



## Modern Slavery Statement 2017/18

This statement is made by Lidl Northern Ireland GmbH pursuant to section 54 of the Modern Slavery Act 2015 (the 'Act') and constitutes our slavery and human trafficking statement for the financial year ended 28 February 2018.

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## Introduction

The International Labour Organization (ILO) estimated that, at any given time in 2016, 24.9 million people worldwide were victims of forced *labour*\*. This included 16 million people working in the private sector, ranging from construction and manufacturing to agriculture and fishing. At Lidl Northern Ireland, we believe we can play a role in helping to tackle modern slavery by first understanding where there may be risks of forced labour, labour trafficking and other hidden third party exploitation of workers within our business and supply chains and secondly, making sure that our response to these risks is effective. Importantly, we must work together with our suppliers, the wider industry and a range of cross-sector partners to address what is a complex and systemic issue collectively.

This is our second modern slavery statement. It sets out the range of actions we have taken over the past year to tackle slavery and human trafficking. Our key focus areas have been:

- Conducting a business wide human rights review to identify our priority areas
- Developing the principles that will guide our approach in the coming years
- Collaborating with partners to address systemic issues collectively, whilst building our knowledge and expertise
- Taking action by establishing a human rights monitoring programme and engaging with suppliers

\* 2017 Global Estimates of Modern Slavery



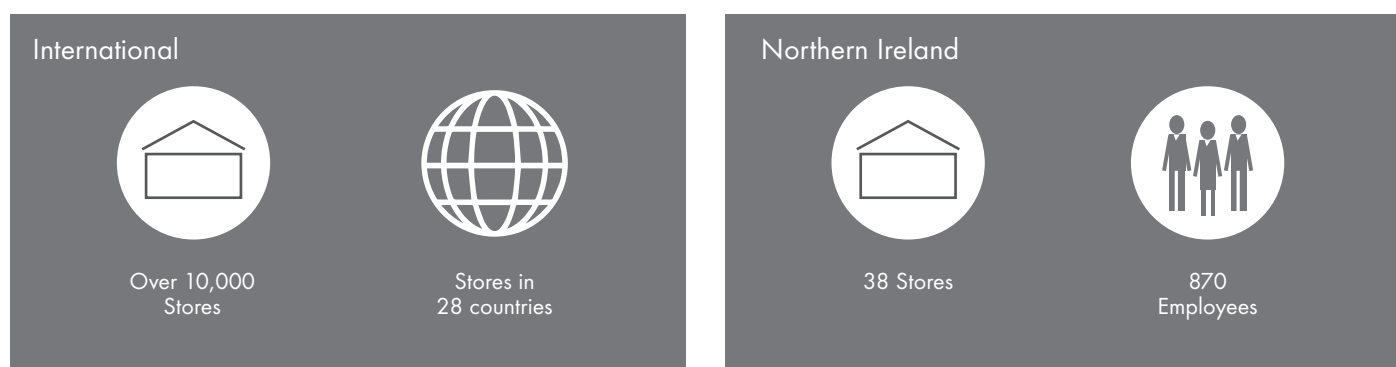
# 1. Our structure, business and its supply chains

## International

Lidl Northern Ireland forms part of a privately owned international group, Lidl Stiftung. The group, which is based in Neckarsulm, Germany, operates over 10,000 retail stores in 28 countries across both Europe and the United States.

## Northern Ireland

Since entering the market in 1999, Lidl Northern Ireland has grown to 38 stores and one regional distribution centre located in County Antrim and employs approximately 870 employees. In February 2018 our market share was 5.5%.



## Governance

At Lidl Northern Ireland, responsibility for the development and oversight of ethical and sustainability policies, including modern slavery, sits with the Managing Director. A dedicated team of ethical trade and sustainability experts are responsible for facilitating the delivery of the strategy and ensuring it is embedded across a range of internal functions including buying, HR and procurement.

## Products for re-sale

As a major retailer we source a wide range of food and non-food products from over 60 source countries and hundreds of suppliers. Our products are negotiated by buying teams based in Ireland, our international headquarters in Germany and across our network of Lidl companies based in Europe.

