on sourcing local and locality food. It also did not provide figures or answers in response to most of the questionnaire. Safeway stated at the start of the questionnaire that the company 'does not record data in any of the ways requested by this module', hence the limited data provision. This is reflected in the relatively low overall marks gained.

Safeway has chosen to focus on sourcing British food products, rather than on sourcing local and locality products according to the definitions given. This partly explains the lack of data provided in completing much of the questionnaire, and hence their low overall marks. Safeway states that they intend to achieve more sourcing of British foods in several ways:

- By helping British producers to improve their standards to meet Safeway's requirements, for example, Safeway is working closely with producers to improve the consistency in quality of British lamb, in order to reduce the need to source lamb from elsewhere;
- By making facilities available to test and trial new British products in their stores;
- By maintaining a regular dialogue with representatives of British farmers and with food and drink manufacturers to maximise opportunities.

A Safeway website page dated May 2002 states 'more than 85% of the products we sell are produced in the UK'.

Despite the lack of figures given in response to the questionnaire, the company does stock local and locality food products in stores in different parts of the UK. Examples given include:

- Scottish meat supplied to all Scottish stores, and Scottish beef to all UK serve over counters;
- Northern Ireland sourced products supplied to Northern Ireland stores;
- West Country beef, pork and fish to West Country stores;
- Northumberland Lamb to Northumberland stores;
- Local fish, meat, eggs and bakery products in Channel Island stores;
- In store bakeries use wheat sourced from five main wheat-growing areas in England, while



stores in non-wheat growing areas (eg Wales, Scotland, West Country) sell a range called Country Bread made from 100% UK wheat.

- Branded Rodda's cream stocked in stores in Cornwall;
- Local suppliers supply island stores (eg Channel Islands, Isle of Man).

In order to help its customers to identify and choose British products, Safeway has introduced clear labelling on its products and shelf edges. Potatoes are labelled according to county of origin. In island stores, Safeway explains that it is commonly known that local food suppliers supply their stores, therefore local products are not necessarily labelled as such in those stores.

Safeway has recently improved its premium range 'The Best', which includes items such as Spey Valley Smoked Salmon from Scotland, bunched carrots from East Anglia, and West Country Farmhouse Reserve mature cheddar. Products in this range may give consumers greater detail on their origins but they are not exclusively sourced in the UK.

Issues thrown up by verification processes: Safeway is likely to have scored more highly in the shelf survey had more remote locations been surveyed such as the Channel Islands, as well as stores in Scotland. It is evident from the survey results that in mainland stores in cities and market towns in England and Wales, stocking of local products is low, and in-store promotional activities (such as leaflets, special product displays etc) are very limited.

Examples of good practice

- €# The company is committed to a 'UK First' buying policy where product and specification are available
- €# In order to help their customers to identify and choose British products, Safeway have introduced clear labelling on their products and shelf edges. Potatoes are labelled according to county of origin.
- €# Locally landed fish in Cornwall

Areas for improvement:

- €# From the limited store survey, it appeared that actual stocking of local products in Safeway stores was very low, and this could be greatly improved. Stocking of locality products was better, but could also be much improved to provide a wider range of locality products in stores.
- €# Some provision of in-store leaflets on local foods, as well as in-store local food displays in more stores would also gain extra points.

Comments from SAFEWAY plc:

"Safeway is engaged in a number of local sourcing practices and consider it to be part of our offering to customers. We have clear procedural documents which guide buying teams in developing both products and relationships with suppliers in this area. We are committed to a 'UK First' buying policy and Safeway is actively working with suppliers to increase the amount of British products on sale. The RTTT survey has identified some of the great work we do such as our locally landed fish and regional potato sourcing. However, it is a disappointment that differences over criteria for what constitutes 'local' combined with a small survey of stores have impacted our performance in this report. Milk is a national commodity, so 'local' milk does not make sense. Local beef is also misleading – we have regional (West Country) plus Welsh and Scottish ranges of beef and lamb. Local apples will be available dependent on season. Safeway is fully committed to increasing the amount of UK products we sell and as the only retailer prepared to take part in this



survey has the confidence to stand by its claims.

