

Modern Slavery Statement.

2020/21

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Introduction.

The UK Modern Slavery Act 2015 (the ‘Act’) requires businesses 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. At Tesco, we are fully committed to playing our part in eradicating modern slavery. We firmly support transparency and collaboration to eliminate the risks of modern slavery.

This statement refers to the financial year ending 28 February 2021 and sets out the steps taken by Tesco UK Stores and other relevant UK subsidiaries¹ to prevent modern slavery and human trafficking in our own operations and supply chains. Due to the nature of their businesses, Tesco Bank, Tesco Mobile, dunnhumby, One Stop and Booker publish separate Modern Slavery Statements.

Since we published our first statement in May 2017, we have gained greater insight into risk and trends relating to modern slavery, which has enabled us to strengthen our approach. Over the past 12 months we have:

- Sought to identify and mitigate where the COVID-19 pandemic and labour market changes may have exacerbated the risk of modern slavery.

1. Entities required to publish a statement under the Modern Slavery Act and therefore covered by this Group Statement include: The Tesco Atrato Limited Partnership, The Tesco Passaic Limited Partnership, The Tesco Navona Limited Partnership, The Tesco Property Limited Partnership, The Tesco Aqua Limited Partnership, Tesco Stores Limited, Tesco Distribution Limited, Tesco Maintenance Limited, Tesco Freetime Limited, Tesco Ireland Limited, Tesco Mobile Ireland Limited, Tesco Franchise Stores CR s.r.o., Tesco International Clothing Brand s.r.o., Tesco Stores CR a.s., Tesco Stores SR a.s, Tesco-Global Aruhazak Zrt, Tesco Bengaluru Private Ltd.

- Updated our colleague training to reflect evolving risks and include new case studies.
- Reimbursed recruitment fees to migrant workers employed by service providers contracted by Tesco Malaysia.
- Supported our suppliers to embed the Employer Pays Principle in our high-risk supply chains.

In the year ahead we will continue to develop our approach to managing the risk of modern slavery within our business and supply chains and ensure our strategy responds to changing risks.

This statement was approved by the Board of Tesco PLC.

Ken Murphy
Group Chief Executive
 14 May 2021



Photo credit: Ethical Tea Partnership/UNICEF/Avani Rai

Our business and supply chains.

Tesco is one of the world's leading multinational retailers. Our largest operations are in the UK, where we have over 3,600 stores. We also have businesses in Republic of Ireland, Czech Republic, Hungary and Slovakia. In the past 12 months we have sold our businesses in Poland, Malaysia and Thailand.

Across the Tesco Group, our 360,000 colleagues serve millions of customers every week online and in-store. At the heart of everything our colleagues do is our core purpose – to serve customers 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

We believe that our trade with people across the countries we source from should have a positive impact, creating jobs and opportunities for people all over the world.

Our commitment to human rights is embedded in the Tesco Little Helps Plan. The plan builds on the work we have been doing over many years and is about running our business in a way that makes a positive contribution to our colleagues, customers and communities. Our human rights strategy, which covers the most serious challenges faced by workers, sits within the plan's People pillar that focuses on delivering against our value to treat people how they want to be treated. Through our human rights strategy, we have committed to:

- Ensure international human rights standards are respected at all our suppliers' sites.
- Focus on the most serious risks to workers throughout our supply chains, working transparently with NGOs, unions and others to identify and address them.
- Support sourcing communities facing complex social and environmental challenges.

We have thousands of direct and indirect suppliers who grow and move hundreds of raw materials and finished products across global supply chains. These suppliers range from large agriculture businesses to smallholders and manufacturing companies. We also work with a number of

other partners who help run our distribution centres, keep our offices and stores clean and secure, and much more.

Starting with our own business operations and service providers, and then increasing the visibility we have of our global supply chains, we work to identify actual or potential risks of modern slavery and help ensure remediation where any cases are identified.

Policies in relation to modern slavery.

At the heart of our approach to human rights are a number of important internationally recognised declarations, standards and codes. These are the foundations for how we work across the Tesco Group, and include:

- The UN Universal Declaration of Human Rights.
- The International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.
- The UN Guiding Principles on Business and Human Rights.
- The UN Global Compact.
- The Base Code of the Ethical Trading Initiative (ETI).

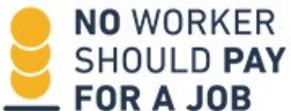
Our approach to addressing modern slavery sits within this wider human rights agenda. Our strategy is supported by our Code of Business Conduct and Human Rights policy, which applies across the Tesco Group and sets out our obligations to customers, colleagues and communities in our own operations and supply chain.

We take any breach of our policies or allegations of labour abuse extremely seriously. We provide independent and confidential ‘Protector Lines’ that enable our colleagues, suppliers and their staff around the world to raise concerns.

As part of our membership of the Consumer Goods Forum (CGF), we are one of the companies leading collaborative

efforts to combat forced labour in the consumer goods sector. Such collaboration is particularly important in lower tiers of supply chains where we do not have direct commercial relationships. We helped to develop and strongly support the CGF’s Priority Industry Principles shown below:

As members of the Institute of Human Rights and Business Responsible Recruitment Leadership Group, we also actively support the Employer Pays Principle that: **‘No worker should pay for a job – the costs of recruitment should be borne not by the worker but by the employer.’**



Governance.

Our human rights strategy is led by the Group Responsible Sourcing Director, within our Product division. Overall governance and progress monitoring of our human rights work, for all markets and subsidiaries, sits with the Board’s Corporate Responsibility Committee, which meets three times during the year.

“Responsible Sourcing and Supply Chain” is highlighted as a principal risk within our overall business wide risk assessment and is reported within the [PLC Annual Report and Financial Statements 2021](#). We update on current and future risks, progress and performance, and breaches of our policies to the Group Risk and Compliance Committee chaired by the Group CEO, plus the business unit Risk and Compliance Committees, on at least an annual basis.

We also have an internal modern slavery working group that meets bi-annually, at a minimum, to monitor progress against our Group modern slavery strategy. This group is chaired by the Group Responsible Sourcing Director.



Human rights due diligence.

Risks of modern slavery are dynamic and can change quickly. We recognise this year that both the COVID-19 pandemic and labour market changes linked to Brexit may exacerbate these risks.

We follow a robust due diligence process that was developed in line with the UN Guiding Principles on Business and Human Rights and in consultation with more than fifty internal and external stakeholders.