In Northern Ireland we buy over £85 million worth of goods annually from over 50 suppliers. We have worked with many of our suppliers for several years and they have been able to grow with us through our fair and simple buying practices. Our ethical trade monitoring programme covers both our own-label products, which account for around 90% of our sales, and our third-party branded products.

The table below provides an insight into our tier one supplier workforce data. 'Tier one' refers to the final packaging and production sites of suppliers of permanent products. These are negotiated by our buying team in Ireland.

Region	Number of sites	Number of workers	Percentage Male	Percentage Female
UK & Ireland	126	18,838	66%	34%
Europe	4	761	70%	30%
Total	130	19,599	68%	32%

Figure 1: Lidl Northern Ireland Tier 1 supplier workforce data (FY 17/18) accessed via the Supplier Ethical Data Exchange (Sedex) platform\*



Within our non-food supply chains, the tier-1 production facilities for our own-brand textiles and footwear are published on our Lidl Germany website. This list currently includes around 650 producers and is updated every six months.

## Goods and services not for re-sale (GSNFR)

In addition to the goods we sell in our stores, we also procure a range of goods and services that we use in the everyday running of our business. This covers everything from refrigeration, shelving, shopping trolleys, ovens and checkout counters in our stores to our security, cleaning and maintenance services. In total we spend over £14 million with over 400 suppliers, with 75% of our spend directed through our top 60 suppliers.

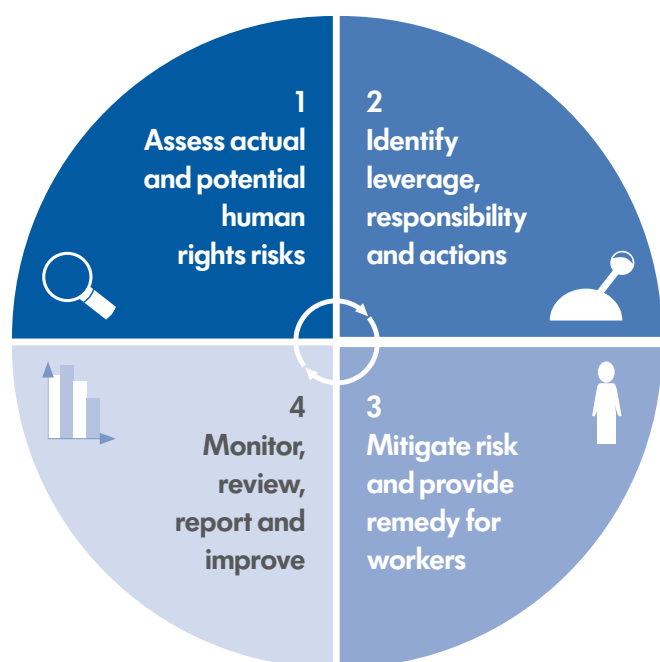
In the area of property and construction last year (FY17) we spent £10.5 million on investment in three main store construction projects; two store relocations (Lurgan, Connswater) and one rebuild (Magherafelt). We work with approximately 23 construction contractors, consultants and suppliers.

## 2. Assessing and managing the risk of modern slavery

### Human Rights Due Diligence and our Principles

We believe modern slavery is most effectively tackled as part of a wider focus on protecting human rights within our business and supply chains. We continue to apply the Ethical Trade Initiative (ETI)'s Human Rights Due Diligence Framework to manage and mitigate modern slavery risk.

In the past year we developed the business principles to guide our approach to protecting the human rights of people within our business and supply chains.



#### Principles guiding our approach to human rights

- We have a responsibility to ensure human rights are respected throughout our business and the supply chain
- Open and honest communication will help suppliers take ownership and responsibility for human rights
- We prioritise our risks based on the potential severity of their impact, and leverage guides our response
- We must engage directly with potentially affected parties
- The actions that we take are what matter, and this requires an understanding of root causes

Figure 2: The ETI's Human Rights Due Diligence framework



## Policies in relation to modern slavery

### In our business

In our own business we implement a range of policies to guide the recruitment and behaviour of the colleagues we employ, both directly and indirectly through recruitment agencies, to protect them from the risk of modern day slavery. Lidl Northern Ireland ensures that appropriate recruitment processes and procedures are in place and adhered to in order to safeguard against slavery and human trafficking.

