Modern Slavery Statement.

2016/17
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Introduction

Tesco Stores Ltd is publishing this statement under the provision of the UK Modern Slavery Act 2015 (the ‘Act’). The Act requires business to state the actions they have taken during the financial year to ensure modern slavery is not taking place in their operations and supply chains.

Modern slavery is ‘a hidden crime that encompasses slavery, servitude, forced labour and human trafficking’. Modern slavery has no place in our business or supply chains and we take a zero tolerance approach to it. We are strongly committed to playing our part in eradicating modern slavery and advocated for the ‘Transparency in Supply Chains’ Clause to be an intrinsic part of the UK Modern Slavery Act, recognising the importance of transparency in driving collaborative action and the potential impact of the Act on reducing risks and incidence of slavery.

This statement refers to the financial year ending 25 February 2017.

This statement was approved by the Board of Tesco PLC.

[Signature]

Dave Lewis

Group Chief Executive

12 May 2017
Our business and supply chains

Tesco is one of the world’s leading multinational retailers. We sell food and beverages, non-food groceries, clothing and general merchandise. Our products are sold in our businesses across markets in Europe and Asia, with our largest operations in the UK, where we have over 3,200 stores.

Our 460,000 colleagues serve 79 million customer shopping trips both online and in store every week. At the heart of everything our colleagues do is our core purpose – to serve shoppers a little better every day.

This purpose is underpinned by our three values:

1. No one tries harder for customers
2. We treat people how they want to be treated
3. Every little help makes a big difference

Our commitment to help eradicate modern slavery aligns closely with our values. We believe that our trade with people across the 70 countries we source from should have a positive impact, creating jobs and opportunities for people all over the world.

We have over 3,000 direct suppliers and tens of thousands of indirect suppliers who grow and move hundreds of raw materials across global supply chains. These suppliers range from large-scale agriculture businesses, to smallholders and manufacturing companies. We also work with a number of other supplier partners who help run our distribution centres, keep our offices and stores clean and secure, and much more.

The scale of these supply chains, upstream and downstream, gives us the opportunity to promote respect for human rights and to make a positive impact on people’s lives.

As a founding member of the Ethical Trading Initiative, we have always taken this responsibility seriously. Starting with our own business operations and service providers and then increasing the visibility we have of our global supply chains, we have worked to identify actual or potential risk of modern slavery.

Tesco is fully committed to working in partnership with suppliers, service providers, colleagues and civil society to address these challenges and ensure remediation for any victims. We were pleased to be short-listed for the Thomson Reuters Foundation ‘Stop Slavery’ Award earlier this year in recognition of our work to address trafficking and forced labour.
Policies in relation to modern slavery

“This year, through our membership of the Consumer Goods Forum (CGF), we have renewed our commitment to eradicate slavery from our supply chains and to work collaboratively with others to address those issues we cannot resolve alone.”

Tesco is committed to upholding human rights and fully supports the UN Universal Declaration of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. We interpret our responsibilities to these international instruments through the UN Guiding Principles on Business and Human Rights, recognising we have a role to play in respecting human rights as well as in remediating any areas where abuse is identified or suspected. Our approach to addressing modern slavery sits within this wider human rights agenda.

Our Human Rights policy applies to Tesco Group and sets out our obligations to customers, colleagues and people in our supply chain. Our Ethical Trading Policy sets out specific commitments and obligations to the people and communities in our supply chain. It is based on compliance with the Base Code of the Ethical Trading Initiative, of which we are a founder and Board member and which includes as its first clause that all employment be freely chosen.

We take any allegations extremely seriously and we provide free, independent, and confidential ‘Protector Lines’ that enable our colleagues, suppliers and their staff around the world to raise concerns. Insights from these services are reviewed at Compliance Committee meetings which are chaired by the Group Chief Executive, as is performance against our ethical trading policy, including on modern slavery.

Our policies are developed by internal human rights specialists in consultation with a number of internal and external stakeholders including civil society, suppliers, academics and industry practitioners. They are signed off by the Responsible Sourcing Director.

Overall accountability for our human rights strategy sits with the Group Chief Executive.

