



Code of conduct for fair relationships between suppliers and purchasers in the agri-food chain

2016-2017 Annual report

The representative organizations of the agri-food chain have taken the initiative to draw up together a code of conduct for fair relationships between suppliers and purchasers and have subscribed to this code of conduct. This code was officially signed by the partners on 20 May 2010. It was then adapted on some points and approved on 10 June 2014 again, to be compatible with the European Supply Chain Initiative.

Based on the input from relevant organizations, the Committee responsible for ensuring compliance with procedures produces an annual report in a generic way, without mention of individual names. This report provides an overview of the application of the code from July 2016 to December 2017. In order to ensure that reporting is aligned with that of the European Supply Chain Initiative, this report therefore covers a period of 18 months.

This report covers the following topics:

- Memberships
- Dispute settlement
- Adjustments

1. Memberships

The recommendations of the code of conduct become binding by an individual act of adhesion of the operators.

Thanks to the declaration of mutual recognition of the Belgian code of conduct of June 2014, and the European Supply Chain Initiative, memberships are simultaneous at both levels.

- Small and medium enterprises that subscribe to the Belgian code of conduct also automatically subscribe to the European Supply Chain Initiative. The application form, the definition used for SMEs and the full text of the Belgian Code are available on the website www.supplychaininitiative.be.¹
- Large companies that subscribe to the European Supply Chain Initiative ² will automatically join the signatories of the Belgian code of conduct.

No new memberships were recorded in the last year of activity. The total number of members thus amounts to 261 companies of which:

¹ <http://supplychaininitiative.be/definition-sme/>

² <http://supplychaininitiative.eu/pt-pt/sign-up-our-initiative>



- 42 companies from the sector of compound feed for animals (BFA)
- 203 companies from the food industry (Fevia and BABM)
- 16 companies from the distribution sector (COMEOS)

The list of individually registered companies can be found on the websites of these organizations, on the website of the Belgian code of conduct for fair relationships ³ as well as on the website of the European Supply Chain Initiative ⁴.

The members of ABS, Boerenbond, FWA, UNIZO and UCM have collectively joined by means of the signature of the presidents of these associations. The number of operators represented by these organizations, who can make use of the dispute settlement procedure of the code of conduct, has thereby substantially increased and gives the code of conduct a very broad support base.

2. Dispute settlement

The code of conduct, as amended on 10 June 2014, provides procedures for individual and aggregated disputes.

2.1. Individual disputes

Companies that wish to make use of the procedure for individual disputes are expected to engage all reasonable efforts to resort first to the procedures that are easier, faster and at lower cost to resolve their disputes. The complainant may choose the method for the settlement of disputes. The following methods, in ascending order of complexity, rapidness and cost, can be envisaged:

- Commercial track
- Contract options
- Internal dispute resolution
- Mediation/arbitration requiring the consent of both parties
- “Jurisdictional” methods.

Each year, the European Supply Chain Initiative organizes during the months of September and October a survey on monitoring the handling of complaints. The results of the Belgian operators are processed and included in the annual report on the operation and development of the Supply Chain Initiative. The last report dating from January 2017 is available on the website of the European Supply Chain Initiative ⁵.

³ <http://supplychaininitiative.be/en/registry/>

⁴ <http://www.supplychaininitiative.eu/companies-covered-belgian-code-conduct>

⁵ http://supplychaininitiative.eu/sites/default/files/annual_report_sci_2016_02_finale.pdf



2.2. Aggregated disputes

The members of the partner organizations who have signed the code of conduct can report disputes from their daily practice to the responsible of their professional association.

The responsible of each professional association can request the Committee to analyse a dispute regarding a serious breach of the principles affecting several of its members. The Committee will follow in its assessment the basic principle “comply or explain”.

“Comply or explain” means that both purchasers and suppliers can – in their “declaration of fair relationships between suppliers and purchasers” – provide derogations to the recommendations of this code as long as they clarify their policy on the matter.

The following “aggregated” disputes arose during the 2016-2017 year of activity:

- Commercial negotiations regarding the integration of two retail chains

Following a letter from two organizations of the chain consultation in which doubts were expressed about the compatibility with the code of conduct of the requirement for a retroactive purchasing advantage, there was a bilateral meeting between parties on the initiative of the chairman of the chain consultation. The steering group of the chain consultation was informed of these discussions, but did not wish to intervene as long as this bilateral concertation was still going on.

These discussions took place in a constructive atmosphere, but were discontinued after a while due to lack of specific information about possible breaches of the code. Parties were not able to reach an agreement on the appointment of an independent mediator under the code of conduct procedure for resolving disputes.

- Platform for the exchange of product specifications

In response to the question about the amount of the contribution charged to suppliers for use of an online platform for providing product specifications, it was proposed, via a workgroup with industry and retail experts, to examine the possibilities for the harmonization and optimization of systems for collecting product specifications for private label products. The Comeos members replied that they understand the call to strive for more harmonization. However due to contractual obligations and international instructions at group-level, most retailers have no room to manoeuvre to begin this practice. Only one retailer can begin such an exercise, but that does not appear to be very useful.

- Clearance of packaging

It has always been customary for the client/purchaser of a private label product to be responsible for the ordered packaging. In the field however, commercial pressure arises to



shift the risk for residual quantities from the purchaser to the supplier if the packaging stocks are not used up for one reason or another. The question has been asked whether such shifting of risks is in line with the recommendations of the code of conduct. The Comeos members point out that the responsibility for private label packaging is contractually provided for and agreed with the suppliers, who must ask permission from the purchaser for reissue or reorder of packaging. But in practice, some private label suppliers do that on their own initiative because it is often cheaper to purchase large quantities. In these cases, the suppliers do not respect the contractual agreements and as a result, the purchasers cannot be held responsible for any surpluses. If a problem arises in practice however, then the retailer concerned is usually open to finding an appropriate solution. To the extent that the retailers respect the contractually agreed provisions, it would therefore appear, according to Comeos, that there is no infringement of the code of conduct principles.

3. Adjustments

The necessary measures have been taken by the partner organizations of the Belgian chain consultation to strengthen the code of conduct from their concerns about the economic viability of all operators within the chain:

- Refinement of the dispute procedure

The escalation procedure for handling disputes was refined in an additional text with no substantive deviation from the code of conduct itself.

- Creation of the Governance Committee

The governance committee is a sub-committee within the chain consultation, which monitors the application of the code of conduct for fair commercial relationships. The first meeting of the newly established governance committee took place on 30 November 2017. The committee consists of representatives of the organizations who have subscribed to the code of conduct. This committee ensures compliance with the code, makes proposals for adjustments, decides whether the complaints submitted are admissible, develops and monitors the dispute settlement procedures and handles group complaints about breaches of the code.

- Appointment of an external, independent chairman for the governance committee

An independent chairman has also been appointed for the governance committee. He moderates the discussions and monitors the agreed dispute procedure and the 'comply or explain' principle. Companies that deviate from the recommendations of the code of conduct must clarify their policy on the matter. If a dispute raised at sectoral level cannot be solved, the governance committee can invite the parties to appoint a certified mediator in order to start a conciliation procedure (the cost of which will be borne by the parties involved).



It has been decided to work towards the spring of 2018, when there will be an information meeting for all stakeholders on the code of conduct in the agri-food chain, the functioning of the new governance committee, the opportunities that companies have for working on fair business relationships and how they can deal with breaches of the code.

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