

Modern Slavery Statement 2016

Aldi UK operates with honesty and integrity wherever it does business around the world. We respect human rights and actively promote fair labour practices in our supply chain. This statement sets out our commitment and the actions we have taken to mitigate the risk of modern slavery and human trafficking across our operations.

Introduction:

This statement has been published in accordance with the Modern Slavery Act 2015. It sets out the steps taken by Aldi UK and other relevant group companies during year ending 31 December 2016 to prevent modern slavery and human trafficking in its business and supply chains.

Modern slavery affects every economy, in every part of the world and it can take many forms, including forced labour, human trafficking and bonded labour. It is typically a hidden crime that predominantly affects vulnerable people. This makes it even more important for organisations to be open and transparent when tackling this problem.

Aldi UK's approach to tackling modern slavery is based upon understanding the complexities of this important issue and continually improving the processes we have in place to prevent this occurring in our supply chain.

We work closely in partnership with our suppliers and their business partners along the supply chain, as well as third parties, to try to ensure all our operations remain free from modern slavery.

Structure, business and supply chains:

Aldi UK is part of the Aldi South Group, an international supermarket chain that operates more than 5,000 stores across nine countries. In the UK we now have over 700 stores. Since entering the UK market in 1990, Aldi has grown rapidly and is now the fifth largest grocer by market share.



More than 5,000 stores in 9 countries



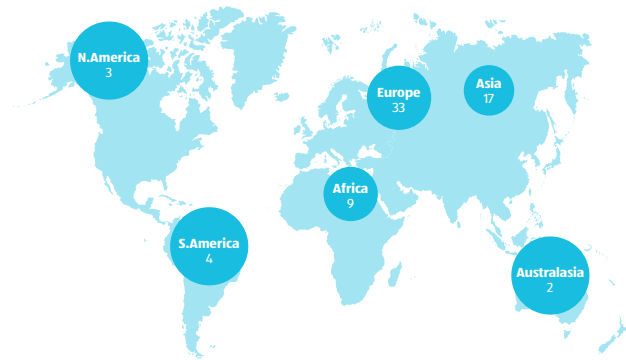
More than 700 stores in the UK



5th largest grocer by market share

Aldi's success in the UK has been achieved by treating customers, suppliers and employees fairly and with respect. This approach extends to our relationships with more than 3,600 suppliers across 68 countries.

3,600 suppliers across 68 countries



We have a zero tolerance approach to modern slavery underpinned by the internal policies and processes outlined below.

Policies:

Aldi UK conducts business according to our [Corporate Responsibility Principles](#), which are applied across every area of our operations.

Like many international retailers, we source products globally. As a result, we recognise that the greatest risk of modern slavery to our business is through our product supply chains.

To mitigate this risk all suppliers must comply with our [Social Standards in Production](#) before doing business with us.

These standards form part of our standard Terms and Conditions of Purchase and are based on the following international policies:

- [The UN Universal Declaration of Human Rights](#)
- [The UN Convention on the Rights of the Child](#)

- [The UN Convention on the Elimination of All Forms of Discrimination against Women](#)
- [The International Labour \(ILO\) Conventions](#)
- [The OECD Guidelines for Multinational Enterprises](#)

They define our commitment to human rights and fair labour and set out the minimum standards that we expect our suppliers to adhere to. These include:



The infographic consists of five circular icons on a light blue background, each with a corresponding text label below it:

- No use of force or bonded labour:** Represented by a blue circle containing a white fist icon with a red 'X' over it.
- No use of child labour:** Represented by a blue circle containing a white icon of two children with a red 'X' over it.
- Payment of legal minimum wages:** Represented by a blue circle containing a white icon of a hand holding three coins.
- A maximum length for a working week:** Represented by a blue circle containing a white calendar icon.
- Freedom from discrimination in the workplace:** Represented by a blue circle containing a white icon of a male and female symbol.

Our suppliers and business partners are required to apply these standards to all sub-suppliers throughout the entire production process. Furthermore, all suppliers are contractually required to provide details of the main production facility or site of manufacture for each product.

In addition, as part of Aldi South Group's [Detox Commitment](#), in cooperation with Greenpeace, we require all suppliers of textiles and shoes to provide details of every production facility they use across their supply chain.

Our standard Terms and Conditions of Purchase, along with our Corporate Responsibility standards, policies and procedures, are regularly reviewed, updated, and communicated to our suppliers.