It should also be noted that Safeway has corporate technical standards that all own brand suppliers must meet. A rigorous due diligence procedure is applied as a matter of policy to all new suppliers, regardless of their size. For example a small farmer supplying pork pies may not have the required infrastructure in place to satisfy our animal welfare standards that we would expect any supplier to meet. Similarly we would expect a supplier to be able to track back through their suppliers that the source of their raw materials does not contain gm.

We would not like to assume either that local consumers only want to buy locality products. They want a selection. “



NATURE module

5.1 Environmental issues within the supply chain

Indicator: Corporate commitment to addressing nature conservation issues within the supply chain

SAFEWAY provides comprehensive training to its primary produce buyers, and technologists but no supplementary information was provided.

SAFEWAY does not use GM ingredients or derivatives in any of its own-brand products.

5.2 Environmental issues within the food chain

Indicator: Producer suppliers with retailer-supported farm environment audits and/or plans

SAFEWAY does not currently require its supplying producers to conduct a whole farm environmental audit, though it is actively trialling a number of approaches to whole-farm environmental audits such as LEAFMarque (see www.leafmarque.com/leaf). There is currently no specific requirement for farm environment audit / plan. SAFEWAY is a sponsor of LEAFMarque which can be applied to a range of enterprises including fresh produce, livestock and combinable crops and not all supplies. The company has taken positive steps to pilot LEAFMarque with livestock farmers.

The proportion of sales sourced from producer suppliers with farm environment audit / plans is not known for dairy or red meats, and is less than 5% for fresh produce.

5.3 Sustainable fisheries

Indicator: Wild and farmed fish from sustainable sources

SAFEWAY provided detailed information, but there was no indication of the frequency of audits. More than 50% of cod and prawns are from sustainable sources; haddock 60%
Only one mitigation measure was cited to ensure that the bycatch of albatross is minimised



Overall commentary

Examples of good practice:

- €# SAFEWAY is sponsoring the development of the LEAFMarque assurance scheme, a 'green' certification standard for horticulture farmers and is now looking to extend this to livestock farmers
- €# SAFEWAY requires farmers supplying fresh fruit and vegetables, livestock, poultry and cereals to belong to a recognised assurance scheme (Assured Produce Scheme in the UK, EUREP for overseas) and farmed fish to come from accredited fish farms.

Areas for improvement:

- €# A key area for improvement highlighted by the data included a misplaced reliance on farm assurance schemes (in particular those operating under the Little Red Tractor logo) to ensure environmental delivery. At the present time the environmental component of nearly all the assurance schemes is weak, and by and large relies on compliance with legislation. The horticulture scheme does encourage the farmer to look to conserve the environmental capital on the farm, but it is not a compulsory element of the scheme.
- €# Consumers need to be able to access information about the impacts of different production practices so that they can make a reasoned choice in favour of sustainable food products
- €# Work with suppliers towards long-term improvement of standards, and to provide support for the shift to more sustainable practices where appropriate.

Comments from SAFEWAY plc:

"Safeway is committed to reducing the environmental impact of its sourcing operations through practical schemes that deliver benefits to Safeway, its supplying producers and the final consumer. Given the current concerns over the economic sustainability of primary producers, Safeway has decided to focus on the implementation of a range of cross-sectoral assurance schemes with international utility such as those benchmarked against EUREP which help spread best practice throughout the supply chain, whilst helping to build producers economic sustainability through access to key markets. Safeway is also represented on the Management Boards of a number of Assurance schemes including Assured Produce and Assured Chicken in the UK, and EUREP with a view to ensuring that the standards they set evolve to meet the requirements of the market, as well as being practical for producers to implement. That said, Safeway recognises the need to improve environmental standards in its supply chains, and the funding and trials of LEAFMarque are clear evidence of our commitment. What must be clearly understood, however, is the need to maintain our producers' co-operation in implementing such initiatives as they will only succeed with their understanding and support.