With over 40 dedicated responsible sourcing specialists, based across nine key sourcing countries, we are well-

placed to gather on-the-ground intelligence through direct engagement with suppliers and other relevant stakeholders. This includes capturing the views of workers through conversations, confidential interviews and surveys. Where we do not have on-the-ground capacity, we work with a range of experienced partners, including consultants and NGOs, who are supported by our commercial buying and quality teams. In the past 12 months, COVID-19 has hindered our ability to interface directly with workers. We have instead relied more heavily on our partners who have established networks on-the-

ground as well as worker voice technology such as &Wider.

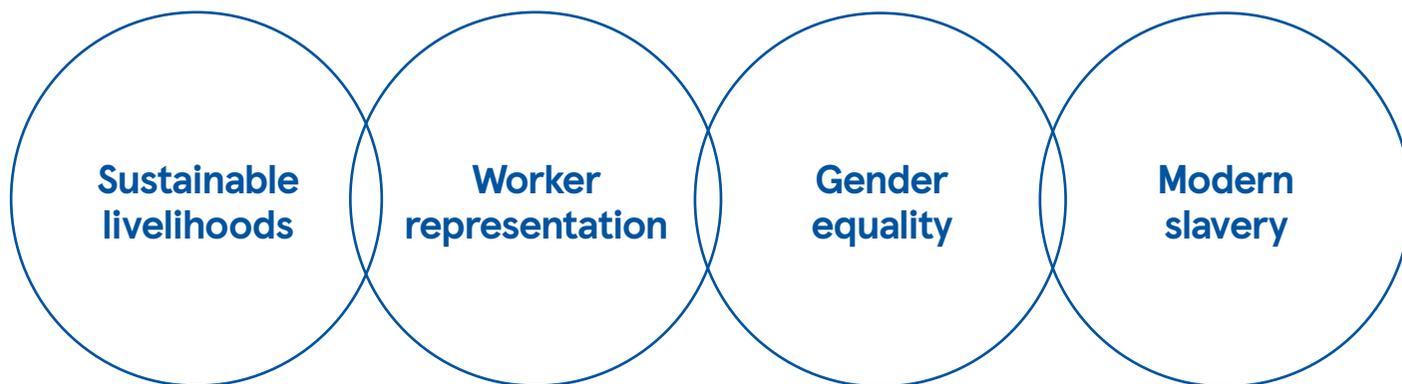
We use the information gathered to continually reassess and respond to the potential and actual risks in our business and supply chains. The learnings from this due diligence framework then inform our human rights strategy.

Our due diligence framework has five stages:



Our human rights strategy was developed in consultation with 25 key stakeholders, including suppliers, academics, NGOs and internal stakeholders. We also spoke to trade union representatives to bring the voice of people in our supply chain to our strategy development.

The strategy identifies four clear focus areas. These areas reflect both salient issues within our supply chains and are aligned with stakeholder priorities. The four areas are:



We have a three pillar approach to taking action in line with our strategy:

1. Improve

Driving improvements to working conditions on sites where we have direct leverage together with our suppliers so that we know we are sourcing from better sites and farms.

2. Transform

Where we cannot solve complex sector-wide issues alone, we work together with others to drive transformational change by tackling the root causes of endemic issues – focusing especially on worker representation, gender equality, tackling modern slavery and sustainable livelihoods.

3. Advocate

We collaborate with our peers to call for wider change or to influence regulation and legal frameworks where there is a need.

In 2020, we began a review of our modern slavery strategy to ensure it continued to reflect the learnings from our due diligence framework. We engaged a number of key stakeholders in this process including representatives from the ETI, the Office of the Independent Anti-Slavery Commissioner, the CGF and key suppliers. The outcome of the review is a stronger approach and includes consideration of the longer-term impacts of the COVID-19 pandemic and labour market changes linked to Brexit on workers in our own operations and supply chains. The strategy will be published on our website in summer 2021.

Tackling modern slavery – our business operations.

In our Tesco UK Stores business, the majority of our colleagues are employed on permanent contracts. The greatest risks of modern slavery exist for workers not in permanent employment, primarily agency workers in our distribution and fulfilment centres.

We have prioritised key business areas in the UK based on our analysis of evolving risk in the sector, worker contract types, the level of skill involved in the work, wages and our visibility of the service provider.

Our focus areas in our business operations are:

- Agency workers in our distribution and logistics operations.
- Workers providing retail labour services, such as security and cleaning, for our offices, stores and distribution centres.
- Workers in car washes situated in store car parks.
- Workers in the construction industry who build, maintain and fit-out our stores.
- Goods not for resale manufactured in high risk countries.
- In 2020, in consultation with key suppliers, Tesco colleagues and industry experts, we launched new human rights requirements for suppliers in the above focus areas.

Under this policy, it is a requirement for:

- Independent ethical audits, which include a review of the supplier’s management systems to ensure they are adhering to the ETI Base Code, worker interviews, and analysis of how worker recruitment is managed.
- Attendance at tailored modern slavery training hosted by Stronger Together. This a UK based multi-stakeholder initiative aiming to reduce modern slavery through guidance and training.
- Completion of the self-assessment within the Responsible Recruitment Toolkit, of which we are a founding sponsor. This capacity-building tool, an initiative led by the Association of Labour Providers and allianceHR, supports businesses to embed responsible recruitment practices in their supply chains.
- Bi-annual meetings with the Tesco Responsible Sourcing Team to ensure we continue to strengthen and coordinate our approach to identify and mitigate risks of modern slavery. This is also included as a key aspect of ongoing supplier performance reviews carried out in conjunction with our commercial teams.

Prior to the COVID-19 pandemic, we further monitored worker welfare through due diligence visits to our distribution centres. Led by trained group security and

distribution colleagues, the primary aim of these visits is to speak 1:1 with agency workers to better understand their recruitment journey and experience of being employed at a Tesco site. These visits complement the on-going worker engagement conducted by both our labour providers and on-site supervisors. These visits were paused in 2020 but we intend to resume them in summer 2021.

COVID-19 further impacted our approach to managing modern slavery risks within our operations by causing delays to independent ethical audits of our labour providers and retail labour service providers and delaying a review of human rights risks within our Central European distribution network.

To mitigate the impact of these delays, we updated our training materials with additional case studies, ensuring key colleagues that continued to be based within our operations on a day-to-day basis were equipped with the skills and knowledge to identify modern slavery. Feedback from colleagues was that case studies based on previous Tesco investigations furthered their understanding of how labour exploitation and/or modern slavery can manifest itself within our business. We also increased the promotion of the independent Modern Slavery & Exploitation helpline to over 600 UK stores and continued to conduct bi-annual meetings with key labour and retail labour service providers, focusing on how their approach to worker welfare had adapted during the pandemic.

We have continued to investigate a number of potential indicators of modern slavery within our own operations in 2020/21. These investigations did not find any cases that would be classified as modern slavery, however they did find a number of labour abuses which we then acted to remediate.