In line with our commitment to high standards and transparency in our business, we have also joined the UN Global Compact, an initiative for companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption. The initiative is centred on ten principles and we report our progress against these ten principles on a regular basis.

This year, through our membership of the Consumer Goods Forum (CGF), we have renewed our commitment to eradicate slavery from our supply chains and to work collaboratively with others to address those issues we cannot resolve alone. As part of this we support the CGF’s three principles which should be upheld in every supply chain:

- Every worker should have freedom of movement
- No worker should pay for a job
- No worker should be indebted or coerced to work

These principles were developed in the Social Sustainability working group of the CGF, of which our Responsible Sourcing Director is a co-Chair. The principles and commitment were agreed by the CGF Board which includes Tesco Group Chief Executive, Dave Lewis.

All our policies are available on the Tesco plc website.
Due diligence processes

Risks of modern slavery are dynamic and change quickly. Therefore, we regularly reassess and respond to the potential and actual risks in our business and supply chains. To do this effectively, over the past two years we have put in place a due diligence processes, in line with the UN Guiding Principles on Business and Human Rights. The process was developed in consultation with over fifty internal and external stakeholders, including suppliers, industry bodies such as the British Retail Consortium, civil society groups such as Unseen, Oxfam and the Ethical Trading Initiative and Government bodies and agencies such as the UK Gangmasters Licencing Authority (GLA). We also spoke to Trade Union representatives to bring the voice of people in our supply chain to our strategy development.

The key objectives in developing the due diligence approach were:

- That respect for workers’ rights be at the heart of the strategy
- That the approach we took and our resource would be relative to the risk, allowing us to devote more time to the most importance challenges including forced labour / slavery
- To build collaboration with suppliers and stakeholders
- To align our work with Tesco’s commercial and supplier management

Our due diligence framework has five stages:

1. Establish a broad perspective beyond our immediate business and the first tier of our supply chain
2. Determine priorities based on areas of highest risk and through intelligence gathering
3. Identify the process of avoiding or mitigating risk
4. Define method for rectifying abuses and remediating any victims
5. Developing learning strategy allowing us to consider new information

Our 42 dedicated Responsible Sourcing Managers, based in the UK and in our sourcing hubs in Asia, the Americas and in Africa, lead this work, alongside our commercial sourcing teams.
In our direct operations, we have identified that the greatest potential risks on issues such as indebtedness and illegal working, come from service providers such as temporary workers in distribution or office cleaners, or car washes. This is both because of the significant proportion of migrant workers in this sector, who may be less aware of their rights and more vulnerable to abuse, and because we have less direct visibility over these areas, relative to areas where we directly employ workers.

Therefore, as a priority, we have mapped the service providers in our offices, retail operations, property, distribution, Human Resources and in specialist services such as IT and car washing. We have then identified the service providers that contain the highest potential risks of modern slavery based on their contract type, the level of skill involved in the work, wages and our visibility of the service provider.

Through this process we have identified priority sectors including:

- Workers in the construction industry who build our stores and carry out renovations
- Agency labour in our distribution and logistics operations
- Workers in security for our offices and stores and cleaning staff
- Our car wash supplier who operates the business as a franchise model

Dedicated head office resource works closely with all service providers, as well as our Human Resources function, to help them spot potential indicators of modern slavery such as workers with shared addresses and bank details. We have also implemented a Recruitment Charter as part of our contracts with labour providers to our UK operations; this prohibits work finding fees being charged to workers as this increases the risk of debt bondage. The Charter also sets out our expectations with regards to other problematic areas such as the provision of accommodation).

Our UK labour providers are GLA registered and prohibited from actively recruiting from outside of the UK without the prior agreement of Tesco to reduce the risk of trafficking. We work collaboratively with service providers to help ensure all temporary workers receive a reasonable number of paid hours each week, and have the opportunity to transfer to permanent employment when vacancies arise.

We have also started to assess our labour providers in other Tesco markets, starting with Thailand and Malaysia.
Our supply chains, including goods not for re-sale, are a potential area of risk for the business because of their scale and complexity. That’s why we assess the potential human rights risks of our supply chains by considering the country of origin where we are sourcing products or raw materials from. To do this we use the International Trade Union Confederation Global Rights Index which rates 141 countries based on the degree of protection for workers’ rights which are derived from the ILO Conventions. The index methodology takes into account workers’ experience and is a way for us to include workers’ own views in our risk assessment. We then combine this index with our own understanding of labour rights and human rights risks in our key sourcing sectors to develop the final country risk ratings.

