

# Lidl GB

# Modern Slavery Statement

2018/2019

This statement is made by Lidl GB Ltd (Lidl GB) 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 2019.



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# Introduction

The *International Labour Organisation* (ILO) estimates that 40 million adults globally are victims of modern day slavery. Within this group of people, it is predicted that 24.9 million people are victims of forced labour, 16 million of whom are exploited through the private sector. We recognise that the prevalence of modern slavery is rising across the UK and mainland Europe, and that a record number of potential victims were referred to the *UK National Referral Mechanism* in 2018.

At Lidl GB we play an important role in helping to tackle modern slavery. It is our responsibility to understand the risks within both our business and supply chains and to ensure that our management of these risks is effective. We must also ensure that any identified issues are effectively remediated, with all necessary support provided to affected victims.

Over the past year we have further developed our understanding of modern slavery, working closely with our suppliers and expert partners on this complex and systemic issue. Our business and supply chains are widely impacted by the uncertainty of our wider economy, meaning we have continued to evolve and develop our approach in our efforts to protect the most vulnerable people in our business and supply chains.

This is our third modern slavery statement. It builds on the approach outlined in our first two statements, setting out the additional actions we have taken over the past year to tackle modern slavery and human trafficking. Our key focus areas have been:

- Increasing internal capacity and dedicated resource to focus on ethical trade and human rights
- Raising awareness of modern slavery and the risks within our business and supply chains
- Strengthening ethical requirements within buying processes and commercial contracts
- Implementing our human rights strategy; engaging and collaborating with suppliers and supporting initiatives that directly impact workers

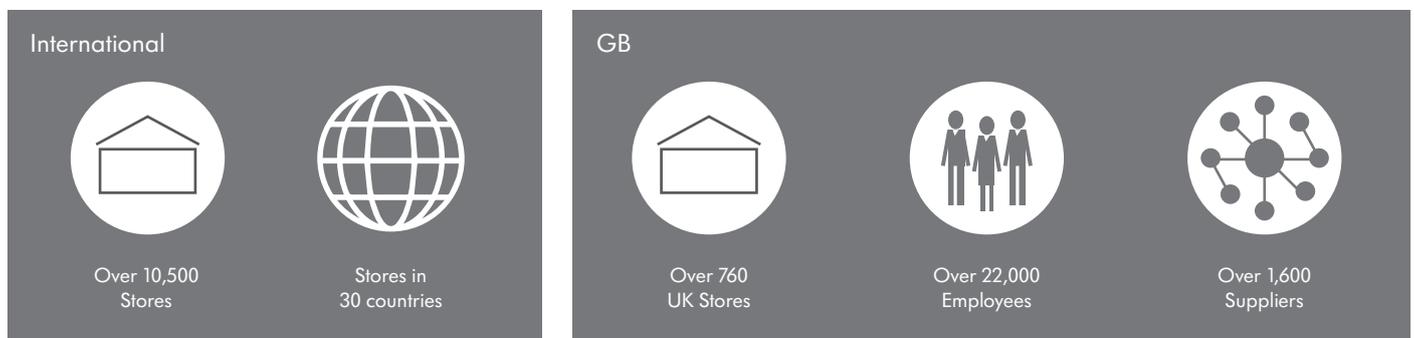
## Our structure, business and its supply chains

### International

Lidl forms part of the Schwarz retail group, one of Europe’s leading organisations in the food retail industry. Lidl operates over 10,500 retail stores in 30 countries across both Europe and the United States, with headquarters based in Neckarsulm, Germany.

### Great Britain

Since arriving in Great Britain in 1994, Lidl has experienced continuous growth and today employs over 22,000 people across 760 stores and 13 distribution centres in England, Scotland and Wales. In FY18, we increased our market share to 5.7% with a turnover of £6.6 billion. Our vision is to ‘make good food accessible to everyone’, meaning food that is produced and sold in a way that is good for people, good for producers and good for the planet.