The allegations were raised either via on-site supervisors who had received modern slavery training, Trade Unions, Police, Protector Line or the national Modern Slavery & Exploitation helpline run by the anti-slavery charity Unseen. We believe providing transparency on these cases is in keeping with the aims of the 2015 Modern Slavery Act and enables greater lesson learning with suppliers and peers. The cases include:

- Four agency workers within a Tesco distribution centre found to have paid recruitment fees to supervisors in order to secure employment.
- Seven agency workers within a Tesco distribution centre found to have paid a fee to agency supervisors to secure a promotion.
- Allegation that workers for a transport & logistics company used in Central Europe were required to sleep in their cabins, had insufficient rest breaks and records were falsified.

- An individual identified as a perpetrator of modern slavery suspected of having links to a small number of Tesco stores – this was later unsubstantiated.
- Two agency workers in a Tesco distribution centre found to have their wages paid into the bank account of another colleague.
- A number of allegations of poor worker welfare against a Transport & Logistics company used in the UK.

Where issues are identified, we work to an agreed internal incident management and escalation process to ensure that we act quickly and effectively. The modern slavery working group comprised of colleagues from our Responsible Sourcing and Group Safety, Security and Resilience (GSSR) functions and is available to receive information 24/7 where we have clear procedures to ensure that senior colleagues are made aware of incidents, and that appropriate actions are taken. Experienced Responsible Sourcing and GSSR colleagues investigate allegations. The GSSR team is comprised of colleagues with a range of expertise and experience, including former law enforcement officers and investigators. Improved reporting and escalation procedures were implemented at our distribution and fulfilment centres in 2019, promoted to stores in 2020 and these are now reinforced in our modern slavery training.

We continue to engage proactively with the UK Gangmasters and Labour Abuse Authority (GLAA), police forces, the Office of the Independent Anti-Slavery Commissioner and relevant experts to better understand risks and address issues identified. We are committed to sharing information that will help stop or prevent the exploitation or abuse of workers, whilst ensuring that this information is handled sensitively and within data protection requirements.



Due diligence in Malaysia

In December 2020 we sold our business in Malaysia and remediation was concluded prior to the sale.

In September 2019, we commissioned an assessment of migrant workers' rights in our stores and distribution centres in Malaysia. This identified that migrant workers employed by our service/labour providers in replenishment and cleaning roles had paid significant recruitment fees.

In 2020, we undertook further detailed work to understand the extent of these fees and then reimbursed migrant workers these recruitment fees to the value of £2.5m. Payments were made to 1,343 migrant workers from six different countries, employed across our 75 stores, two distribution centres and head office.

For replenishment colleagues, individual payments were based on the average amount reported by workers during investigation, according to their nationality, crosschecked with credible third party data such as that from the ILO and Impactt, an independent human rights consultancy. This is known as the Universal Payment Principle. As a further step, we also crosschecked the amounts with additional external human rights experts. Reimbursement was made in one

single payment into a bank account chosen by the worker in either their home country or Malaysia. For cleaners, who also worked across a range of other businesses in addition to Tesco, we reimbursed 50% of the average recruitment fee.

Impactt conducted the verification of the repayment of recruitment fees. Impactt contacted 100% of workers and/or their designated family member before Tesco made the payment to ensure the bank details provided were correct, workers understood the purpose of reimbursement and that they had received no intimidation or threats. Post-payment, Impactt contacted a further representative sample of workers and/or their designated family member to ensure they had safely received the payment. Impactt also reviewed relevant internal documents including payroll, bank statements and payslips. An accessible support line and grievance mechanism for migrant workers, available in workers home languages, continued to operate during and after reimbursements. During the verification process, workers consistently fed back the significance of these repayments in reducing their debt burden, reinforcing the importance of further industry-wide progress to address recruitment fees and costs.

The Responsible Car Wash Scheme

The car wash sector in the UK is widely acknowledged as being high-risk for modern slavery, and we have worked for many years with our own sole car wash provider, Waves, to ensure strong standards and employment compliance. Recognising we also have a role in driving sector standards, in 2018 we helped launch the Responsible Car Wash Scheme (RCWS), which aims to tackle modern day slavery by promoting employment compliance, sharing best practice and introducing a new accreditation for operators to allow customers to make responsible choices about which car wash they use. The collaboration includes the Downstream Fuel Association, four major supermarkets, the Police, the Health and Safety Executive, Her Majesty's Revenue and Customs, the Environment Agency, the Car Wash Association, the Gangmasters & Labour Abuse Authority (GLAA), and the anti-slavery charity Unseen.

In 2020, following a number of successful pilots of the Code of Conduct, the RCWS and its members sought Home Office endorsement for a pilot of a blueprint for the mandatory licensing of car washes. Tesco believes that statutory licensing has the potential to better protect vulnerable workers in this sector and ensure compliance with broader

regulations. The RCWS was successful in obtaining funding from the Home Office. This, alongside financial contributions from member organisations, will support activity to test the potential effectiveness of licensing across four local authority areas in 2021.

Unseen Partnership

We continue to work in partnership with Unseen, who run the UK's 24/7 independent and confidential Modern Slavery & Exploitation Helpline. Trained helpline advisors are able to support potential victims of modern slavery as well as offer a way for businesses and the public to raise suspicions or concerns, complementing our own Protector Line. Real-time translation is available in over 180 languages. We expect our primary supplying sites in the UK, as well as our distribution and fulfilment centres, to promote the helpline, enabling us to continue to raise awareness of modern slavery. In 2021 we increased the promotion of the helpline to over 600 UK stores. Through the Unseen business portal, which provides us with information about concerns reported to the helpline, we have gained visibility of one potential case relating to our own operations and eight linked to our supply chain.

Indirect Procurement Human Rights (IPHR) Forum

The IPHR Forum is a group of UK retailers, brands and manufacturers focusing on protecting human rights in the supply chains of goods and services not for resale. In the past 12 months, the group has continued to facilitate collaborative responses to shared risks relating to labour providers, on-site services and waste management. This included coordinating two virtual sessions, alongside key stakeholders, targeting warehousing and logistics and cleaning providers. The sessions highlighted risks associated with each sector and drive further dialogue on how best to mitigate risks.

Modern Slavery Intelligence Network

Launched in 2020, Tesco is an active member of the Modern Slavery Intelligence Network (MSIN), a collaboration between a group of leading companies in the UK food sector. The purpose of the MSIN is to develop and trial a structured intelligence sharing mechanism to enhance members ability to:

- Protect workers from exploitation.
- Prevent and disrupt worker exploitation in their supply chains.
- Prepare systems against identified trends.

