



## Modern Slavery Statement

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 2017.

### Introduction

The International Labour Organization (ILO) estimates that at least 21 million people worldwide are victims of forced labour. It is regarded as the fastest growing criminal industry and has been identified across multiple private sector economies, from construction and manufacturing to agriculture and fishing. Victims of slavery are often hidden within complex supply chains, controlled and threatened by criminal perpetrators, making their plight challenging to a) identify and b) effectively remediate. We welcome the UK government's Modern Slavery Act and the duty it places on businesses to publicly disclose the steps they are taking to tackle forced labour and human trafficking. We believe Modern Slavery is most effectively tackled as part of a wider human rights business strategy.

At Lidl UK, we operate with a fundamental respect for the rights of the people we interact with; whether they be our own direct employees, contract workers or people employed throughout our supply chains. To ensure this, we have aligned our business policies with internationally recognised labour standards and increased the transparency of our supply chains. We take a proactive due diligence approach to protecting the human rights of all people that we impact, directly or indirectly. Across our business and in our supply chains, we are firmly opposed to forced labour and all forms of labour exploitation. We have been working for many years to minimise the risk of human rights violations.

This statement includes:

- Our organisational structure and supply chain
- Working in collaboration
- Due diligence

Step 1		Assess actual and potential human rights risks
	Understanding and reviewing risk	
	Mapping our supply chains and building transparency	
Step 2		Identify leverage, responsibility and actions
	Our business policies	
	Social auditing framework	
	Working in collaboration	
Step 3		Mitigate risk and provide remedy for workers
	Training	
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Step 4		Monitor, review, report and improve
	Next Steps	



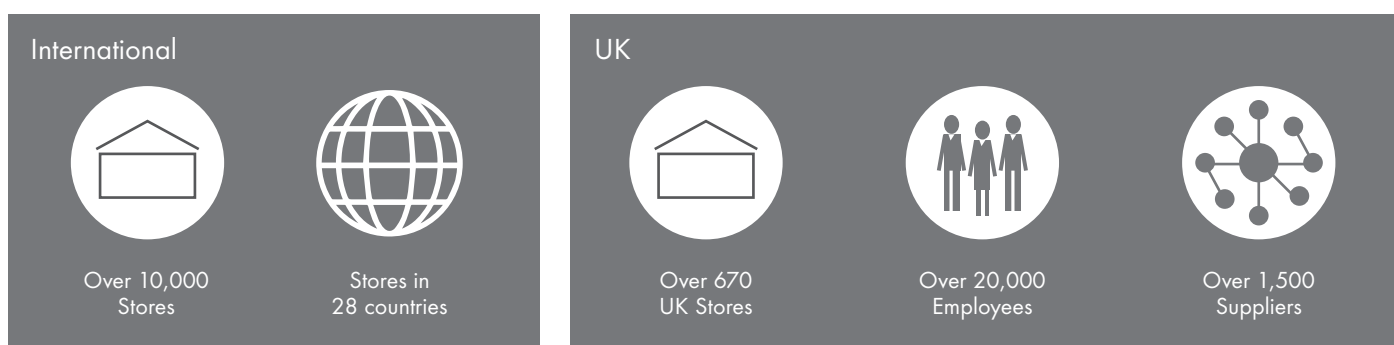
## Organisational structure and supply chains

### International

Lidl UK 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.

### UK

Since entering the UK market in 1994, Lidl UK has grown to over 670 stores and now directly employs more than 20,000 people working across our stores, distribution centres and head office. In recent years we have experienced rapid growth, with our market share reaching 5% in 2017.



As a leading UK discount retailer we operate within complex global supply chains, sourcing a wide range of food and non-food products from over 60 countries and from more than 1,500 suppliers. Our products are negotiated by buying teams based in Lidl UK, at our international headquarters in Germany and across our network of Lidl companies based in Europe.

At Lidl UK approximately two thirds of our permanent (non-promotional) food products are sourced from UK suppliers. We've 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.

## Working in collaboration

Due to the wide-scale, undercover nature of modern slavery we recognise that a collaborative approach is essential to effectively eradicating the issue. In 2016, we joined 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 also active members of the British Retail Consortium Ethical Labour Working Group where we are able to engage with other businesses in our sector to discuss specific issues relating to modern slavery and share good practice.



## Due diligence

Due to the nature of our business operations we know we must take a range of actions to prevent, manage and mitigate modern slavery across our own business operations and 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. At the same time, we recognise that modern slavery is a challenge within the UK and that we must be equally diligent in managing risk within our own operations.