All employees are given terms and conditions of employment that are monitored and updated on an ongoing basis to reflect best practice and changes to employment law. Furthermore, the company adopts a strict Dignity at Work Policy which helps to safe guard colleagues from any incidents of bullying, harassment or discrimination.

We have published our *Modern Slavery Requirements*, which set out our expectations for the contractors we use specifically relating to slavery and human trafficking. We require our contractors to agree to conduct a programme of annual training to ensure compliance with our Modern Slavery Requirements. If our contractors breach our modern slavery requirements then we ultimately reserve the right to terminate our relationship with them.

### In our supply chains

A large number of people are involved in the production of our food and non-food products, making our supply chains a key focus for our activities.

[Lidl's Supplier Code of Conduct](#) (the Code) was developed in 2007 in line with the International Labour Organisation (ILO) core conventions. It defines the social expectations of all global direct and indirect suppliers and forms an integral part of our commercial contracts. The Code specifically prohibits human rights violations in the form of both child labour and forced labour and further addresses issues including working conditions, discrimination and workplace health and safety. It is available online to ensure our expectations are clear to all of our stakeholders.

## Understanding and reviewing modern slavery risk

To help us understand the actual and potential modern slavery risk in our supply chains in a systematic way, we continue to use the Sedex Risk Assessment Tool and the amfori BSCI Country Risk Classification.

In addition to these tools, our team of dedicated ethical trading experts across the Lidl network also engage closely with suppliers, non-governmental organisations (NGOs) and key stakeholders to ensure that emerging issues connected to modern slavery are understood first-hand and appropriately responded to. For example, *it has been reported* that a survey carried out by the Northern Ireland Food and Drinks Association (NIFDA) found there has been a decline in the number of workers applying to work in food supply chains in Northern Ireland, while the Institute for Human Rights and Business has highlighted *the impact of recruitment fees* on vulnerable workers. We also recognise that, in many countries, non-standard work (sometimes referred to as the "gig economy") is becoming more widespread. These trends could increase the likelihood of worker exploitation, so it is important to continue to work closely with our suppliers to take action.





## Tackling modern slavery in our business

We tackle modern slavery within our business through a range of responsible recruitment measures. In 2016 we were proud to become the first major retailer in Ireland and Northern Ireland to commit to paying the real living wage to each of our team members. The vast majority of our colleagues are employed on permanent contracts and temporary workers are only used for periods of high demand, or as a temporary measure until permanent workers can be recruited.

One of the major areas of risk within our business is where workers are not directly employed by Lidl, for example, where we contract our haulage and waste disposal services to third parties. In order to reduce risks in these areas, this year we brought our Haulage and Waste and Recycling partners into the scope of our ethical trade monitoring programme.

Lidl Northern Ireland has a dedicated Employee Relations Officer who is trained and accountable for supporting the welfare of staff in the business in Northern Ireland. We also operate a confidential Whistleblowing Hotline and online reporting system that members of the public, employees and business partners can use to report modern slavery or breaches of our policies and procedures. The reporting tool is available in almost all languages worldwide and is operated by a provider independent of Lidl, enabling customers, employees, and business partners to pass on anonymous, and secure information, which is immediately forwarded to the compliance officer, but does not allow Lidl to trace the information against the individual's wishes.

This year we received 10 reports through our whistleblowing hotline and online reporting system. These related to HR issues, health and safety concerns and thefts in store. We did not receive any reports of modern slavery within our direct business operations.

