



Modern Slavery Statement 2017/18

This statement is made by Lidl UK GmbH (Lidl UK) 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 UK, 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, engaging with suppliers and supporting initiatives that directly impact workers

* 2017 Global Estimates of Modern Slavery



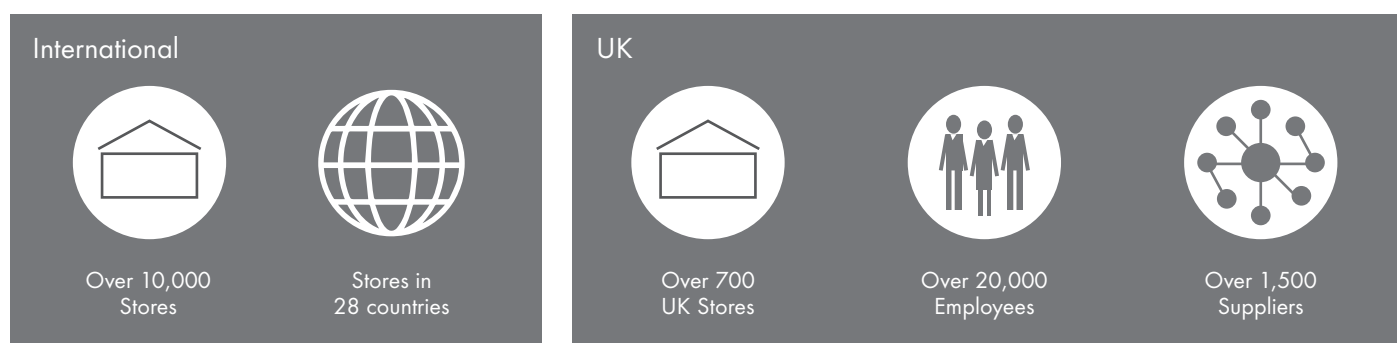
1. Our structure, business and its supply chains

International

Lidl forms part of the Schwarz retail group, one of Europe’s leading organisations in the food retail industry. Lidl operates over 10,000 retail stores in 28 countries across both Europe and the United States, with headquarters based in Neckarsulm, Germany.

United Kingdom

Since entering the UK market in 1994, Lidl UK has grown to over 700 stores and now employs more than 20,000 people working across our stores, distribution centres and head office in Wimbledon, London. In 2017 our market share was 5.1% with turnover of 6.05bn.



Governance

At Lidl UK, corporate social responsibility (CSR) is ultimately overseen by the CEO. Responsibility for the development of sourcing and supply chain policies sits with the commercial board 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 food buying, HR and procurement.

Products for re-sale

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

At Lidl UK approximately two thirds of our permanent food products are sourced from UK suppliers. We have worked with many of our suppliers for many years and they have been able to grow with us through our fair and simple buying practices. Our ethical trade monitoring programme covers our own-label products, which account for around 90% of our sales. The remainder of our sales comes from 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 own label permanent products. These are negotiated by our Lidl UK buying teams and represent approximately two thirds of our volumes.

Region	Number of sites	Number of workers	Percentage Male	Percentage Female
UK & Ireland	444	124,302	64%	36%
Europe	37	8,221	46%	54%
Rest of the world	13	33,250	44%	56%
Total	494	165,773	59%	41%

Figure1: Lidl UK Tier 1 supplier workforce data (FY17/18), accessed via the Supplier Ethical Data Exchange Platform (Sedex)



Within our non-food supply chains, the main production facilities for our own-brand textiles and footwear are published on our website (www.lidl.co.uk/textileproduction). 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 the trollies and uniforms used in our stores to marketing, security, and waste disposal services. Across all GSNFR categories we work with around 4,000 suppliers.

Our largest spend within this category is in property and construction. This is due to the fact that we are investing £1.45bn on expansion across 2017-18. In 2017 this investment included over 80 store developments, including new stores, extensions and new store refurbishments as well as two new regional distribution centres. In FY 2018, we plan to open over 50 new stores and regenerate 30 existing stores.