Safeway also sells meat from both conventional feeding that may include GM feed or organic meats that are non-gm fed. Safeway is working with its primary meat suppliers to progress towards non-gm feeding wherever possible and has achieved this in farmed fish and broiler chicken production.

Audits for sustainable fish sourcing are conducted by our suppliers. As our submission to RTTT explained, the albatross by-catch issue is caused by long lining not being carried out at deep enough depths. Our specification specifies that depth of long lining must be below that to which the birds can dive."



ANIMALS module

6.1 Corporate Commitment

SAFEWAY has both a named board member responsible for animal welfare and a written corporate farm animal welfare policy.

6.2 Welfare of Breeding Pigs - Pregnant Sows

Stall and tether produced pigmeat is not sold under SAFEWAY's own label with the exception of ham (9.6% stall and tether, originating from continental meats). No data was submitted for branded pigmeat sales.

6.3 Welfare of Laying Hens

SAFEWAY remains one of the few major retailers to sell more than 50% non-cage eggs; 52% of whole-eggs sold originate from non-caged systems.

6.4 The Welfare of Broiler (Meat) Chickens

The vast majority of SAFEWAY chicken meat is intensively produced, with only 2% of sales being reared in high welfare systems.

6.5 Transport of Farm Animals

SAFEWAY sets a welcome policy maximum of 6 hours for red meat animals travelling for slaughter. Across all red meat species, average journey times remain well within the maximum permitted by company policy. SAFEWAY reports average journey times of 3 hours for cattle and sheep, and 2 hours for slaughter pigs.



Overall commentary

SAFEWAY's relative performance on animal welfare compared with other major retail companies remains good.

Examples of good practice:

- €# 52% of whole eggs sold originate from non caged systems
- €# Transport times of livestock to abattoirs are well within the FAWC recommendations

Areas for improvement:

- €# Ensure that all pigmeat, own label or branded, is produced without the use of stalls & tethers for pregnant sows.
- €# Set a target date by which it intends to cease selling own label and branded battery eggs
- €# Conduct greater promotion of free range and organic poultry meat
- €# Continue to ensure adherence to the principle that animals should be slaughtered as near to the point of rearing as possible.

Comments from SAFEWAY plc:

“Safeway continues to strive towards improved standards of animal welfare on farm and in factory. For instance we have recently completed trial work in Scotland, looking at improvements on farm. This took into account hygiene standards, animal health and effects on the local environment. The next stage is to look at developing this project into a practical everyday application.

Safeway sponsored and funded a poultry seminar this year through Langford (Bristol University). The subject matter included leg weakness and hock burn, the speakers presenting were leaders in the field and the event was supported by retailers, processors including a number of non-governmental organisations.

Our commitment to welfare standards includes visits to overseas suppliers where our standards are exactly the same. In 2004 our technical department will spend around 3 weeks in South Africa looking at Poultry and Prawn farming. These visits will include audits not only of the production facilities, farms, breeding units and feed mills, but also the workforce itself in line with Safeway's commitments to ETI codes of practices.”



HEALTH module

7.1 Corporate commitment to public health.

Indicator: Responsibility for and action on food and public health

SAFEWAY scored marks for confirming its commitment to supporting public health policy in all three areas (action on food poverty and health inequalities; commitment to widening access; and nutrition and healthy eating), and for its extensive published policies relating to nutrition and healthy eating, but it does not have policies on food poverty and health inequalities, or access.

7.2 Action on food poverty and health inequalities.

Indicator: Store location and pricing policy

SAFEWAY scored highly on the question relating to food pricing, indicating that it subsidises the costs of foods categorised as healthy (or as healthier alternatives to standard products, such as low-fat) to encourage healthy eating and bring it within customers' reach. Only a small proportion of the stores it opened in the year reported, and fewer than half the stores it refurbished, were in areas that matched the overall company demographics in terms of provision for lower income shoppers, suggesting that these areas were not a focus of activity.