## Governance

At Lidl GB, corporate social responsibility (CSR) is overseen by the Chief Executive Officer (CEO). Responsibility for the development of sourcing and supply chain policies, including tackling modern slavery, sits with the Chief Commercial Officer (CCO). A dedicated team of ethical trade and human rights experts are responsible for facilitating the delivery of the modern slavery 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 British discount retailer, we source a wide range of food and non-food products from over 60 different countries and from thousands of suppliers. Our products are negotiated by buying teams based in Lidl GB, at our international headquarters in Germany and across our network of Lidl markets in Europe.

At Lidl GB two thirds of our permanent food products are sourced from British suppliers which, in FY 18/19, accounted for £2.5 billion worth of direct investment into the British food and farming sector through spend with our first-tier suppliers. Within our range of products for re-sale, our strategy to tackle modern slavery focuses on our own-label product supply chains, which account for 86% of our total sales. The remainder of our sales comes from third-party branded products.

We regularly review our first-tier food supply chain data including site locations, worker numbers and demographics to manage our modern slavery risk.

Region	Number of sites	Number of workers	Percentage Male	Percentage Female
UK & Ireland	643	210,856	62%	38%
Europe	51	73,309	52%	48%
Rest of the world	80	245,801	60%	40%
Total	781	252,160	60%	40%

Figure 1: Lidl GB Tier 1 Workforce Data \* (FY 18/19)

\*These figures refer to the final packing and production sites of suppliers of own-label permanent products negotiated by our Lidl GB buying teams, representing approximately two thirds of our volumes.

Within our non-food supply chains, the main production facilities for our own-brand textiles and footwear are published on our [website](#). This list includes our main 500 suppliers' production facilities for textiles and footwear 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 for use in the everyday running of our business. These supply chains are varied and include products such as the refrigeration units and fittings used in our stores, to the marketing, security, and waste disposal services used throughout the wider business. Across all GSNFR categories we work with around 4,000 suppliers. In 2017/18 our largest spend within this category was for property and construction, where we invested over £1.45 billion into the expansion and development of our stores. We are continuing at this pace of investment across 2019-2020 by opening over 50 new stores, along with the relocation of our Livingston and Lutterworth regional distribution centres (RDCs).

# Assessing and managing the risk of modern slavery

## Corporate Human Rights Due Diligence

We believe that modern slavery is most effectively tackled as part of a wider approach to upholding human rights. Through the implementation of corporate human rights due diligence, we ensure that human rights risks are effectively assessed and managed.

Over the last year we took several steps to strengthen our corporate human rights due diligence process, including:

- Developing and publishing our first formal *Human Rights and Environmental Due Diligence* policy, which was based on the *Ethical Trade Initiative (ETI)*'s *Human Rights Due Diligence Framework*
- Recruiting a dedicated manager to facilitate and embed human rights due diligence across our own business and supply chains

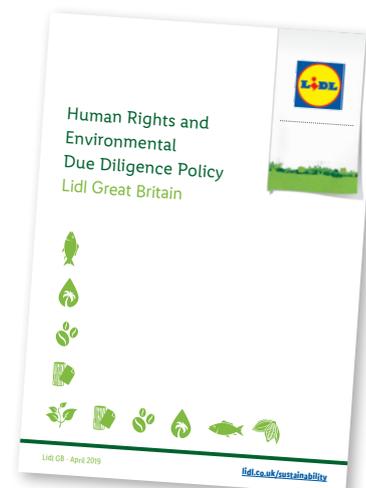


Figure 2: Our approach to human rights due diligence as outlined in our policy

## Policies in relation to modern slavery

### In our business

We implement a range of policies to protect the colleagues we employ, both directly and indirectly through recruitment agencies, from the risk of modern-day slavery. These policies include our Anti-Harassment Policy; Grievance Procedure; Eligibility to Work Procedure; Working Time Regulations Policy; and Breaks Procedure.

In 2018, we launched a holistic wellbeing initiative focusing on the five 'powers' of social wellbeing, physical and nutritional health, mental health, learning and financial health. Through this employee assistance programme, we also offer a range of free and confidential services, which include counselling, cognitive behavioural therapy and a confidential helpline for employees. The programme is a tool that line managers can utilise to get advice on how to support their employees through various workplace and personal scenarios, creating an environment where potential indicators of modern slavery can be more effectively identified.