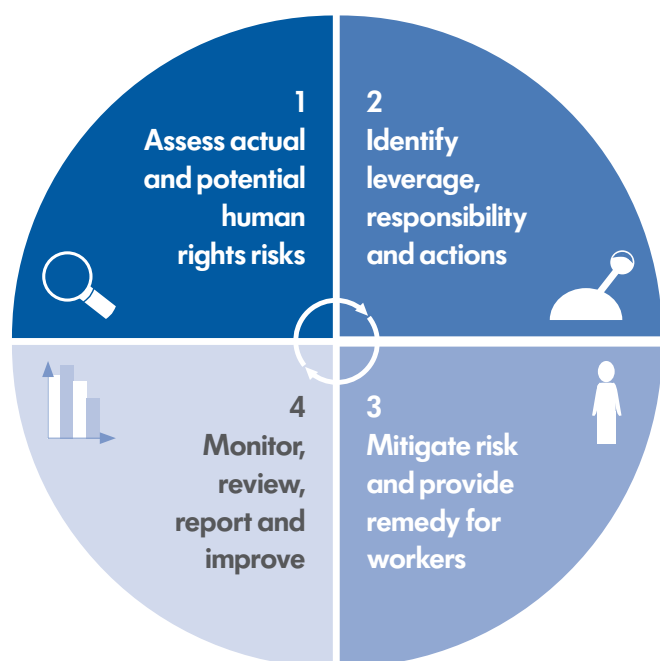
2. Assessing and managing the risk of modern slavery

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 our strategy further by working with a third party specialist to set the business principles to guide our approach to protecting human rights.

Figure 2: The ETI due diligence framework



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



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. These policies include our Anti-Harassment Policy, Grievance Procedure and Eligibility to Work procedure.

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. This year we made our expectations clearer to all our stakeholders by publishing the Code of Conduct on our website for the first time. We also:

- published our second Responsible Fish and Seafood Sourcing Policy, to set clear sourcing standards on a number of areas including human rights
- published, and built into our standard supplier contractual terms, a Supply Chain Policy for the Responsible Use of Labour Providers.

The responsible recruitment of workers within supply chains is a priority for Lidl UK, as it represents a clear mechanism through which potentially vulnerable workers can be protected from exploitation

<https://www.lidl.co.uk/en/Human-rights-11055.htm>

Understanding and reviewing modern slavery risk

To help us understand the actual and potential modern slavery risk in our supply chains in a systemic way, we continue to use the Sedex Risk Assessment Tool and the amfori BSCI Country Risk Classification. This year we also started using the Food Network for Ethical Trade (FNET) risk assessment tool to help us take a more targeted approach to risks beyond the first tier of our food supply chains. Sources of information for these tools include the US Department of Labor List of Goods Produced by Child Labor or Forced Labor, the Global Slavery Index and the ITUC Global Rights Index 2017.

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, in January 2018 the *Association of Labour Providers* reported a decline in the number of workers applying to work in food supply chains in the UK 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's important that we 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 supermarket in the UK to pay the living wage rate, as recommended by the Living Wage Foundation; a commitment that was reinforced in 2017, when wages for over 16,000 employees were raised in line with the new living wage calculations. The 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. The greatest area of risk within our business is where workers are not directly employed by Lidl, for example, when Warehouse Operative agency workers are used in our Regional Distribution Centres (RDCs).



Although it is not commonplace within our business to use third-party agencies, we continue to work on minimising the risk by reducing the number of third party agencies we work with and reviewing the contractual terms for the third party agencies that supply workers for our distribution centres.

In the coming year we will work with our procurement functions to determine which of our Goods and Services Not for Resale (GSNFR) suppliers we will bring into the scope of our ethical trade monitoring programme.

In addition to the above, each of our regions in the UK has a dedicated Personnel Welfare Coordinator (PWC), who is trained and accountable for supporting the welfare of Lidl employees in their area. Through our partner, Stronger Together, every PWC has been trained to understand the signs of modern day slavery. 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.

This year we received 39 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 ‘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 to 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 own-label suppliers negotiated by our UK buying team 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.

77% 77% of our Tier 1 suppliers use agency labour, supplying 29,496 workers



23,209 people (14% of the workforce) are employed on a temporary basis to cover peak season production

16%  16% 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 audits in FY17/18 related to occupational health and safety (42%), wages (15%) and working hours (14%), while 72 instances (7.5%) were identified where management systems could be strengthened. 25 non-compliances (2.6%) fell under the 'employment is freely chosen' category, reflecting incorrect calculations in holiday pay, a lack of clarity in contracts around overtime hours, disproportionate deductions for lateness and the absence of specific policies.