## Tackling modern slavery in our supply chains

### Tier One

While we recognise the limitations of third-party social auditing in promoting decent work and identifying the more 'hidden' human rights abuses such as modern slavery, well-conducted audits can help us understand where suppliers are in terms of compliance against our Code of Conduct and the management systems they have in place. They also help reinforce our expectations and demonstrate that we are committed to protecting the workers who produce the goods we sell, who are interviewed in confidence during the audit.

As part of our due diligence process, all suppliers negotiated by our buying team in Ireland must complete a profile and answer a detailed self-assessment questionnaire (SAQ) via the Sedex platform. This allows us to collect information about, for example, the number, gender and nationality of their employees, the percentage of seasonal workers, whether agency labour is used, the names of labour providers and what systems are in place to monitor labour providers. We use this information to prioritise areas of modern slavery risk and develop targeted actions.

**42%** 42% of our Tier 1 suppliers use agency labour, supplying 1,141 workers



1,231 people (6% of the workforce) are employed on a temporary basis to cover peak season production



3 of our Tier 1 suppliers provide living accommodation to their workers

We require our 'high risk' tier one sites to undertake an independent social audit, and our ethical trading specialists check that corrective action plans are implemented against any areas of non-compliance. We also review the audits undertaken by our lower risk suppliers and monitor their action plans on Sedex.



The majority of issues identified during social audits this year (FY17) related to occupational health and safety (55%), working hours (10%) and wages (9%), while 6 instances (8%) were identified where management systems could be strengthened. No non-compliances fell under the 'employment is freely chosen' category and we did not receive any reports of modern slavery within our supply chains outside of our monitoring programme this year.

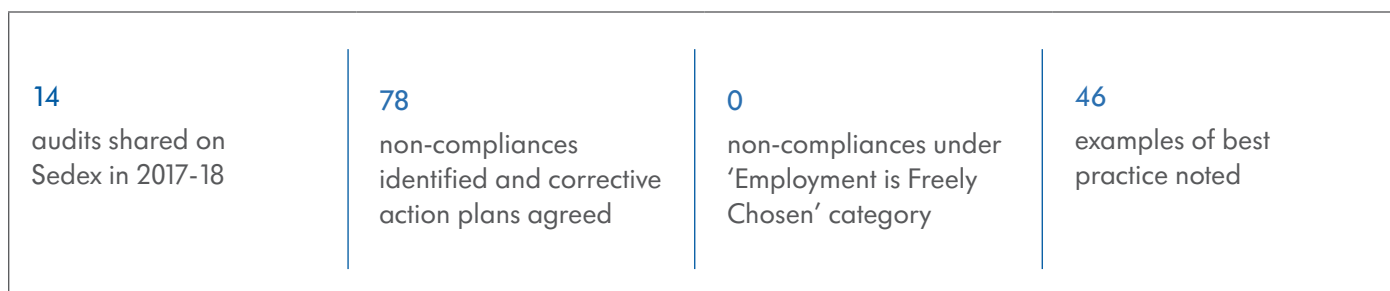


Figure 3: Audit insights; our ethical trading specialists check that corrective action plans are implemented against any areas of non-compliance