Companies within the food sector routinely come across intelligence which could indicate modern slavery and, in line with their obligations, should report it to the relevant authorities. Some of this intelligence is sufficient to lead to further action, and some is not – either because it is unsubstantiated or relates to behaviour which, while exploitative, does not clearly constitute a criminal act such as modern slavery as defined.

The rationale for forming an information sharing mechanism between the private company members of the MSIN is twofold: firstly, in some cases unsubstantiated evidence which may not, on its own, be actionable by investigative

authorities may, when collated from multiple sources, become actionable by such authorities. Secondly, although practices may not fall within the remit of a statutory investigative authority, it will empower members of the MSIN to take any action deemed appropriate to combat identified risks of worker exploitation.

The MSIN is currently undertaking an 18-month pilot which will include discussions with key stakeholders. At the end of the pilot, a review of impact and effectiveness will be undertaken prior to determining future actions or plans.



Tackling modern slavery - our supply chains.

Assessing risk

We assess the potential human rights risks of our supply chain by considering the country of origin where we are sourcing products or raw materials from. We use the Food Network for Ethical Trade (FNET) risk ratings to inform this, combined with our own understanding of labour rights and human rights risks in our key sourcing sectors.

As the next stage of our risk assessment, we consider the type of work being carried out (mechanical vs. manual) and the type of labour (seasonal, permanent, agency).

We also gather intelligence about emerging risks through our in-country Responsible Sourcing specialists and strong relationships with local groups, NGOs and organisations, such as the ETI, FNET and the CGF. Campaigners, activists and whistle-blowers can also play an important role in helping us to identify some of the biggest risks. We collaborate with them and learn from their experience wherever possible. We also recognise the important role played by investigative journalism in identifying current and emerging risks, and we review all credible investigations relevant to our business and supply chain.

This approach helps us to identify where the most salient and material risks are in our supply chains. We then seek to mitigate the risks through our ‘three pillar’ approach -

- 1 Improve
- 2 Transform
- 3 Advocate



1 Improve

Ethical audits

For the supply chain of Tesco UK Stores, we require all direct supplier sites (known as ‘Tier 1’ sites) in high-risk countries to have a human rights audit before they start supplying Tesco, and then on an annual basis. This represents around 30% of our total Tier 1 suppliers. These audits are conducted against best practice international labour standards as set out in the ‘base code’ of the ETI. In addition, we also require audits for other tiers of key supply chains where there are high risks of human rights issues. For example, fruit, vegetable and meat sites are audited to farm level in high risk countries. This allows us to focus our work on the countries and suppliers where we can have the biggest impact.

Either our in-house responsible sourcing specialists or independent auditors, who have been approved by Tesco, visit the supplier sites to conduct an in-depth audit once a year. We monitor the effectiveness and service quality of the audit companies we use on an on-going basis. In 2020, we delisted three auditors for failing to identify critical issues that our own in-house specialists later identified.

During the closing meeting for all audits, all non-conformances with the ETI base code are discussed and a Corrective Action Plan Report (CAPR) is agreed between the supplier and the auditor. We categorise non-conformances as critical, major or minor. If any critical non-conformances

are found, the audit company notifies us directly. We work hard to uncover all possible issues, and in 2020/21 critical non-conformances were identified at 39% of primary high-risk supplier sites. The most common of these were excessive working hours and inadequate health and safety practices.

As part of their contracts with us, suppliers are required to ensure all non-conformances are fixed, with critical issues needing immediate action. Suppliers are supported to address these issues by expert Tesco teams and a follow-up audit is conducted by our in-house team or independent auditors to verify that issues have been closed. These are conducted within 3-6 months, depending on the issue identified. For example, we require 2-3 months of records to verify that findings of excessive working hours are closed.

Over the full year 2020/21 71% of the primary high-risk supplier sites where critical non-conformances were identified had been resolved within six months - for further detail, please see our [human rights factsheet](#). We continue to work with remaining sites provided they can demonstrate commitment and capability to close identified issues. Our first aim is always to ensure issues are remediated for workers and practices put in place to avoid recurrence. However, if we believe sustained improvement will not be achieved, we stop working with the site. In the past 12 months we have exited 34 supplier sites as a result of human rights breaches.

Following allegations over the use of involuntary prison labour in our Christmas card production in 2019, we have reassessed the risks across our general merchandise supply base in China. This has included a supplier review focused on outsourcing and factory controls. We also conducted on-site due diligence at selected factories during production which did not identify any forced labour non-conformances. We also conducted random spot checks on cards arriving into our UK distribution centre.

In some cases non-conformances are the result of entrenched human rights issues in a particular country and require cross-industry collaboration and long term partnerships to address them – see page 16 for more information. Analysis of our audit data helps us identify where a different approach is needed.

Investigating modern slavery risks

When we receive intelligence through ethical audits, our own site visits, Protector Line or other sources, such as NGOs or media reports, we immediately investigate. Where our suppliers identify possible indicators of modern slavery within their own operations, we support and monitor their investigations.

In the past 12 months through Protector Line, the Modern Slavery & Exploitation helpline, supplier visits and other channels, there have been 20 incidents with potential

indicators of modern slavery in our supply chains. These include:

- Allegation of excessive overtime without premiums, deductions from wages and verbally aggressive management at a UK site. Following investigation, we have since exited the site.
- US Customs and Border Protection issued a Withhold and Release Order against Sime Derby – a key indirect palm oil supplier to Tesco – based on information that reasonably indicated the presence of all 11 indicators of forced labour in their Malaysian operations. We are actively engaging with the supplier regarding their response to the allegations and action plan. We continue to engage in broader industry-wide efforts to reduce human rights risks in the palm oil sector – see page 17 for further information.
- Allegation of unpaid prison labour at a farm in Zimbabwe. Following investigation, the presence of prisoners on three different occasions on the site was confirmed. As we were unable to conclusively determine whether this was vocational training (as claimed by farm management), and due to an evident lack of management controls as well as inconsistencies during the investigation, the site has been delisted.
- A farm in South Africa was accused of restricting workers' movement during the COVID-19 pandemic, forcing them to live in unacceptable conditions and threatening to

terminate contracts should they seek to exit the site. Following investigation, an action plan was developed to ensure the resolution of issues, however further concerns led us to delist the site.