We then consider the type of work being carried out (mechanical vs. manual) and the type of labour (seasonal, permanent, agency). We believe that there are likely to be higher risks of slavery where there is a manual harvest process which is carried out for a seasonal product rather than where there are skilled workers on permanent contracts. This is because manual harvest processes are labour intensive and tend to rely on unskilled labour and seasonal work tends to rely on labour providers which creates complexity in the supply chain. Migrant or refugee workers tend to be at higher risk still because they are more likely to lack support networks.

We gather intelligence about emerging risks through our strong relationships with NGOs, unions and through groups like the Ethical Trading Initiative and the Consumer Goods Forum. Campaigners and media investigations also play an important role in helping us identify where some of the biggest risks lie. Our Responsible Sourcing Managers across eleven key sourcing countries, all local to their country of operation, are well placed to gather local intelligence through their own grassroots networks. This combined risk and intelligence approach then helps us identify where the most salient and material risks are in our supply chains.

We have historically managed this risk through a first tier ethical audit programme. However, this approach is limited because it is focused on our direct suppliers and audits are not necessarily the right tool to use to address hidden or systemic issues beyond the ‘first-tier’ of suppliers, such as modern slavery. They are also unlikely to pick up hidden indicators of slavery, such as loans provided by recruiters.

We have adopted a ‘three pillar’ as opposed to a ‘first-tier’ approach to human rights risks in our supply chain, including modern day slavery. Where we still require audits, these are focused on areas of highest risk with significant resource put on any potential indicators of slavery:

**Assurance programmes**  
To reduce the risk of slavery in our supply chains through audits and certification schemes

**Improvement programmes**  
To address systemic issues which cause or contribute to slavery

**Empowerment programmes**  
To work with the wider community to reduce people’s vulnerability to modern slavery
Tackling modern slavery – our supply chains (Continued)

Assurance

Our audit programme for food and non-food (general merchandise, clothing and non-food grocery) supply chains is focused on audits at our direct supplier sites – with the addition of a number of high-risk sites ‘upstream’, i.e. beyond our direct suppliers, such as produce grower sites in Peru and South Africa. High and medium risk sites are audited by recognised audit bodies and suppliers are supported to address any non-compliances by dedicated Responsible Sourcing Managers and Technical Managers.

Improving upstream visibility, particularly for composite products or where we are buying from large commodity houses is a challenging but important process. We are currently mapping our clothing and textile supply chain further upstream to include tanneries, ginning mills and other processing sites to ensure better visibility of any potential risks. We are also working with our largest food suppliers to put in place an assurance programme for raw material risks upstream. And we continue to work with the GLA to investigate any instances of suspected modern slavery in the UK.

Gaining visibility back to non-food agriculture sites, such as cotton for some of our clothing and textiles is challenging, but given the risk of forced labour is high in certain countries we have a strict prohibition on sourcing cotton from Uzbekistan and Turkmenistan. We work closely with our suppliers to minimise the chances of Uzbek or Turkmenistan cotton getting into our supply chains. We have updated and launched our new Cotton Sourcing Requirements for all Tesco and F&F suppliers, asking them to sign up as a commitment to our policy. This policy not only provides a background on the labour abuse situation, but also makes clear requests to our suppliers including to communicate to their suppliers – encouraging them to also commit in writing and verifying cotton country of origin. Knowing that the majority of Turkmenistan cotton is sold to Turkey, we have also spoken and visited our mills in Turkey to identify the use of Turkmenistan cotton in our supply chain. We have not identified any to date.

In 2014, we were proud to solidify our commitment by signing up to the Responsible Sourcing Network’s (RSN) cotton pledge, a key way industry can put pressure on the Uzbek Government to end the use of forced labour.