## ETI Human Rights Due Diligence Framework

In our approach to help manage and mitigate modern slavery risk in our supply chains we have applied the Ethical Trading Initiative's (ETI) Human Rights Due Diligence Framework. We have outlined our actions under each of the four key steps set out in the framework:



### Step 1 – Assess actual and potential human rights risks



#### Understanding and reviewing risk

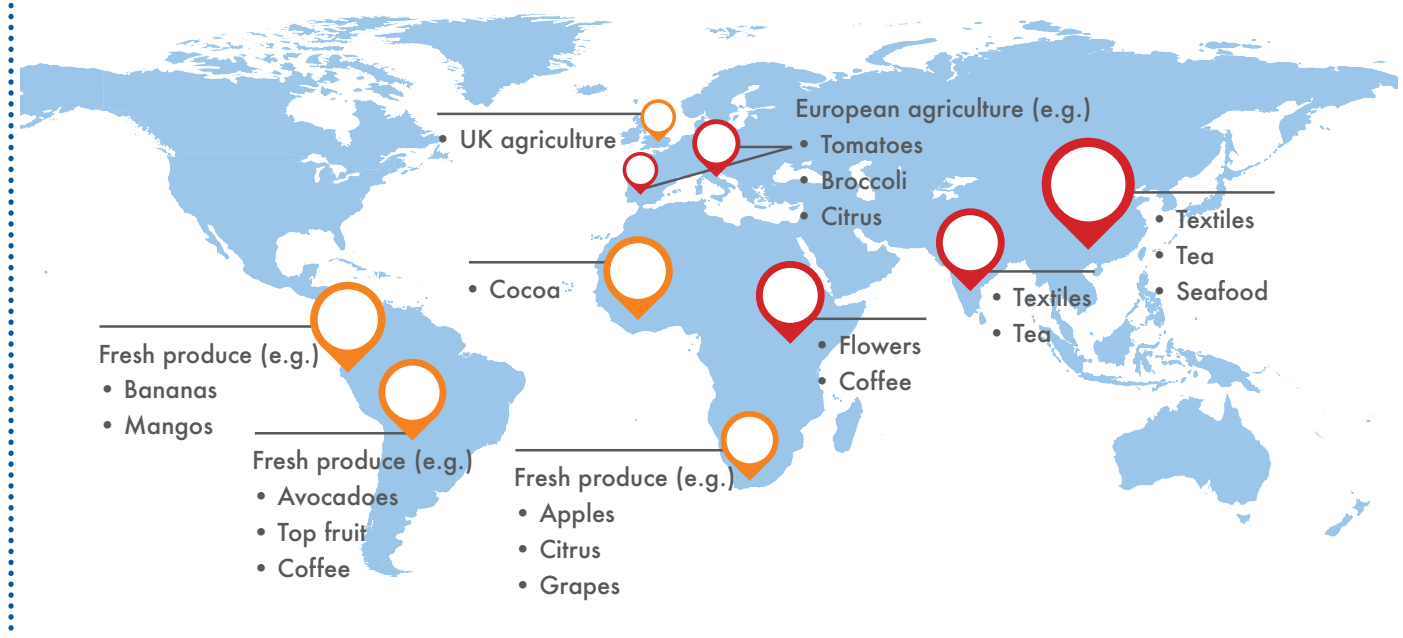
We use a range of indices to help us understand country level modern slavery risk in our supply chains. These include:

- the Supplier Ethical Data Exchange (SEDEX) risk assessment tool
- the Global Slavery Index
- the Business Social Compliance Initiative (BSCI) Risk Classification
- International Trade Union Confederation (ITUC) Global Rights Index

This information forms the basis for our human rights due diligence process within our supply chains by allowing us to identify and track country risk indicators.

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 upcoming issues with regards to modern slavery are appropriately assessed and responded to.

## Supply chain insights 2016/17



### Mapping our Supply Chains and Building Transparency

We are continually working to build the transparency of our supply chains. Since 2016 we have used the Supplier Ethical Data Exchange (SEDEX) platform to map our food supply chains and gather data on human rights, working conditions and modern slavery risks. This platform provides indicators of human rights risks to workers across our supply chain and has shown us, for example, that 80% of our UK supply base use a degree of agency labour, and 27% rely on temporary labour. This type of information helps us to prioritise areas of modern slavery risk and enables us to develop targeted actions. One of our key actions for 2017 is to build a labour provider policy on tackling modern slavery.

Within our non-food supply chains we have been members of the Business Social Compliance Initiative since 2007 and use this platform to map all of our own label suppliers. As part of our commitment to building transparency, we have published the tier-1 production facilities for our own-brand textiles and footwear on our website ([www.lidl.co.uk/textileproduction](http://www.lidl.co.uk/textileproduction)). This list currently includes around 600 producers addresses and is updated every six months.