- A whistle-blower reported labour exploitation was occurring at a UK grower, including recruitment fees, excessive and forced overtime, incorrect wages and bullying and harassment from management. A GLAA-led investigation found the most serious allegations to be unsubstantiated. However, there were issues relating to working hours, fire safety and training records. A corrective action plan was agreed with the site and a follow-up audit confirmed the closure of, or significant progress, against all of the issues.
- Allegations of human rights violations being perpetrated in the Xinjiang region of China. We have no direct relationships with any suppliers or factories in this region, across both food and non-food. However, we are undertaking detailed mapping beyond first tier supply to better understand any exposure. All our cotton is procured through sustainable initiatives with the majority acquired through Better Cotton Initiative (BCI) who have suspended all sources based in Xinjiang.
- A joint-investigation at a factory in India identified forced overtime, excessive working hours and underpayment of wages. We ensured that all compulsory overtime stopped immediately, back payment of avoided wages was completed and are now in the process of exiting the site.

- Allegation that workers at a factory in India were not allowed to return home during COVID-19. During investigation, the factory explained they were seeking to protect workers from the risk of infection. However, as a result of our intervention, the workers were all able to return home with transport provided by the factory. The factory has been warned that a repeat will result in termination of our business relationship.
- One historical instance of child labour was identified during a pre-assessment of a site we were considering sourcing from in China. We did not proceed with on-boarding the site.
- One case of child labour found at a site in Turkey, caused by poor record checks. A warning letter was issued to the site and a local NGO reviewed the living conditions of the child's family and determined that no further remediation was required. The cost paid by the factory for the remediation will be used for other charity projects with the NGO.

Payment of wages

One issue we monitor particularly closely in key sourcing countries is that salaries are paid on time and in full for all hours worked, including overtime premiums where relevant. We do this because we know how important it is for workers, and because ensuring workers are not in debt means they are less vulnerable to any risk of forced labour. Through our own checks, we occasionally find cases where

salaries are not paid on time and/or in full. This may happen for a number of reasons. Where we identify a shortfall in payment, we require suppliers to pay back any missed wages. In the rare occurrence that suppliers do not agree, we exit our relationship with them in a responsible manner. In 2020/21 we identified 40 cases, affecting 10,688 workers, where payments had fallen short of what should have been paid, including premiums for overtime and downtime wages. These were subsequently addressed with a total of USD 411,908 repaid to workers as result of Tesco's intervention.

The role of certification

We work hard with suppliers to obtain visibility of supply chains beyond our first tier. In addition to our own mapping efforts with our suppliers, we also use a number of selected certification schemes to provide additional assurance of our sourcing. Like audits, such schemes can't prevent endemic issues such as modern slavery on their own, but they can be an important step to ensuring minimum standards are met.

Our UK Own Brand bananas, black tea, green coffee beans and cocoa in all chocolate confectionary are either Rainforest Alliance™ or Fairtrade™ certified. The remainder of cocoa in our Own Brand products is responsibly sourced using a combination of sustainability programmes: Cocoa Horizons, Fairtrade, Rainforest Alliance and UTZ. As members of the Global Coffee Platform, World Cocoa

Foundation and Retailer Cocoa Collaboration, we also continue to engage with broader industry on the challenges associated with production, including the risks of child and forced labour.

In addition to our broader work on human rights in the seafood sector, and as the UK's leading retailer of seafood from fisheries certified by the Marine Stewardship Council (MSC) we have an active relationship with the MSC. We are continuing to engage the MSC through the cross-industry group Seafood Ethics Action Alliance (SEA Alliance) to ensure effective mechanisms are in place to address risks of modern slavery and other forms of exploitation in certified fisheries. Whilst we support the transparency measures for MSC certified fisheries that are now in force, we believe further work is needed across the seafood sector, in particular to ensure effective grievance mechanisms are in place and to map and address recruitment fees.

Purchasing Practices

We recognise the role purchasing practices can have on the ability of suppliers to maintain good labour conditions. In the past year, we have continued to create greater alignment between our responsible sourcing and commercial teams. This has included raising awareness of human rights risks within our supply chains, engaging in the commercial agreement process for products known to have a higher risk

of forced labour and ensuring human rights priorities are captured in our plans with our strategic supplier partners.

This year, across our non-food supply base, we have launched an 'Ethical First' initiative with internal colleagues and all Own Brand general merchandise and apparel suppliers. Under this approach, Tesco commits to only buying and selling ethically and has requested suppliers consider ethical implications as a priority. All non-food functions, including commercial, are committed to working together end-to-end for an ethical supply base. All suppliers are also assessed on their ethical performance, capability and transparency. Improvement plans are required for lower scores, with improvements linked to future business growth. As part of this approach, we have launched a new policy re-emphasising to our teams and suppliers that forced labour is a zero tolerance issue. Where use of forced labour is identified, the suppliers and factories involved will be exited. Online conferences have been held where our senior leadership clearly communicated our position to suppliers.

2 Transform and 3 Advocate

Working in partnership with others pre-competitively is vital to addressing risks of modern slavery, particularly further up the supply chain where our direct commercial influence may be less significant. Over the past 12 months, we have continued to engage in a number of multi-stakeholder initiatives to tackle systemic issues. All of these initiatives, examples of which are below, have sought to factor the impact of the COVID-19 pandemic on workers into their work. We continue to prioritise initiatives that align with our four focus areas, where we know the risk is significant and we have the leverage to make a positive impact.

We recognise that we can play an important role in improving working conditions for workers, including reducing the risk of modern slavery, through engaging with suppliers, industry bodies and governments on opportunities for wider sectoral change.

Sumangali

In parts of the garment industry in southern India, workers are recruited through contracts under which they are paid a lump sum at the end of a three-year period, and have restrictions placed on their movement, known as Sumangali. This leaves them vulnerable to abuse. We have continued to monitor our direct suppliers closely and work through the ETI to ensure this practice does not take place in our supply

base. We have not identified any cases of Sumangali in our direct supply base in 2020/21. We continue to map our clothing and textile supply chain - including spinning mills, fabric mills and other processing sites - to ensure better visibility of any potential risks. In the last year we have:

- Assessed the working conditions of the top 36 spinning mills and fabric mills used by our suppliers, and followed-up to ensure non-conformances are resolved. Following our assessment, a mill in Tamil Nadu has been added to a prohibited sourcing list due to its lack of willingness and action to remedy the poor working conditions identified. We have written to inform our clothing suppliers not to buy any materials from that mill for Tesco production.
- Collaborated with other members of the ETI to write to the Minimum Wages Committee for Textile Industry Tamil Nad. We have recommended that the evaluation process of the minimum wage level should align with international labour standards set by the ILO, by taking into account the needs of workers and their families, the general level of wages in India, the cost of living and inflation; social security benefits, the relative living standards of other social groups and economic factors.

Food Network for Ethical Trade (FNET)

Tesco, together with our suppliers and other retailers, continue to participate in FNET, a network developed to support collaboration throughout supply chains, including addressing priority risks such as modern slavery.