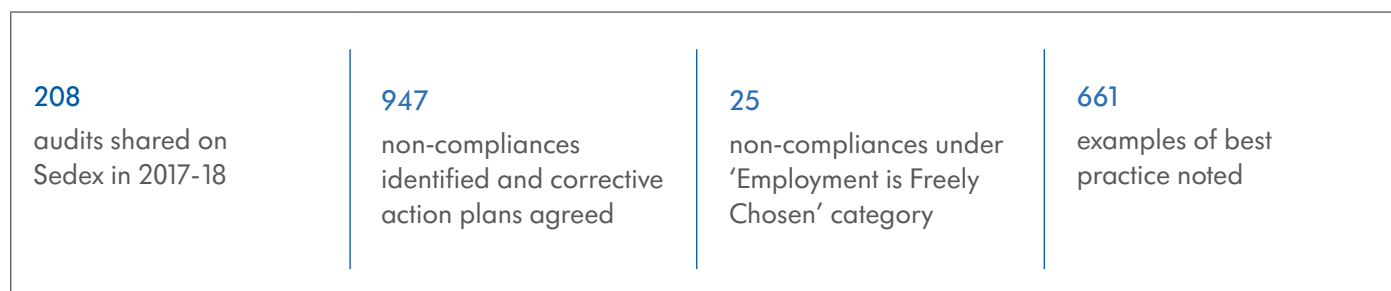


Figure 3: Audit insights; our ethical trading specialists check that corrective action plans are implemented against any areas of non-compliance

This year, we 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.

Case Study – Detecting Modern Slavery

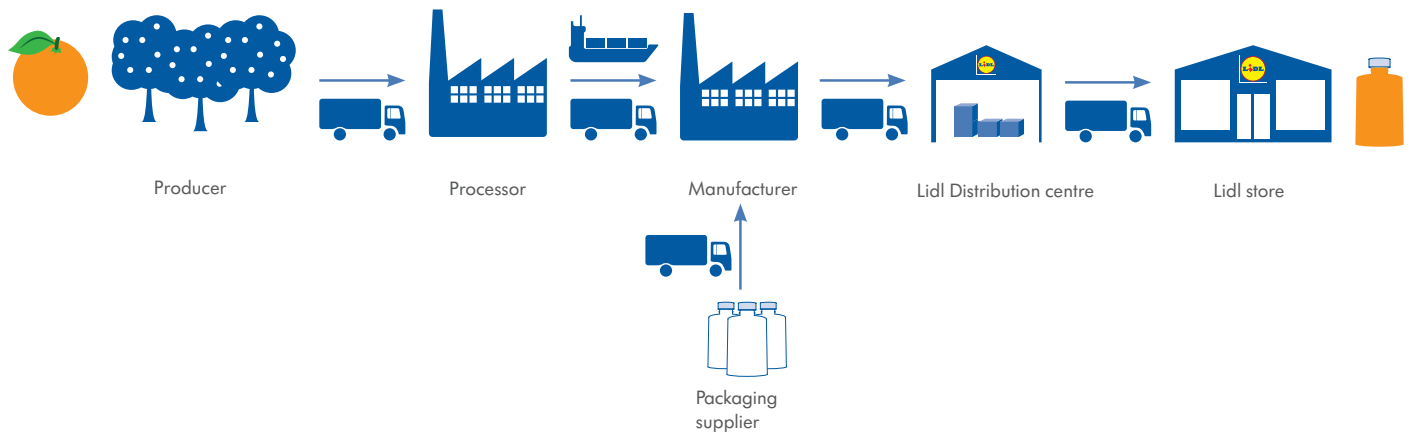
This year, one incident of modern slavery was found within one of our UK tier 1 food supplier's sites in Cambridgeshire. The supplier reported the incident to the Gangmasters and Labour Abuse Authority (GLAA) and local police, whose investigation found that one of their employees had been housed and transported to work at over-inflated costs, while being detained through threats and financial controls by a third party. The incident demonstrated the importance of ensuring that our suppliers have the correct training in place to be prepared to manage potential situations of forced labour, as well as developing transparent relationships and strong communication with our suppliers.

We also received an anonymous letter which alleged potentially serious labour exploitation at a seafood processing facility in Scotland. We couldn't find any evidence that the facility had ever been used to supply Lidl, and we passed the details onto the GLAA to investigate the matter further.



Beyond Tier One

Figure 4: A typical retailer 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 is simply not realistic to visit them all, so this year we utilised a range of tools and engagements, *outlined here*, to identify 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.