Improve

Working in partnership with others is vital to addressing risks of modern slavery, particularly further up the supply chain where our direct commercial leverage is diluted. We engage in a number of multi-stakeholder improvement projects to tackle systemic issues which are bigger than one-off instances at supplier sites. Some examples are:

• Addressing Sumangali. Some women workers in the Tamil Nadu garment industry are recruited through contracts under which they are paid a lump sum at the end of a three-year period, and also have restrictions placed on their movement, leaving them vulnerable to abuse in the interim. We monitor our direct suppliers closely to ensure no such practices exist. We are mapping our ‘second tier’ supply chain in India, including spinning mills, washing, printing and dyeing facilities and have begun visits to the spinners identified. We are also part of the ETI programme providing training to mills across the region.

• Better Cotton Initiative (BCI). Tesco is a member of BCI, a not-for-profit organisation which works to make the cotton industry more sustainable and to make life better for those who work in it, including avoiding slavery. In 2016, 50% of cotton for our clothing was sourced through the BCI scheme and we are working towards 100%.

• Community the Union. We developed a partnership with Community the Union to ensure there is no risk of Modern Slavery in our supply chain in the Leicester garment sector. We are also members of a group consisting of suppliers, labour agencies and the Lincolnshire police to support wider industry improvement.

• ETI Working Group for Italian Tomatoes. Tomatoes for tinned products are picked during a six-week period in the summer. The majority of labour for manual harvest is supplied by migrant workers who could be at risk of exploitation through illegal recruitment practices, including indebtedness and coercion. Tesco is part of the ETI group working to pilot a programme to certify labour providers and improve recruitment practices more generally.

• Project Issara. A collaborative initiative to tackle slavery in the Thai prawn supply chain (see case study at the end of this statement).

• Refugee labour. We have started to work with the United Nations High Commissioner for Refugees (UNHCR) in Turkey to train our suppliers to identify and support any refugee employees. We know that refugees, particularly from Syria, are at high risk of trafficking and exploitation and we aim to expand this work with Unseen and International Organization for Migration (IOM) in our berry supply chains in Jordan over the coming year.
• **Seafood.** Workers within the fishing sector can be vulnerable to exploitation. This is a result of work taking place offshore, long hours, challenging physical environments, many informal recruitment practices and the lack of international binding labour standards that cover fishing vessels. We have started a comprehensive and tailored human rights risk assessment of our entire seafood supply chain, working with our partners Sustainable Fisheries Partnership (SFP), Seafish and the Monterey Bay Aquarium. The Seafood Human Rights Risk Tool uses credible, publicly available and verifiable information from multiple sources to produce risk ratings of human rights abuses by a fishery and/or country. It is currently in the pilot phase and we expect it to be fully operational by September 2017. In parallel, we are undertaking more in depth research on known issues in specific fisheries, such as the British and Irish fisheries sectors and Thai prawn supply chains.

**Empower**

Wider issues such as poverty, conflict and environmental disasters can make workers supply chains, as well as their families and communities, more vulnerable to trafficking and exploitation. By working with our suppliers and grassroots organisations in the community, we can play a role helping to reduce this vulnerability. For example, we support a partnership between the Ethical Tea Partnership and UNICEF to reduce the vulnerability of children on tea estates in Assam to trafficking and exploitation.

We are also exploring ways we can support victims of trafficking and modern day slavery. We have been able to offer employment to a former victim of modern slavery in one of our distribution centres and another victim was provided with stable employment with our Carwash supplier, Waves. We have engaged with the Salvation Army to understand better barriers to employment for these individuals and whether we can enable further opportunities for former victims. Regular, safe work is an effective way of reducing the continued risks to individuals of being re-trafficked and exploited.
“Key performance indicators include the number of sites in high risk countries which have had an ethical audit in the last 24 months, and the percentage of raw materials sourced through recognised sustainability programmes.”

Given the hidden nature of modern slavery, monitoring and reporting the impact of Tesco’s interventions is challenging. Like others, we are learning what is most effective and seeking to improve the industry standards of reporting.

Currently, in addition to publishing our Modern Slavery statement, we report annual progress on our human rights programme to the Tesco Compliance Committee. This includes any critical breaches of our policies, the results of ethical audits and progress against our commitments to sustainably source priority raw materials where we know there are risks of significant human rights abuses, including modern slavery. This is done through a series of ‘heat maps’ and ensures that members of the Executive Committee, including the Group CEO, have a strong overview of risks and effectiveness.