## In our supply chains

In addition to our human rights policy, we continue to implement the following buying policies to protect the workers in our supply chains from the risks of modern slavery.

- Our [Supplier Code of Conduct](#) (the Code), developed in 2007 in line with the International Labour Organisation (ILO) core conventions, defines the social expectations of all global direct and indirect suppliers. The Code, which is written into all commercial contracts, specifically prohibits human rights violations in the form of both forced and child labour, and further addresses issues including working conditions, discrimination and workplace health and safety.
- This year, we published our [Policy for the Responsible Use of Labour Providers](#) which outlines the expectations of all suppliers that use labour providers as part of their business operations. It outlines our requirements to ensure that workers recruited through these mechanisms have their rights protected.

Through our raw material buying policies we are committed to sourcing all key raw materials from third-party certified sustainable sources. These certification schemes act as an additional layer of protection against the risk of modern slavery for workers at the furthest reaches of our supply chains. Our policies can be found by clicking the links below.



Plants and flowers (published February 2019)



Tea



Coffee



Cocoa



Palm oil



Eggs



Fish & Seafood



Soy

In addition, we are working with our fruit and vegetable growers to achieve 100% [GlobalG.A.P GRASP](#) assessment as a minimum. Through this scheme all our growers will be assessed on their workers' health, safety and welfare management systems.

## Assessing and managing modern slavery risk

To help us to systematically understand the actual and potential modern slavery risk in our supply chains, we continue to use the [Sedex Risk Assessment Tool](#); the [amfori BSCI Country Risk Classification](#); and the [Food Network for Ethical Trade \(FNET\) risk assessment tool](#). These tools allow us to take a more targeted approach to risks in both our first-tier food supply chains and beyond. 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 2018](#). In addition to using third-party risk assessment tools, we also understand and review risks based on information gathered through our supplier relationships, NGO partners and internal expertise.

# Tackling modern slavery

## Responsible recruitment

Poor recruitment practices are often identified as a driver of modern slavery, particularly in instances where vulnerable workers, especially those migrating abroad for work, are desperate for employment. Without effective policies and procedures, unscrupulous labour providers can profit from this behaviour by exploiting workers for their personal gain.

As a responsible retailer, we believe in the principles of responsible recruitment within our business and welcome schemes such as *Clearview*, a global social compliance scheme for labour providers. Clearview's objective is to drive responsible recruitment practices in supply chains by demonstrating due diligence through certification. We also endorse the *Responsible Recruitment Toolkit* (RRT), an online tool that, through self-assessment against third-party standards, enables labour providers, employers and brands to raise the standard of their recruitment practices.

## In our business

We have identified three key areas of risk within our business operations including indirect employment, employment stability, and wages.

Although indirect employment risks are managed through our commitment to employing our staff directly where possible, there are instances where we need to use labour agencies to manage wider business needs such as peaks in labour demand. An example of this includes the warehouse operative agency workers in our RDCs. In order to reduce the risk of modern slavery occurring we have reduced the number of third-party agencies we work with and strengthened our contractual terms, including the requirement for agencies to be certified by the *GLAA*. Currently, 10 out of the 11 contractual suppliers we use to supply workers for our distribution centres are *GLAA* licensed and we are committed to ensuring that 100% are licensed by the end of 2019.

We recognise that workers may be more vulnerable to exploitation if they lack employment stability and decent pay, making them more likely to seek precarious employment to fill gaps where work is not available. We therefore ensure that the majority of people employed by Lidl are recruited on permanent contracts ensuring that temporary workers are only used for periods of high demand, or as a temporary measure until permanent workers can be recruited. We are committed to paying our staff industry leading wage rates and believe that good pay can also reduce the need for employees to seek out extra, often more precarious, work. In 2015, we were proud to become the first supermarket in the UK to pay the living wage as recommended by the *Living Wage Foundation* something we have continued to honour. In 2018, when we raised salaries in line with the new living wage rates it was the fourth year, we had committed to increasing salaries. This represented an increase of entry-level salaries by nearly 25%.