Figure 5: Salient Human Rights Risks

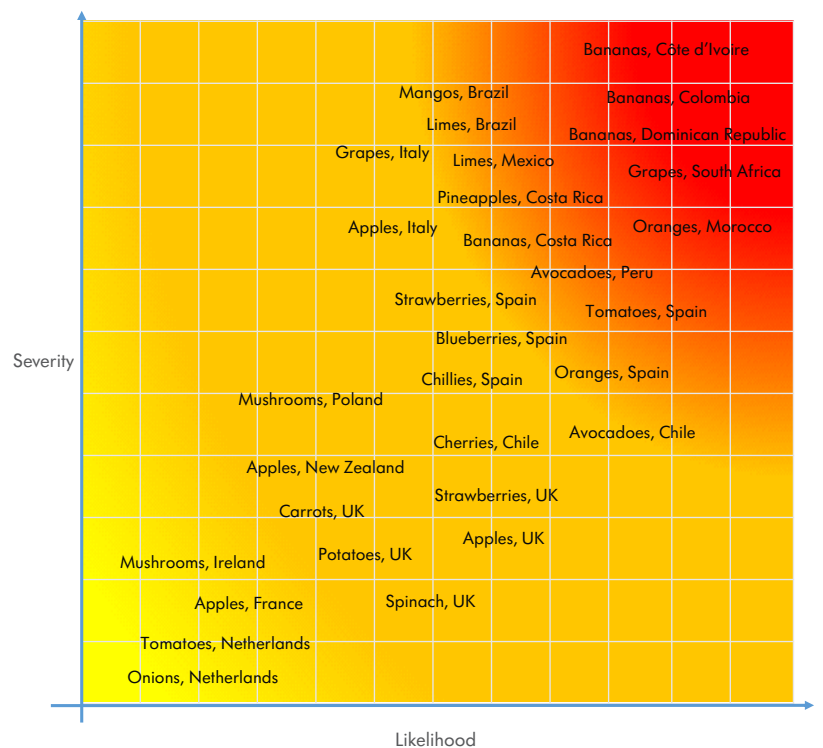


Figure 6: A snapshot of our salient risks heat map



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
Flowers	Kenya, Colombia, Uganda, Turkey
Wine	South Africa, Spain
Coffee	Colombia, Guatemala, Kenya, Indonesia
Tea	India, Kenya, Malawi, Zimbabwe, Tanzania, China
Cocoa	Côte d'Ivoire
Produce	UK, Italy, Spain, Colombia, Dominican Republic, South Africa, Côte d'Ivoire, Ecuador, Costa Rica, Chile
Fresh meat and poultry	UK
Seafood	UK, Vietnam, Indonesia, Ghana
Soy	Argentina, Brazil
Palm oil	Indonesia, Malaysia

Figure 7: Priority product areas / raw commodities and source countries of origin

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. We have already taken a range of actions in seafood, where we have:

- increased the transparency of our seafood supply chains by joining the Ocean Disclosure Project (ODP)
- published our second Responsible Fish and Seafood Sourcing Policy which clearly sets out our sourcing standards in a number of areas including human rights
- engaged with all key suppliers in the category to understand their action plans with workers in their supply chains

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. This year we joined the Spanish Ethical Forums and the Food Network for Ethical Trade (FNET) alongside other retailers and suppliers to help tackle issues such as modern slavery in food supply chains collaboratively.



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. In the UK, 20% of our suppliers represent 75% of our turnover, and we have worked with three quarters of these suppliers for over five years. We have worked with many of our fruit and vegetable suppliers for over 15 years.

Some of the actions we took this year to strengthen our relationships further include:

- Backing the National Farmers Union (NFU)'s "fruit and veg pledge", promising to buy more produce from UK farmers, offer fair terms, price certainty and long-term supply deals
- Introducing long-term contracts: this included a 3-year contract with Müller Milk & Ingredients – the first time a milk buyer and retailer have brought in a long-term fixed price option for farmers
- Holding our first supplier day in Scotland, where we engaged directly with our Scottish suppliers on key topics and explained our core business operations
- Consulting with our strategic fruit & vegetable suppliers about the development of an ethical trade policy and their existing approach to human rights

Integrating human rights into our purchasing decisions

In 2017, we were made aware of forced labour within cattle ranches in Brazil. Our responsible sourcing specialists and buyers worked with our corned beef supplier to understand their commitment to tackling modern slavery in Brazil. When we negotiated our contract, the supplier agreed to the following stipulations:



- They will not source cattle from farms that appear on the MTE (Ministry of Labour) slave labour register
- They will share risk analysis research completed with a local NGO to identify slave labour hotspots
- They will develop targeted action plans to ensure that the risk of slave labour is minimised
- They will share the results of farm audits with us

We are meeting with the supplier every three months to review their progress against the commitments.