This year FNET, alongside other key stakeholders, developed bespoke training and tools to help suppliers manage the impact of the COVID-19 pandemic on both their operations and workers. We collaborated with other retailers to roll out a series of COVID-19 webinars to over 1,000 supplier representatives globally including a webinar on managing recruitment and labour exploitation risks. We have also funded the development of the FoodFarmHelp website which provides guidance, templates and case studies for growers, farmers and food producers in the UK and beyond on COVID-19 issues and on Brexit-related labour exploitation risks. Bi-monthly calls throughout the year have also served as an invaluable forum for FNET members to share details of the challenges faced as a result of the pandemic, including increased risks of modern slavery.

Tesco continues to participate actively in the Responsible Recruitment workstream of FNET, where members seek to map recruitment fees in key supply chains and seek alignment on due diligence.

Migrant labour in the Southern Mediterranean

We know that interventions in this region need to be locally owned to be effective, led by suppliers and focused on specific impacts. We continue to review our approach to monitoring human rights risks within the region, identifying opportunities to enhance our due diligence.

Alongside other UK retailers and importers, we continue to support the Spanish Ethical Trade Forums, which aim to raise awareness of labour issues in agricultural supply chains. In 2020 the forums hosted two full-day events, as well as 17 online seminars which were attended by our first tier suppliers and growers. Nine working groups continue to complement the forums. These groups seek to develop tools to further support growers in the region, for example a guide on the responsible use of recruitment agencies and resources relating to COVID-19. In 2020, the forums also began a pilot of &Wider, a worker voice technology, at grower level. This ongoing pilot has enabled us to obtain direct insight into the experiences of workers in our supply chain.

We also continue to participate in the ETI Working Group for Italian agriculture. This group is currently developing a set of capacity building materials on good labour practices targeting cooperatives. Led by a local consultant, the overarching aim is to build trust among local processors and cooperatives, encouraging further collaboration and

dialogue on wider issues pertaining to labour practices in the industry, such as the ‘caporalato’ recruitment system. Our key supplier of canned tomatoes is also engaged in this group.

Working collaboratively to end forced labour in the palm oil sector

As a member of the CGF, Tesco has continued to support the activity of the CGF’s Forest Positive Coalition of Action and the CGF Human Rights Coalition – Working to End Forced Labour (CGF HRC). Both coalitions have a common ambition to ensure the rights of workers, particularly those outlined in the CGF Priority Industry Principles, are respected throughout consumer goods supply chains globally. In February 2020, following wide consultation, the CGF HRC finalised a palm oil roadmap. This roadmap outlines an intention to deploy a human rights due diligence approach, specifically targeting forced labour risks and impacts in palm oil supply chains amongst key suppliers, with the long-term objective to scale up this model sector wide, and beyond. The roadmap also outlines the objective to advocate and engage with key governments and stakeholders on the ground to ensure the key success of the approach. CGF HRC members will publish and begin the implementation of this roadmap in 2021.

As a member of the Palm Oil Transparency Coalition (POTC), we have strengthened our annual assessment criteria of the palm oil importers in our supply chain to include further

focus on the implementation of their policies against forced labour and exploitation in line with the CGF roadmap, where possible. We use the annual POTC assessment results to engage with our key importers and to take action to support faster industry progress to end exploitation in the palm oil sector.

Issara Institute

Issara Institute is an independent NGO based in Southeast Asia tackling issues of human trafficking and forced labour through worker voice, partnership, and innovation. Our continued partnership with Issara Institute ensures our highest risk supply chains in Thailand are monitored independently, alongside those of other Issara partners. The Issara Institute currently works with our suppliers in the poultry and seafood sector. The key focus is on enabling workers to raise their own concerns and ensure they are addressed, which is crucial for the empowerment of migrant workers who are often vulnerable to exploitation. The Issara Institute is also implementing innovative projects on responsible recruitment and fishing vessel labour standards, which a number of our suppliers engage with.



Photo credit: UNICEF/Avani Rai

Supporting UNICEF to help Women, Children and Families in Assam, India

Assam is one of our most important tea growing areas, but the large communities involved in tea in this region (one of the poorest in India) face deep-rooted challenges. Nearly 30% of people in Assam live in what the World Bank defines as poverty. Child protection is a key issue; 43% of girls are married before they turn 18 and only 54% of young people in Assam are enrolled in secondary school, with a high risk of women and children being targeted by traffickers. We continue to fund the Assam Improving Lives Programme, an initiative implemented by UNICEF, in partnership with the Ethical Tea Partnership and other key stakeholders. To date over 35,000 adolescent girls and young women in the tea growing regions of Assam have been equipped with the skills and knowledge to protect themselves from various forms of harm, including child marriage and child trafficking. Over the last year the programme has been scaled up to encompass adolescent boys, an essential area of development to change gender norms for the next generation. Additionally, the programme is working with state and district government to improve the quality of education and the effectiveness of child protection systems, resulting in over 1,000 front line staff trained on child protection issues, building trust between tea communities and the local agencies keeping them safe. The overall ambition of the programme is to directly and indirectly

improve the lives of an estimated 250,000 women, girls and boys living in Assam. Its reach spans to over 200 tea estates in Assam, and it is the largest programme of its kind in the region, encompassing child protection communities, better services for mothers and new-born babies, improved nutrition, provision of sanitation and hygiene facilities and access to education.

SEA Alliance

Tesco's Head of Human Rights for Food became chair of the Seafood Ethics Action Alliance in 2019 - a group of retailers, brands and fish processors working together to better understand human rights risks in seafood supply chains, and to work pre-competitively on responses where possible. The ILO has highlighted fishing as one of the most high-risk sectors for forced labour.

In the last 12 months, the SEA Alliance has worked with an expert consultant to undertake a desk-based risk assessment of 297 fisheries supplying the UK market, supported the development of further guidance on due diligence in seafood supply chains and has written to both the EU and Taiwan regarding concerns about human rights risks in seafood supply chains. The group has expanded and now includes companies representing over 70% of the UK retail market, and a new two year workplan has been developed.

Responsible Recruitment

We recognise that debt bondage caused by excessive recruitment fees charged to workers can lead to situations of forced labour. As members of the Institute of Human Rights and Business Leadership Group for Responsible Recruitment, we have committed to the Employer Pays Principle that – no worker should pay for a job and the costs of recruitment should be borne not by the worker, but by the employer.

It is a policy requirement that all suppliers of food and goods and services not for resale into Tesco UK align with the Employer Pays Principle. However, we continue to work to operationalise this commitment. Sadly, we believe that COVID-19 has exacerbated risks to migrant workers. When borders reopen, we believe it is inevitable that the fees and costs associated with recruitment will have increased and workers, unfortunately, more likely to fall victim to unscrupulous recruitment practices. Close engagement with priority supply chains as borders reopen is therefore a key priority.