Within the past year, Lidl GB has adopted the *Retailer Protocol for Handling Reported Modern Slavery in the UK Supply Chain (Retailer Protocol)*. The aim of the protocol is to ensure that reported instances of forced labour, human trafficking, debt bondage and other forms of modern slavery are handled in a streamlined and sensitive manner. The protocol promotes collaboration between retailers, suppliers and partners such as *Stronger Together*, the *BRC*, and the *GLAA*, ensuring that potential victims are identified and remediated as quickly and effectively as possible.

This year, the protocol was enacted following allegations of modern slavery at a supplier site based in Kent. The allegations included the use of unlicensed gang masters to source seasonal labour and the use of illegal transport to move staff between their accommodation and the workplace. The process ensured an organised and joint response to both the supplier and law enforcement resulting in an efficient investigation. Although in this instance, the allegations were unsubstantiated, our supplier has fed back that tools made available to them, such as the *FNET* risk assessment, allowed them to effectively manage the situation in the best interests of the potential victims.



## In our supply chain

Due to the complex nature of modern slavery, and the fact that we do not directly employ the people who pick, pack and produce our products, it is vital that we take a range of actions in collaboration with our suppliers to protect the most vulnerable people in our supply chains from falling into a situation of modern day slavery at both tier one of our supply chain and beyond.

### Tier one

#### Social compliance

Tier one sites are those used for the final packing and production of our own-label products. To manage the social standards at this level of the supply chain, we implement a social compliance programme, with support from our partner [Sedex](#).

Through the Sedex platform, all own-label food suppliers negotiated by our UK buying team, are required to complete a profile and answer a detailed self-assessment questionnaire (SAQ). This enables us to collect key profile information such as 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.

Using information gathered through our [Risk Assessment](#) procedures, we require 'high risk' tier one sites to undertake an independent social audit, which is monitored by our ethical trading specialist to ensure that corrective actions are closed off in the agreed timescales. Though we recognise that third-party audits have limitations in identifying 'hidden' human rights abuses such as modern slavery, they are useful to understand suppliers' management systems and reinforce the expectations of our [Code of Conduct](#).

This year, the majority of issues identified during audits related to health, safety and hygiene (44%), wages (16%) and working hours (13%), while 74 instances (11%) were identified where regular employment could be strengthened.

**78%** 78% of our Tier 1 suppliers use agency labour, supplying 39,172 workers



28,599 people (11% of the workforce) are employed on a temporary basis to cover peak season production

**18%**  18% of our Tier 1 suppliers provide living accommodation to their workers

**7.4**  7.4 is the average number of nationalities per supplier

<b>238</b> audits shared on Sedex in FY18/19	<b>731</b> non-compliances identified & corrective action plans agreed	<b>483</b> non-compliances corrected and closed by auditor	<b>471</b> examples of best practice noted
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Figure 3: First tier social compliance overview FY 18/19

At a group level, Lidl has been a member of the [Business Social Compliance Initiative](#) (BSCI) for over ten years and all tier one non-food producers undergo a BSCI social audit. Progress against action plans are monitored by ethical trading managers within the business and any remediation required is closely observed.

## Developing our tier one supplier relationships

In order to strengthen the capacity of our supply chain to manage the risk of modern slavery, we recognise that we need to work directly with our suppliers to go beyond the traditional approach of social compliance. We have long-standing suppliers that we have worked with for many years and they have grown with us through our fair and simple buying practices.

In the UK, for example, we have worked with three quarters of our suppliers for over five years and many of our fruit and vegetable suppliers for over 20 years. As a result of these stable relationships we are better placed to achieve supply chain transparency and take collective action to tackle modern slavery through the support of organisations such as [FNET](#).