7.3 Access to and within stores.

Commitment to widening access

Unfortunately, SAFEWAY lost marks on this question because it was unable to provide data on the means of transport used by its customers when shopping. It does not offer a delivery service. Although it does not at present have a written policy relating to customers with special needs, this is currently under review, and measures intended to ease access for these groups are being trialed in some stores.

7.4 Nutrition and healthy eating.

Indicator: Extent to which sales support dietary guidelines

SAFEWAY scored highly on all the questions relating to the extent to which sales support dietary guidelines (but see note in the Overall Review of this module). It has reduced salt, sugar and fat content in the product lines specified, and provides full nutritional labelling. Although its IT systems do not at present allow it to provide data to customers that would help them to analyse their shopping nutritionally on the basis of their till receipts, for example by indicating the total fat or salt purchased, it indicated that it does have a dietary analysis tool that can be used when requested by customers. SAFEWAY does not use the Department of Health Five a day logo, though it does run its own scheme to promote fruit and vegetable consumption.

Overall commentary

SAFEWAY's showing in this module is probably an unfair reflection of its performance relative to other supermarkets. It lost marks by being unable to supply data for some questions. The supplementary materials supplied showed that the company had a good level of awareness of the impact its policies and actions can have on public health, and that it has policies which support efforts to address the problem of diet-related illness. In general, the company scored well on questions relating to the range of healthy or "healthier" foods it supplies, and its pricing policies, which help to keep healthy options within customers' reach. Surprisingly, given that around half its customers come from the poorer sections of society (C2DEs), SAFEWAY scored less well on questions relating to access, an area in which the company has no published policies. SAFEWAY has had an active nutrition department, which has been proactive in devising ways to provide dietary advice to customers on an individual basis, helping to bridge the gap between the theory of good nutrition and the practice of food shopping and menu planning.

Examples of good practice

- €# SAFEWAY ran a campaign in which a team of 37 locally recruited dieticians visited a total of 87 stores on various occasions to dispense independent dietary advice to customers, and cast an appraising eye over the contents of their trolleys. This is an imaginative and practical way for supermarkets to help shoppers bridge the gap between the theory of healthy eating and the practice of food shopping.
- €# SAFEWAY offers a Nutrition Advice service, staffed by a team of three nutritionists who provide personal responses to customers' queries via a helpline or email.
- €# Provides detailed advice to customers pursuing specific diets for health reasons, such as gluten-free, egg-free, cow's milk free or soya free.

Areas for improvement

- €# SAFEWAY could match its impressive policies in support of healthy eating with policies related to widening access, in terms of store location and refurbishment, and customers with special needs. It could also analyse the method of transport used by its shoppers, with a view to making shopping easier for those who do not have access to a car, or prefer not to use one – these measures could include subsidised buses, or a subsidised delivery service.
- €# SAFEWAY's policies include clear analyses of the diet-related problems faced by children in the UK, including high consumption of fat and sugar, and excessive snacking. In view of this, the company could review its criteria for Children's Brand Values (relating to products targeted at 3-8 year-olds), which currently designate apples, pears, crisps, cakes, biscuits and some confectionery lines within the range as "everyday snacks" that will make up a "significant part" of a child's diet, albeit with a specification that is "healthier" than the equivalent standard products.
- €# SAFEWAY could make greater use of its IT systems to analyse sales in relation to dietary goals, track progress, and help customers analyse the nutritional content of their purchases.

Comments from SAFEWAY plc:



tracking supermarket progress towards a fairer and greener food system

2003 company profile: SAFEWAY STORES plc

Module 7: Health

"We continue to innovate in communicating key health messages to both our employees and our customers. We are implementing a new communication plan in January 2004 despite the proposed merger and we continue to invest in the development of new products, not only in our 'healthier' ranges but also in core areas where we can achieve 'better than existing' nutritional values'."