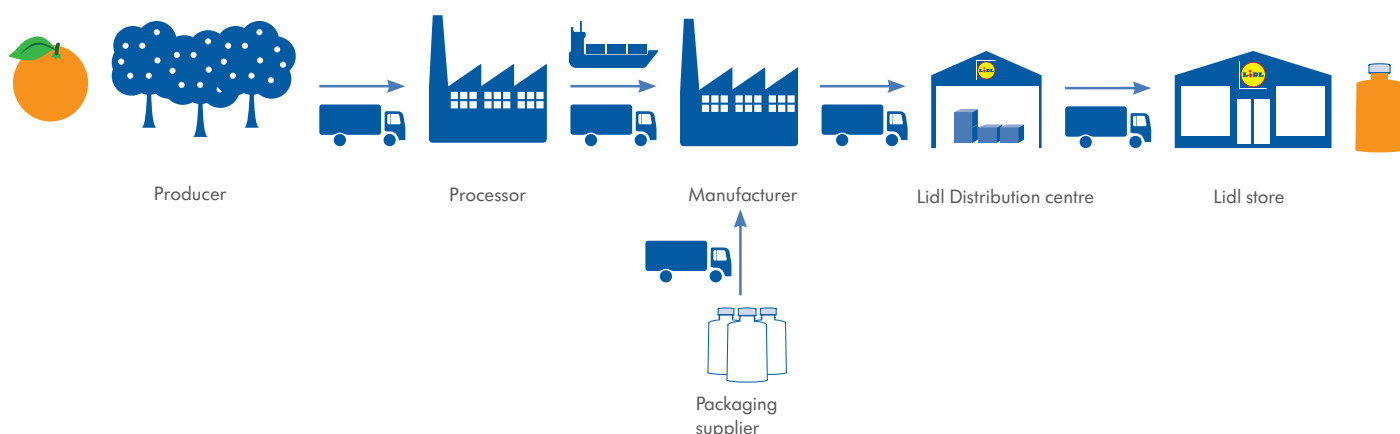
We have developed a bespoke report within the Sedex platform to help us monitor our suppliers' performance against our programme. However, we will continue to place emphasis on understanding the root cause of any issues, as we feel this is the best way to ensure that lasting changes take place.

Lidl has been a member of the Business Social Compliance Initiative (BSCI) for over ten years and, in this time, all tier 1 non-food producers regularly undergo a BSCI audit, primarily in Bangladesh and China. Progress against these action plans are monitored by ethical trading specialists within the business.

To deepen our understanding of the issues facing workers within our non-food supply chains, we are working with an experienced partner to conduct an in-depth 'worker voice' survey. The insights from this survey will be used to shape further action in these supply chains.

## Beyond Tier One

Figure 4: A typical food retail supply chain



Our tier one suppliers source from tens of thousands of production sites (including farms, plantations and fisheries) globally and we appreciate that it's simply not realistic to visit them all, so this year we identified our salient risk areas. As a first step, we engaged with stakeholders to understand our salient issues and then assessed where the most severe human rights impacts, such as forced labour might exist in the supply chains of the food products that we sell. We then assessed our level of spend and supplier relationships within each supply chain, and used both factors to set our priority focus areas.



Product/ commodity	Country
Fruit and Vegetables	Spain, Dominican Republic, Colombia, Costa Rica, Chile, Côte d'Ivoire
Palm oil	Indonesia, Malaysia
Cocoa	Côte d'Ivoire
Tea	India, Kenya, Malawi, Zimbabwe, Tanzania, China
Coffee	Colombia, Guatemala, Kenya, Indonesia
Fish and Seafood	Ireland, South Africa, Vietnam, Russia
Fresh Meat and Poultry	Ireland

Figure 5: Priority product areas / raw commodities and source countries of origin



Figure 6: Salient Human Rights Risks

In the coming year we will be developing strategies and action plans in the areas that we feel we need to strengthen against the risk of human rights violations including modern slavery. As we typically have less leverage further upstream in our supply chain, it's important that we identify where we can work with others to tackle modern slavery collectively.

### Strengthening our supplier relationships

Our fair and simple buying practices, made possible by our lean teams and processes, have been key to helping us build sustainable trading relationships with our suppliers. We understand this can play a significant role in helping suppliers to effectively plan their labour force needs and to build open communication lines. Over the financial year 20 suppliers in Northern Ireland accounted for 94% of product sourced. Of these top 20 suppliers only 1 has worked with us for less than 5 years.



## Certifications schemes

Like social audits, we understand that certification schemes alone won't stop modern slavery, but they are an important tool that can help move standards in the right direction further upstream in our supply chains.