This year, to develop our supply chain relationships further, we have taken the following steps:

- Committed to implementing CSR business plans with all strategic suppliers, ensuring all include objectives to tackle modern day slavery
- Built measures into our commercial contracts to better manage price volatility across the supply chain, helping suppliers to better manage their labour force
- Continued to introduce longer term contracts across more of the fresh meat, poultry, dairy and fruit and vegetable supply chains to further strengthen supplier relationships
- Held our second supplier day in Scotland, where we engaged directly with our growing Scottish supply base on key topics and explained our core business operations

### Integrating human rights into our purchasing decisions

Since 2017, our responsible sourcing specialists and buyers have worked collaboratively with our corned beef supplier to tackle modern slavery in Brazil. It was agreed at contract negotiation that the supplier would share risk analysis research to identify labour hotspots. This year, the supplier has continued to share independent audits whilst also introducing additional controls to detect and prevent sensitive issues including training over 105,000 staff to raise awareness of their Code of Conduct and ethical approach.



## Beyond tier one

We have continued to increase the transparency of our supply chains beyond tier one, working closely with our suppliers to help better understand the risk of modern slavery in sourcing communities around the world.

Last year, for the first time, we published our production sites for several high-risk sourcing locations including bananas, tea and salmon on our [website](#). In addition, through the [Ocean Disclosure Project \(ODP\)](#) we continue to demonstrate full transparency of our seafood supply chain. This year, we focused on tackling modern slavery in our high-risk supply chains through [capacity building, training and collaboration](#). We feel that this approach allows us to drive systemic change whilst equipping our suppliers to better engage their supply chains. Over the next year we are committed to conducting human rights impact assessments (HRIAs) in high risk supply chains to gather a more detailed understanding of our impacts beyond tier one. The findings of these assessments will be used to develop future action plans and inform our approach.