This year we have monitored the implementation of our responsible recruitment requirements for all food suppliers in Thailand and Malaysia. This policy includes a time bound commitment to align with the Employer Pays Principle. Our responsible sourcing specialist based

in Thailand has supported the capacity building of HR teams, where necessary, including ensuring these teams understand how recruitment fees and costs are changing during the pandemic. Robust assessments of the implementation of this policy will be conducted when restrictions permit.

We recognise that audits have the potential to provide helpful insight into recruitment practices. This year we have enhanced the expectation that auditors specifically report if factories are using any labour providers, recruitment agencies or labour schemes operated by private companies or local authorities at either the source or the site country, and whether workers pay any recruitment fees or costs. In Thailand, having identified gaps in the way in which recruitment fees were reported, we have provided additional training to social auditors, focusing on responsible recruitment and the detection of recruitment fees.

Over the last year we have been working with one of our key tuna suppliers, NGOs, industry and government to address the issues faced by fishermen on the Republic of Korea's distant water tuna vessels. Poor recruitment practices, excessive working hours and lengthy fishing trips are commonplace in parts of the fishing sector. Through engagement and advocacy work with vessel owners and local authorities we have been able to gain

detailed insights into how crew are hired and their work conditions in the industry. In December 2020 our Head of Human Rights presented Tesco's human rights due diligence approach and focus areas to senior representatives of major fishing companies and their industry representation to reinforce the critical message of respecting human rights, including the prevention of forced labour.

Further to our advocacy, alongside our suppliers and other retailers, we were pleased to see the Republic of Korea make a public commitment to drive improvements. This includes improvements to how migrant crew are hired, ensuring crew have standardised employment contracts in relevant languages, how much rest time they receive and allowing crew to reduce their contract length should they wish to. We will now be working closely with our suppliers to verify these improvements.

These are just some examples of how we work with multi stakeholder initiatives. You can find further examples [here](#).

Awareness raising and capacity building.

Raising awareness of modern 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.

This year we continued to run online training targeting the colleagues in our business (see figure on page 21) who have direct contact with workers in our own operations and supply chains, including:

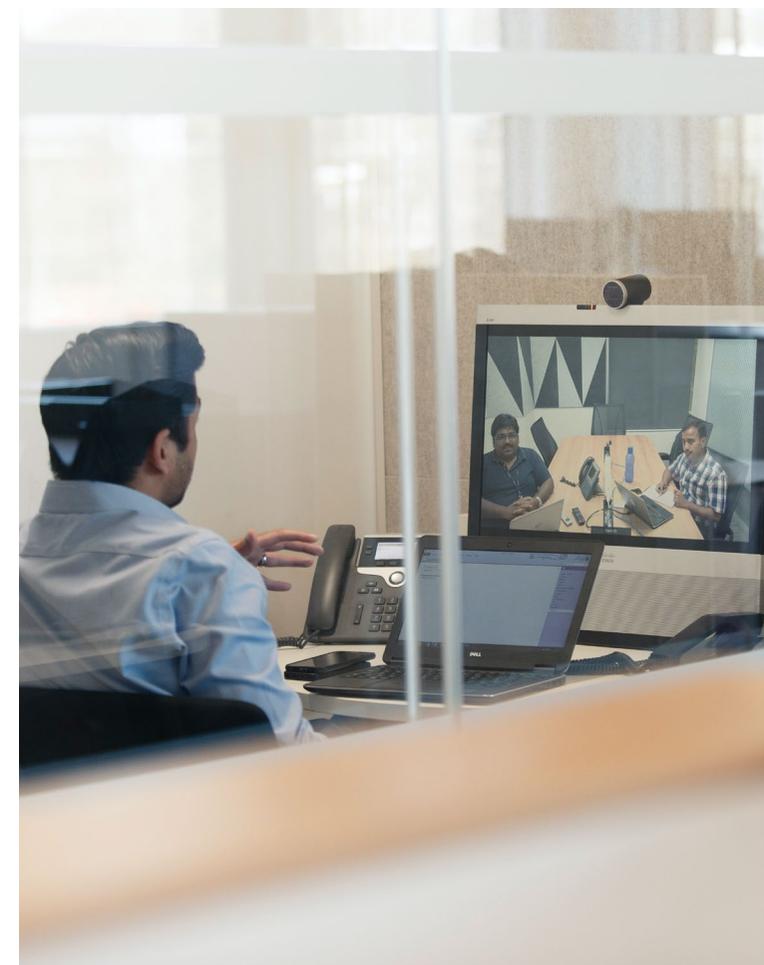
- Tailored modern slavery training for UK colleagues in distribution and fulfilment, including distribution managers and people partners. This training is updated annually to ensure our case studies remain relevant, as we recognise that risks of modern slavery are complex.
- Ongoing promotion of our modern slavery e-learning training to commercial colleagues, including those responsible for procuring labour and retail labour services.

To date we have trained almost 800 Tesco colleagues on modern slavery, including more than 85% of UK Technical Managers. We receive qualitative and quantitative feedback on all the training we deliver.

We continue to require all Tesco suppliers, including service

providers such as labour agencies, based in the UK to attend ‘Stronger Together’ training. This requirement also includes the second-tier suppliers of our key UK food suppliers. Over the past six years, 2,195 representatives from our food supply chains have attended this training. We also strongly encourage all fruit and wine producers to attend ‘Stronger Together’ training in South Africa with 529 individuals trained to date. In 2021 we also mandated the completion of the Stronger Together Progress Reporting tool for all UK based suppliers. Using this online self-assessment, companies can track the progress they have made in addressing modern slavery risks and identify the next steps for their businesses and supply chains, to ensure their approach continues to evolve.

Since 2019 we have also engaged 113 general merchandise and apparel suppliers and trained 212 participants to become ‘Tesco Ethical Change-Makers’ in Bangladesh, China, India, Pakistan, Sri Lanka and Turkey. Tackling modern slavery is an integral part of the training. The training includes mindset orientation (values and mission), knowledge sharing (ethical requirements, solutions and best practices), as well as improving operational skills (effective monitoring and change implementation) through a series of training sessions and on-site support to ensure that suppliers are capable of identifying and making changes where needed.



Impact and monitoring.