This year we:

- Increased the proportion of our Fairtrade and Rainforest Alliance tea and coffee significantly and published a policy paper
- Reached 100% sustainably certified cocoa and bananas (Fairtrade, UTZ, Rainforest Alliance)
- Reached 100% volume of Roundtable on Sustainable Palm Oil (RSPO) certified palm oil
- Committed to sourcing our wild-caught seafood from Marine Stewardship Council (MSC) certified fisheries. In the reporting period the MSC has been consulting to build the protection of human rights into their standards



## 3. Collaboration, capacity building and training

### Working with others

We recognise that systemic issues like modern slavery cannot be effectively tackled without the involvement of a whole range of cross sector partners working together. This year, through our relationship with Lidl UK we have been involved with a number of collaborations at industry-level to improve working conditions and tackle modern slavery across the food sector. These are outlined below.

### Spanish Ethical Trade Forums

The Spanish Ethical Trade Forums, supported by retailers and importers, bring Spanish growers together at local workshops to share good practice and discuss how to improve labour standards for agricultural workers in southern Spain.



### Stronger Together

Stronger Together is a multi-stakeholder initiative dedicated to tackling modern slavery in supply chains. It provides access to best practice resources and toolkits, specialist training workshops and the opportunity for us to collaborate with the industry on high risk areas and policy positions. An independent impact assessment of Stronger Together found that 96% of respondents felt that the training had increased their knowledge of what modern slavery is, and 87% found that it helped them to prepare how to manage potential situations of forced labour.



tackling hidden labour exploitation





## Sedex Stakeholder Forum (SSF)

The SSF brings together brands, retailers, suppliers, NGOs, industry experts and auditing companies to help address challenges in ethical auditing collaboratively. This year we joined the SSF and trialled the new Sedex 'forced labour indicators' tool to help us understand whether more subtle issues picked up from the SAQ and during audits could help us understand where modern slavery might be taking place within our supply chains.



## Gangmasters and Labour Abuse Authority (GLAA)

The GLAA licensing scheme regulates businesses who provide workers to the fresh produce supply chain and horticulture industry. Labour providers are assessed to check they meet the [GLAA licensing standards](#) which cover health and safety, accommodation, pay, transport and training. We have a long-standing relationship with the GLAA, who we work with to identify and protect workers in our supply chain.



**Gangmasters &  
Labour Abuse Authority**

## Training – in our business

We recognise that the knowledge, responsibility and conduct of our employees plays an important role in mitigating the risk of slavery and human trafficking within our organisation. To this end:

- Modern slavery awareness raising training has been delivered to senior staff members and all key employees authorised to enter into contracts for the provision of goods and services
- This year we developed internal modern slavery awareness training which will be delivered to relevant colleagues with line management responsibilities working in our warehouses

## Training – in our supply chains

Making sure our suppliers build their capacity in ethical trade is a key strategy for us in preventing modern slavery within our supply chains. Our contracts require all our suppliers in Ireland and Northern Ireland to have carried out the appropriate training to identify and mitigate the risk of modern slavery and to provide evidence of such training upon request. This year we asked all our suppliers in Northern Ireland to attend Stronger Together's 'Tackling Modern Slavery in UK Businesses' workshop, which will be held in in Antrim in September 2018.

Since 2008, we have worked with the German Corporation for International Cooperation (GIZ) to deliver bespoke training programmes aimed at improving labour standards for production facilities in our non-food supply chain. GIZ currently employs more than 20 people in Bangladesh dedicated to support suppliers to improve working conditions and social compliance including preventing forced labour.

In collaboration with an expert partner, we are also developing a set of simple management tools for our non-food suppliers to use in order to help address known inherent country risks.



## 4. Our plans for 2018 and beyond

Lidl Northern Ireland views its responsibility to respect human rights across our supply chain as critical to our success and as the right thing to do. Modern slavery is an evolving topic and, as such, we will continue to develop our approach and report on our progress. In the year ahead, we will focus on the following priority areas:

- Increasing the transparency of our supply chains
- Strengthening our actions to address risks beyond the first tier of our supply chain
- Continuing supplier and internal engagement to build awareness and capacity

This statement was approved by the Board of Directors of Lidl Northern Ireland.

Signed,

A handwritten signature in black ink, appearing to read "J.P. Scally". The signature is stylized with a large, sweeping initial 'J' and a circular flourish at the end.

J.P. Scally

Managing Director