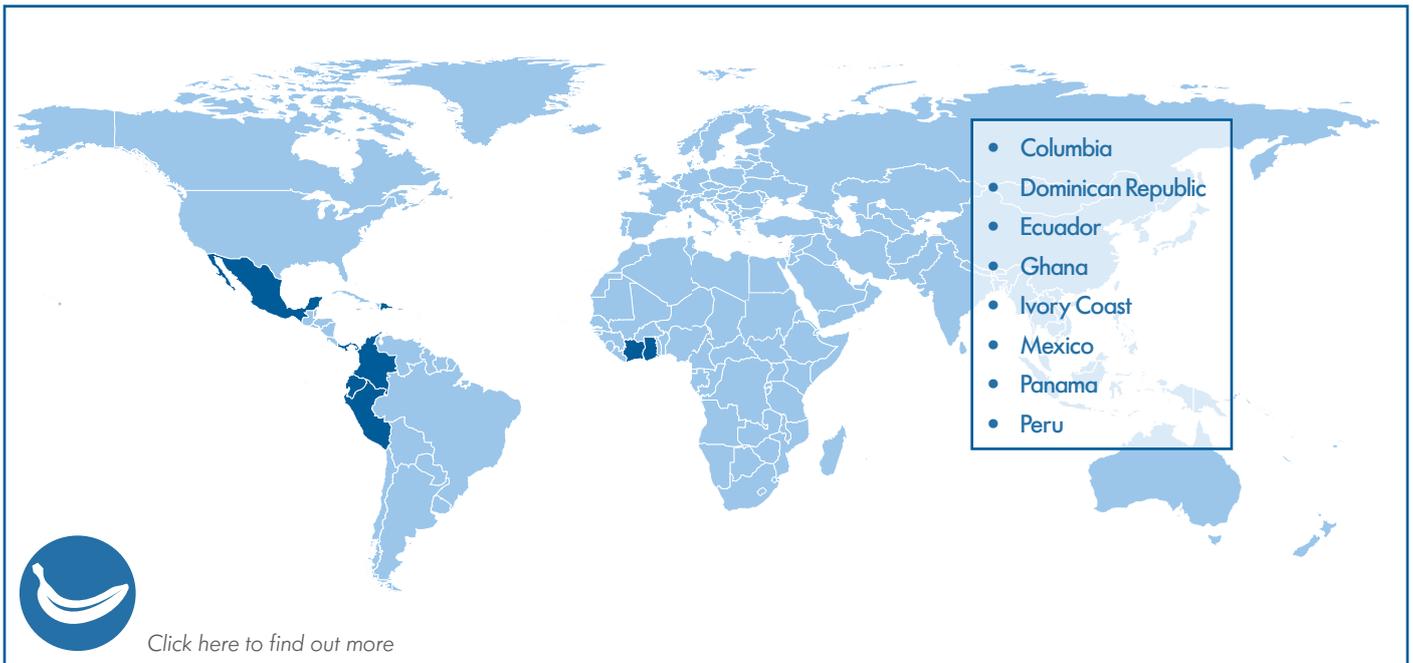


Figure 4: Our transparency map, published in 2019, identifies the sourcing countries of all Fairtrade bananas sold in our GB stores in 2018

## Goods and Services Not for Resale (GSNFR)

In previous statements, modern slavery risks associated with *GSNFR* within our business were identified. Over the past year, we have established our preferred approach focusing on our largest business spend; property and construction. In the coming year, we aim to raise awareness of modern slavery and its risks by implementing training within our property and construction departments with support from our partner *Stronger Together*.



## Grievance mechanisms

In order to support the remediation of instances of modern slavery (both in our business and our supply chains), we operate a confidential *Lidl Whistleblowing Hotline* and online reporting system that members of the public, colleagues, suppliers and business partners can use to report allegations of modern slavery or identified breaches of our policies and procedures. This year, we did not receive any reports of modern slavery within our business, however, 43 reports were received with allegations relating to HR issues, health and safety concerns, and thefts in store. As part of our wider human rights strategy we are committed to establishing sector specific grievance mechanisms. For example, Lidl is an active member of the *Bangladesh Accord* and in a working group, tasked with developing an appropriate grievance mechanism for textile workers in Bangladesh.

## Capacity building, training and collaboration

We are committed to raising awareness of modern slavery with colleagues, suppliers and partners. Through better awareness of the issues we will increase our capacity as a business, through our supply chain and employees, to support remediation and influence greater change.

### Working with our colleagues

Following on from our 2017 human rights review, the Lidl GB board has issued its first *Human Rights policy* and established governance structures to ensure that due diligence is implemented. In 2018, all directors across the business (including regions and head office) were updated on our commitment and approach to tackling modern slavery.

We recognise that the knowledge, responsibility and conduct of our colleagues plays an important role in mitigating the risk of slavery and human trafficking within our organisation. Our human rights specialists continue to engage with colleagues across business areas including buying, recruitment, property and construction and human resources (including Employee Relations Consultants (ERCs) who are located across RDCs and head office to support the welfare of all employees). We want to empower colleagues to understand the risks within our business and industry and take any necessary action(s) to prevent or remediate concerns. To this end, this year we have:

- Developed modern slavery awareness training for our ERCs to ensure they are equipped to identify and respond to indicators of modern slavery in their day-to-day tasks
- Distributed and promoted Stronger Together modern slavery awareness raising posters across RDCs to complement training materials reaching over 4,700 colleagues
- Promoted our partnership with *Fairtrade* by hosting a briefing in our head office to share examples of our work and the benefit Fairtrade certification has on farmers and their communities



In the coming year, we plan to expand our training programme more widely across our business and continue raising awareness of modern slavery risks. We are working closely with our Learning & Development team to facilitate this process to ensure an effective and sustainable outcome with the aim to roll out a training programme in 2020.

### Working with our suppliers

We are committed to building capacity with our suppliers to ensure modern slavery within our supply chains is tackled effectively. Since 2017, we have provided our *Ethical Trade Training Guidance* document to encourage suppliers to take a pro-active approach.

As a sponsor of *Stronger Together*, our suppliers are entitled to a free place at training workshops designed by Stronger Together to help attendees tackle modern slavery. We require all our GB own-label suppliers to participate and so far, over 450 delegates from our tier one suppliers and growers have attended training. This year, the programme expanded to South Africa and has trained over 140 Lidl suppliers.