These heat maps set out the number of supplier sites we have, across each market, in high risk countries and the level of ethical oversight we have at each site. Key performance indicators include the number of sites in high risk countries which have had an ethical audit in the last 24 months, and the percentage of raw materials sourced through recognised sustainability programmes (this includes 3rd party certification, as well Tesco or industry programmes).

We also monitor the reach of our training programmes by measuring the number of Tesco UK colleagues who have attended Responsible Sourcing Training. We use qualitative feedback to continue to develop this training. In addition, we monitor the number of UK suppliers who have attended Stronger Together training.
As part of the Stronger Together working group, we continue to collaborate with other retailers to ensure the continued relevance of this training and to look at how we can expand its reach and impact.

Raising awareness of modern day slavery both within our business and our supply chains is an important part of our strategy. We know that identifying potential and actual cases requires upskilling colleagues and suppliers to understand the drivers of modern slavery as well as the possible indicators. Over 100 sourcing colleagues have attended our internal Responsible Sourcing Training, which covers the issue of modern slavery this year. By the end of 2017/18, all our UK Buying Managers, Technical Managers and Procurement Managers (internal buying) will have received this training.

This year, two of our Responsible Sourcing colleagues specialising in modern day slavery issues received a Certificate in Professional Development through the University of Derby, run in conjunction with the GLA.

For our supply chain, we are one of the founding steering group members of the UK Stronger Together training programme and offer ongoing financial and in-kind support and advice. This comprehensive one-day training provides detailed, pragmatic guidance and resources to address modern slavery. It also offers a support network where challenges and good practice can be shared among peers and experts. We require all Tesco’s UK suppliers, including service providers such as labour agencies, to attend Stronger Together training. So far more than two thirds of our UK suppliers have attended. Stronger Together have also developed training specific to the construction sector. Colleagues working in construction have recently attended the launch of this new programme and will be attending training as soon as this becomes available.

As part of the Stronger Together working group, we continue to collaborate with other retailers to ensure the continued relevance of this training and to look at how we can expand its reach and impact.

This year we have also carried out targeted training in our Turkish supply chains, helping suppliers in Turkey to receive additional training on how to support refugee workers who are at high risk of trafficking and exploitation. We have been working with UNHCR and the International Middle East Peace Research Centre (IMPR) to deliver training for suppliers on the regulations for work permits for Temporary Protection Provided Foreigners, how to obtain work permits and the sorts of documentation they need as well as the particular issues and challenges refugees find in the workplace.
In the next 12 months we will continue to strengthen our approach to managing the risk of modern day slavery within our business. We also intend to carry out work in the following specific areas:

**Own business and operations**

- Extending the application of the Recruitment Charter to other areas of our business.
- Joining the Leadership Group for Responsible Recruitment supported by the Institute for Human Rights and Business.

**Supply chains**

- Publishing a list of all our F&F clothing and footwear suppliers to increase transparency *(completed in April 2017)*.
- Leading work with other businesses to understand risks of forced labour in palm oil supply chains, with migrant labour in Spain and Italy and an initiative to support Syrian refugees in Turkey and Jordan.
- Launching the Food Network for Ethical Trade programme with suppliers and other retailers to identify human rights abuses upstream in our shared supply chains.
- Ensure all UK based suppliers, including non-food suppliers and labour agencies, have attended Stronger Together training on addressing modern day slavery.
Appendix – Case studies

Supporting the UNICEF – Ethical Tea Partnership tea programme

Tesco supports a partnership between UNICEF and the Ethical Tea Partnership (ETP) to improve opportunities for tens of thousands of children in Indian tea communities and reduce their vulnerability to trafficking and abuse. The partnership is the first of its kind to bring together all key stakeholders in the tea industry – which is an important region for our tea blends – to tackle the problem of child exploitation.