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 certified tea (to 100%), bananas (to 100%) and coffee (to 50%)
- Reached 100% sustainably certified cocoa (Fairtrade, UTZ, Rainforest Alliance)
- Reached 100% volume of Roundtable on Sustainable Palm Oil (RSPO) certified palm oil
- Joined the Round Table on Responsible Soy (RTRS), who we are working with to strengthen the human rights element of their standards on soy production
- Committed to sourcing 100% of 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, we have been actively involved with a number of collaborations at industry level to improve working conditions and tackle modern slavery across the food sector. In November 2017, we also publicly supported the Evening Standard's modern slavery campaign, to raise awareness of this topic with the general public.

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Leading businesses sign up to help end the scandal of modern slavery after Evening Standard's call to action

NAOMI ACKERMAN | Friday 24 November 2017 12:31 | 0 comments

Food Network for Ethical Trade (FNET)

Lidl UK is on the governance group of FNET, a group of suppliers and retailers whose ambition is to improve human rights in global food supply chains through a common approach to managing ethical trade. FNET members receive a comprehensive risk assessment tool and the opportunity to learn from their peers on topics such as modern slavery and supply chain mapping, particularly looking into the second tier of the supply chain and beyond. To make sure our key suppliers are committed to protecting human rights, this year we asked all of our strategic suppliers to either join FNET or demonstrate their strategy for managing human rights risks throughout their supply chains.



Spanish Ethical Trade Forums

This year, we began supporting local workshops which bring together Spanish growers to share good practice and discuss how to improve labour standards for agricultural workers in southern Spain. The forums are supported by eight UK retailers alongside our first-tier suppliers.





Stronger Together

We continue to support Stronger Together, a multi-stakeholder initiative dedicated to tackling modern slavery across both UK and global supply chains. Stronger Together 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. We are committed to ensuring that 100% of our UK suppliers attend Stronger Together training as part of their trading relationship with Lidl. 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.



British Retail Consortium (BRC)

Alongside 25 other UK retailers, this year we signed up to the Better Retail, Better World pledge which includes our commitment to embed by 2020 a policy that no worker in the supply chain should pay for a job, to provide a safeguard against modern slavery. We attend the BRC's Ethical Labour Working Group which shares best practice on tackling modern slavery and the responsible use of labour providers. We have used our membership of the BRC to advocate for the development of a central registry for modern slavery statements and will be supporting an agreed protocol for handling cases of modern slavery in UK supply chains.



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. We have been actively involved with the SSF since 2016 and this year we trialled the new Sedex 'forced labour indicators' tool to help us understand whether more subtle issues picked up from the Self Assessment Questionnaire (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.



We are also working with other retailers to help drive improvements in caravan accommodation for temporary workers in the UK, and we attended a range of industry events and conferences, including the GLAA's annual conference.



Working with our colleagues

As a business we have been working for many years to minimise the risk of human rights violations and we recognise the importance of senior leadership on the issue. In 2017, our supply chain Human Rights review was presented to senior management within the buying departments, who agreed on the ongoing strategies outlined in this statement.

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 employees and all key employees authorised to enter into contracts for the provision of goods and services
- All employees involved in buying food products receive annual awareness training as part of our wider Groceries Supply Code of Practice (GSCOP) compliance programme

This year our HR team began developing internal modern slavery awareness training which will be delivered to all our 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. As a sponsor of Stronger Together, our suppliers are entitled to one free place at Stronger Together training workshops and we require all our UK own-label suppliers to attend a workshop. So far, 436 delegates from our Tier 1 suppliers and growers have attended the training. In the coming year, we will look to expand this requirement to our key contracted construction partners.

This year, we published an ethical trade training guidance document for our food suppliers to help direct them to build their capacity on human rights issues including modern slavery. This has been made freely available for download on our website.

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 UK 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
- Including key 'Goods and Services Not For Resale' suppliers and partners within the scope of our programme
- Continuing supplier and internal engagement to build awareness and capacity

This statement was approved by the Board of Directors of Lidl UK.

Signed,

A handwritten signature in black ink, which appears to read "Härt Nagel". The signature is written in a cursive style and is positioned to the left of a large, stylized circular flourish.

Christian Härt Nagel, Chief Executive Officer (CEO), Lidl UK