Poor accommodation and living conditions can be an indicator of modern slavery, particularly forced labour. A fifth of our direct suppliers provide housing for temporary workers and despite there being no legislative requirement we believe we have a joint responsibility with suppliers to ensure it is of a decent standard. This year, alongside other retailers and in consultation with suppliers, we developed an online training programme '*Worker Accommodation Webinars*' with best practice guidance to help drive improvements in worker accommodation for temporary workers in the UK. In partnership with our suppliers we hope to improve standards not only in our supply chain but across the industry.

Since 2008, we have worked with the *German Agency for International Cooperation (GIZ)*, a specialist organisation in sustainability, to deliver bespoke training aimed at improving labour standards for production facilities in our non-food supply chain. This year, we implemented a training programme '*PURE*' in collaboration with GIZ working together with our clothing and textile factories in Bangladesh and China. The programme aims to educate and share practical solutions to everyday health, safety and environmental challenges reaching staff at 80 textile factories.

## Working with others

We recognise that systemic issues like modern slavery cannot be effectively tackled alone and require a collaborative effort by a variety of partners and sectors. This year, we actively engaged in multiple collaborations, aimed at improving working conditions and tackling modern slavery across the food sector.

### British Retail Consortium (BRC)



#### Our Actions

We continue our commitment to the *Better Retail, Better World* pledge. This includes our commitment to embed a policy that no worker in the supply chain should pay for a job by 2020, to provide a safeguard against modern slavery. This year, we have used our membership of the BRC to advocate for the development of a central registry for modern slavery statements by providing direct feedback to the home office on our experiences and support the protocol for handling cases of modern slavery in UK supply chains.

### Food Network for Ethical Trade (FNET)



#### Our Actions

We receive a comprehensive risk assessment tool and the opportunity to learn from peers particularly looking into the second tier of the supply chain and beyond.

To ensure our key suppliers are committed to protecting human rights, this year we asked all our strategic suppliers to either join FNET or demonstrate their strategy for managing human rights risks throughout their supply chains. To date, we have 8 supplier members actively participating in FNET.

### Global Good Agricultural Practices Risk Assessment on Social Practice (GlobalG.A.P GRASP)



#### Our Actions

GRASP helps producers establish a good social management system on their farms and provides guidance on best practice. This year, Lidl GB has set a requirement for all fruit & vegetable and plants & flowers suppliers to be GlobalG.A.P. GRASP accredited as a minimum. We are committed to sourcing 100% of our fresh produce from GlobalG.A.P GRASP certified suppliers.

### Spanish Ethical Trade Forums (SETF)



#### Our Actions

We continue to support local workshops which bring together Spanish growers to share good practice and discuss how to improve labour standards for agricultural workers in southern Spain. This year, the topics included Use of Labour Providers; Accommodation & Transport; and Traceability. This collective approach has enabled suppliers to share common challenges and promote good practice whilst addressing issues specific to their industry and region.



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## Stronger Together



### Our Actions

We aim to ensure that 100% of our GB first-tier suppliers attend Stronger Together training as part of their trading relationship with Lidl GB. An independent impact assessment found that 84% of participants agreed that attending training has increased their understanding of how to deal with situations of forced labour and improved relationships with their labour providers, supply chains and retail customers. This year, we plan to undergo further training with support from Stronger Together in our business to increase understanding of modern slavery through purchasing practices and Goods and Services Not For Resale (GSNFR).

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Over the last year we attended a range of industry events and conferences, including Stronger Together's Anniversary event; the annual International Spanish Ethical Trade Forum; the annual Sedex conference; Food Network for Ethical Trade All Member's Event; and The British Academy Modern Slavery series. Our participation has increased our understanding of the challenges and opportunities facing our industry and provided insights to best practice.



## Our plans for 2019 and beyond

Lidl GB views its responsibility to respect human rights across our supply chain as critical to our success and as simply 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:

- Continue supplier and internal engagement to build awareness and capacity
- Increase the volume of information publicly available about our supply chains
- Strengthen our actions to address risks beyond the first tier of our supply chain
- Extend modern slavery awareness training in our business including risks associated with GSNFR
- Continue to monitor and report progress in Lidl GB's biennial sustainability report

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

Signed,

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

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