The three-year Assam programme, now in its final year, targets families in 350 communities linked to 100 tea estates. To date, the programme has achieved the following milestones:

• Equipped more than 25,000 girls with the knowledge and “life skills” that will help them secure a better future and reduce their vulnerability to violence, abuse and exploitation.
• Given more than 10,000 community members the knowledge and training to protect children from all forms of violence, abuse and exploitation.
• Made families in each community aware of children’s rights and the support they can call on to help educate and protect their children.
• Worked with state and district government to improve the quality of education and the effectiveness of child protection policies to help make a sustainable difference to the lives of children now and in many years to come.

Protecting workers against indebtedness

We are proud of our supplier partners and the work they do to ensure good working conditions for their workforce – a key indicator in determining our supplier selection. One issue we monitor closely in key countries is that salaries are paid on time and in full. We do this because we know how important it is for workers, and also because ensuring workers are not in debt means they are less vulnerable to any risk of forced labour. Through our own expert checks, we occasionally find cases in which workers have not been paid on time or in full for all hours worked. This may happen for a number of reasons. Some suppliers may not have calculated wages properly and have inadequate systems in place. Others may not have made changes to reflect amendments in legislation.

Where we identify a shortfall in payment, we require suppliers to pay back any avoided wages. In the rare occurrence that suppliers do not agree, existing shipments may be cancelled and we will no longer do business with them. Last year we identified 165 cases of concern involving 158 sites. 26,723 workers received a total of US$1,005,400 as a result of Tesco’s intervention. We were also able to end a long-standing payment dispute, resulting in 406 workers receiving $1,267,242. We believe we are industry-leading in terms of this work – and our disclosure on this point.
Thai prawns

A 2014 investigation by The Guardian, as well as reports by NGOs and the US State Department, identified cases of modern slavery in the Thai farmed prawn supply chain. The reporting focused on the trafficking and exploitation of migrant workers on vessels catching fish used to produce fishmeal – an ingredient used in prawn feed. The fishing operations are six steps “up” the supply chain from Tesco, however the seriousness of the abuses made it clear that we needed to work closely with our suppliers, other businesses, relevant authorities and NGOs to address these issues. In addition, whilst the most serious abuses were reported to be occurring at sea and in ports, we also had concerns about working conditions and recruitment practices in workplaces on land.

To tackle the issues in the Thai prawn supply chain, we started by mapping the entire supply chain (including the prawn feed), as well as joining two multi-stakeholder initiatives; the Issara Institute and the Seafood Task Force.

The Issara Institute is a public–private sector platform and alliance to tackle human trafficking and forced labour in Southeast Asia. The Issara Institute’s Inclusive Labour Monitoring™ approach brings together intelligence from workers, businesses, field experts and local communities, to create a comprehensive understanding of what is happening on the ground. As part of this project, we have worked to ensure that migrant workers in our Thai prawn supply chain have access to the Issara Institute’s multilingual helpline. The helpline, which also covers other retailers’ supply chains, received 2,843 calls in 2015. The Issara team provides information, assistance, and referrals to migrant workers and victims of labour abuses through these calls Information gathered during these calls has enabled us to remediate a number of instances of exploitation.

The Seafood Task Force, which we joined in 2015, has provided a forum for businesses, NGOs and government agencies to work together to identify key monitoring and regulatory measures needed to end modern slavery, labour abuses and Illegal, Unreported and Unregulated (IUU) fishing in the Thai seafood industry. It has led to the development of a common Code of Conduct covering working conditions, recruitment practices, and compliance with fisheries laws. One of the outputs of the Task Force in the last 18 months has been the provision of technical support for the Thai Government to improve its Monitoring, Control and Surveillance (MCS) of the Thai fishing fleet, including through remote monitoring using Vessel Monitoring Systems (VMS) and through physical inspections of vessels at 34 “Port-In Port-Out” (PIPO) inspection points across Thailand. Both measures, supported by an updated and improved fisheries legal framework, are key to improving the oversight and accountability of the Thai fishing industry – though it will be important to strengthen these further, including ensuring access for workers to grievance mechanisms.

As a result of what we have learnt in Thailand, our prawn supplier requirements now include traceability of all Southeast Asian prawn feed back to the fishing vessel and use of independent NGOs in the monitoring of high-risk areas of the supply chain. We will continue to review and strengthen these requirements as we learn more.