## Step 2 – Identify leverage, responsibility and actions



In response to our intelligence gathering, we have taken the following actions:

### Our business policies

#### In our business

Each region has a dedicated Personnel Welfare Coordinator (PWC), who is trained and accountable for supporting the welfare of employees in the area. Every PWC has been trained to understand the signs of modern day slavery.

In addition to this, we operate a **Whistleblowing Policy and Hotline** to enable our employees and others working in our supply chains to report concerns about any unlawful or improper conduct. This extends to human rights violations like modern slavery and our policy is designed to ensure issues can be raised in confidence with assurances of anonymity, timely investigations and appropriate remedial actions being implemented.

#### In our supply chains

Lidl's **Supplier Code of Conduct** (the Code) defines the social and environmental expectations of all global direct and indirect suppliers. The Code forms an integral part of our commercial contracts and was developed in 2007 to demonstrate our commitment to upholding minimum social standards in line with the International Labour Organisation (ILO) Core Conventions. It specifically prohibits human rights violations in the forms of both child labour and forced labour and further addresses issues including working conditions, discrimination and workplace health and safety. In 2017, we strengthened the Code to require all suppliers contracted with Lidl UK to develop and operate policies and procedures appropriate to their business to tackle modern slavery.

All our suppliers are required to actively drive implementation of the standards set out in the Code and extend the same conditions throughout their supply chain.

#### Social auditing strategy

In order to monitor performance against the Code we have built risk-based social audit programmes across our supply chains. These are founded on either the SEDEX platform or BSCI and require all high risk suppliers to conduct independent social audits. Following audits commissioned at our sites, suppliers are expected to develop and implement corrective action plans against any areas of non-compliance. At a group level Lidl has been a member of the BSCI for over ten years and, in this time, all tier 1 non-food producers regularly undergo BSCI audit, primarily in Bangladesh and China.

Progress against these action plans are monitored by ethical trading specialists within the business.

We appreciate the limitations of third-party auditing in promoting decent work and protection of rights in our supply chains, especially in relation to 'hidden' activities such as labour exploitation. We, therefore, place a strong emphasis on root cause analysis, ensuring we build strong long-lasting trading relationships with our suppliers and working collaboratively on industry initiatives.



## Step 3 – Mitigate risk and provide remedy for workers



### Training

#### In our business

Lidl is focussed on raising the awareness of modern slavery with colleagues across the organisation. We recognise that the knowledge, responsibility and conduct of our staff plays an important role in mitigating the risk of slavery and human trafficking within our organisation.

In this regard:

- 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
- Ongoing training will be provided to key operational employees to ensure they are able to detect the signs of modern slavery in their day to day activities
- All employees involved in buying food products receive annual awareness training as part of our wider Groceries Supply Code of Practice (GSCOP) compliance programme

#### In our supply chains

We require all our UK suppliers to have attended dedicated training provided by Stronger Together to identify and mitigate the risk of modern slavery in their business and to provide evidence of such training upon request. Over 60% of our UK food suppliers have attended the training to date and we aim to have all our UK food suppliers trained by the end of 2017.

Since 2008, we have worked with German Corporation for International Cooperation (GIZ), a government-owned development agency to deliver bespoke training programmes aimed at improving labour standards for production facilities in our non-food supply chain. Our current joint programme focusses on Bangladesh, where GIZ currently employs more than 20 people dedicated to support suppliers in designing and implementing policies and procedures with the objective of improving working conditions and social compliance including preventing forced labour. To ensure effectiveness, GIZ coaches factory management and relevant departments in frequent face-to-face sessions. These capacity building measures are free of charge for participating suppliers.

In 2015, Lidl UK also became a member of the European Supply Chain Initiative providing a mechanism for fair and transparent dispute resolution and where we agree to implement and enforce the principles of good practice throughout our supply chain.



## Step 4 – Monitor, review, report and improve



### Next steps

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. Due to the complex nature of supply chains in the food sector, modern slavery is an evolving topic and as such we will continue to develop our approach and report on our progress. The next steps for Lidl UK include:

- Conducting a business wide human rights review to develop a modern slavery action plan within a broader human rights strategy
- Developing a labour provider policy on tackling modern slavery
- Identifying clear priority areas and actions to mitigate risks
- Defining clear KPIs to assess the effectiveness of our approach
- Collaborating with partners to build our knowledge and expertise

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

Signed,

A handwritten signature in black ink, appearing to read "Christian Härtnagel", followed by a large, stylized circular flourish.

Christian Härtnagel, Chief Executive Officer (CEO), Lidl UK