Under our updated modern slavery strategy, we have agreed three new Key Performance Indicators for 2021-2023, these are:

By end of	Target	Measure
2021	Zero workers pay for a job in 100% of primary sites in Thailand and Malaysia	% of in-scope sites compliant with the responsible recruitment requirements – Thailand and Malaysia
	100% priority colleagues ² and primary suppliers in the UK trained on forced labour	% of in-scope Tesco colleagues and primary suppliers trained in the UK on modern slavery
2023	Zero workers pay for a job in 100% of primary sites in priority supply chains/regions	% of in-scope sites compliant with the responsible recruitment requirements

We will continue to report annually within this statement on the below additional metrics and measures of success:

Measure	Status 2020– 2021
Number of primary suppliers in the UK trained on modern slavery	525
Number of Tesco colleagues trained on modern slavery	784
Number of cases with modern slavery indicators identified in own operations and supply chains	26
Number of modern slavery cases confirmed	0
Number of modern slavery cases successfully remediated	N/A
Amount of recruitment fees remediated in our own operations	Recruitment fees to the value of £2.5m were repaid to 1,343 migrant workers in Tesco Malaysia own operations.
Number of primary suppliers stating 'We have a "No Recruitment Fees" policy' in Sedex self-assessment questionnaire	155 UK food suppliers
Ranking in the Know The Chain Food & Beverage benchmark	The latest 2020 benchmark ranked Tesco first out of the 43 companies with a score of 65/100. The report noted our leading practices on matters such as worker voice and responsible purchasing practices.
Stop Slavery Award	In 2021 we were shortlisted for a Stop Slavery Enterprise Award (Goods & Service Companies).

2. Priority colleagues defined as Tesco UK technical managers and technologists, distribution centre managers, People partners and security managers.

We also monitor progress³ against the commitments we make within our Modern Slavery Statement each year.

Aim	Outcome	
Review our Group approach to responsible recruitment in line with the revised metrics from the leadership group for responsible recruitment.	In 2020 we completed the new Metrics Reporting Framework, a process which then informed our modern slavery strategy and 2021-22 work plan.	●
Complete the implementation of our escalation process and promotion of the Modern Slavery & Exploitation helpline in UK stores.	We have promoted the helpline to over 600 UK stores. The escalation process is available on the Stores Help Centre and included in our modern slavery training.	●
Monitor the implementation of our new human rights requirement for Group Procurement, ensuring it is effective in mitigating risks within our own operations.	Compliance with the policy is reported on a periodic basis. We work collaboratively with colleagues and suppliers to address non-conformance.	●
Continue to implement our action plans for Tesco Malaysia and Thailand, including embedding further responsible recruitment principles.	In 2020, prior to the sale of Tesco Malaysia and Thailand, we completed the implementation of the action plans. This included the repayment of recruitment fees to migrant workers employed by labour/service providers within Tesco Malaysia.	●
Complete due diligence visits to all Tesco UK distribution centres and consider how we can replicate in our store network.	COVID-19 prevented us from completing these visits. However, we updated our training to on-site colleagues and increased visibility of the Modern Slavery & Exploitation helpline.	●
Conduct a review of human rights risks within our Central European distribution network.	COVID-19 prevented us from conducting this review. We are committed to completing this in 2021.	●
Continue to engage with UK police forces, the GLAA and other key stakeholders to ensure effective investigations and information sharing, where required.	We continue to engage proactively with UK police forces, the GLAA, the office of the Independent Anti-Slavery Commissioner and relevant experts to better understand risks and address issues identified. We are also an active member of the Modern Slavery Intelligence Network.	●

3. Ratings are based on the following: Green – Action fully completed, Amber – Action partially completed, Red – Less than 50% of the action completed.

Aim

Outcome

Monitor compliance with our new responsible recruitment requirements for suppliers in Thailand and Malaysia, providing access to capacity building training and tools where necessary.	In 2019, we recruited a new responsible sourcing specialist based in Thailand who is working directly with our suppliers to support and monitor the implementation of the policy. We also continue to update commercial colleagues on progress towards compliance.	
Improve our visibility and monitoring of sites end-to-end in produce (fruit and vegetables) and protein (meat, fish and poultry) supply chains.	We continue to work with colleagues across our product categories to improve visibility end to end in high-risk supply chains. However, our reporting platforms are yet to be fully populated with end-to-end site data.	
Continue to promote 'Stronger Together' training and the Responsible Recruitment Toolkit to UK suppliers, ensuring it reaches lower tiers of our supply chain.	We continue to monitor engagement with both 'Stronger Together' and the Responsible Recruitment Toolkit. In 2020 we mandated the completion of the Stronger Together Progress Reporting tool.	
Review our approach to managing risk within the Southern Mediterranean, ensuring it continues to respond to the changing environment in which we operate.	Review our approach to managing risk within Spain, ensuring it continues to respond to the changing environment in which we operate.	
Review ethical audit requirements for suppliers into Tesco Lotus and Tesco Malaysia to ensure they are effective in identifying risks of forced labour.	We were unable to complete this work prior to the sale of Tesco Lotus and Malaysia. A handover was provided to the relevant Senior Responsible Sourcing Manager, based in Thailand.	
Develop detailed Key Performance Indicators relating to our human rights strategy focus areas, and monitor progress with suppliers.	In 2021, we finalised new Key Performance Indicators (KPIs) under each of our human rights strategy focus areas. The KPIs for modern slavery were agreed in consultation with key stakeholders.	

In addition to publishing this Modern Slavery Statement, we report annual progress on our human rights programme to the Tesco Group Risk and Compliance Committee at least once a year. This includes any critical breaches of our policies, the results of ethical audits, and progress against our responsible sourcing commitments on priority raw materials. We also publicly disclose progress against the human rights commitments on the [sustainability pages](#) of our website.

Plans for 2021/22.

In the next 12 months we will continue to strengthen our approach to managing the risk of modern slavery within our business and supply chain and ensure our strategy is responsive to changing risks. We will act immediately to address any concerns identified.

Own business and operations

- Conduct a gap analysis against the Consumer Goods Forum human rights due diligence own operations roadmap.
- Analyse the outputs of our ethical audit programme in UK own operations.
- Continue to review priority areas under our human rights requirements for Group Procurement.
- Commence a review of human rights risks within our Central European business.
- Continue to support the pilot of a blueprint for the mandatory licensing of car washes.

Our supply chains

- Identify opportunities for enhanced due diligence in UK supply chains, drawing on our learnings from our own operations.
- Verify compliance with our responsible recruitment requirements for suppliers in Thailand and Malaysia, providing access to capacity building training and tools where necessary.
- Identify additional priority supply chains/regions for our responsible recruitment requirements.
- Provide additional training to ethical auditors on modern slavery and responsible recruitment.
- Commence two further Human Rights Impact Assessments in key supply chains.
- Finalise road maps for key priority areas under our broader human rights strategy.

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