Due diligence:

Additional checks to detect modern slavery in high-risk countries and product categories are made through our **Social Monitoring Programme**.

All suppliers in the programme must be a member of a supply chain management platform, either Sedex or the Business Social Compliance Initiative, and provide independent third-party audits of their production facilities to demonstrate compliance with our ethical requirements.

We expect our suppliers to take ownership and responsibility for improving conditions in all production facilities used for Aldi UK at all levels along the supply chain. We stipulate that activities to improve working conditions should be undertaken to support and improve findings identified throughout the audit process and beyond.

From our experience, we know that third party audit reports may not always reflect the true situation at a production facility. Therefore, since 2011, we have conducted our own audits and site visits to improve transparency across our supply chain.

These risk-based **Aldi Social Assessments** monitor issues and identify areas for improvement that may not be detected during third party ethical audits. Through Aldi Social Assessments, we also aim to tackle some of the challenges associated with audit fraud (e.g. falsified documents) and to drive a 'beyond auditing' approach to assess the true situation on the ground.

We focus on building cooperation with and gaining increased transparency from suppliers to allow us to work together to improve social compliance in our production facilities.

We continue to improve the processes that we have in place to mitigate the threat of modern slavery via a risk-based approach. In 2012, we established a team of Corporate Responsibility specialists based in Hong Kong to conduct audits of supplier facilities across South East Asia and South Asia.

During 2017, we will open a dedicated Corporate Responsibility office in Bangladesh to forge closer relationships with suppliers in this country and further strengthen our monitoring on the ground.

Audits are an important tool for identifying problems and initiating improvements. However, since they are only snapshots of a situation, we recognise that they have their limitations. Long-term changes require co-operation based on trust, particularly within factories, so we foster long-term relationships with our key suppliers wherever possible. For example, in 2014 we launched our [Aldi Factory Advancement Project](#) in Bangladesh.

The project enables managers and workers to identify potential problems within their production facilities and develop joint solutions. It includes training on topics such as health and safety in the workplace, fire safety, wage issues, working hours, and discrimination. As part of the project, Aldi's team, in cooperation with a non-profit organisation, regularly visit production facilities producing for Aldi in Bangladesh and provide support and advice. The project now covers almost half of our garment production facilities in Bangladesh. It has resulted in notable benefits for workers, including increases in both average salaries and the number of female workers promoted at the relevant facilities.

Managing risk in our business:

We acknowledge that modern slavery poses a risk to all areas of our business. This threat is prevalent from the initial production process through to the arrival of goods in our stores.

We have identified areas of risk across our supply chain and wider business through a comprehensive programme of third party audits, Aldi Social Assessments, and collaboration with stakeholders such as the Business Social Compliance Initiative. This risk assessment is complemented by the in-house expertise of our Corporate Responsibility teams based across the Aldi South Group and in the countries that we source products from.

The risk of modern slavery is higher in supply chains for certain product types and geographical territories than others. For example, tomatoes from Italy, tea from India and tropical fruit from Africa are generally regarded as higher-risk categories. Raising awareness of these risks ensures we are better placed to tackle them.

We recognise that we need to go beyond our immediate supply chains to support fair working practices whenever possible. We actively promote products that are produced under standards that create better social and environmental conditions for growers, such as Fairtrade, Rainforest Alliance and Utz.



In addition, we recognise that a single organisation alone cannot eradicate modern slavery. Due to this we are active members of and work with several industry-specific organisations and groups. These include:

Stronger Together: Since 2013, we have been project sponsors of Stronger Together, an initiative that aims to reduce human trafficking, forced labour and exploitation of workers across supply chains. We fund interactive Stronger Together workshops across the UK, led by labour rights experts, who have implemented programmes and projects to tackle human rights issues across the globe and encourage participation from all of our suppliers.



The Accord for Fire and Building Safety in Bangladesh: Aldi signed the Bangladesh Accord in May 2013 as a commitment to improving safety within garment factories in Bangladesh.



The British Retail Consortium and the following sub-groups: Responsible Sourcing Policy Action Group, Ethical Labour Working Group and the Seafood Working Group.

The Sustainable Fisheries Partnership, Asia Reduction Fisheries Supplier Roundtable and the **Seafood Ethics Common Language Group:** To specifically tackle issues within the seafood industry.

Gangmasters and Labour Abuse Authority (GLAA): We work closely with the GLAA, whose role is to protect vulnerable and exploited workers. The GLAA licensing scheme regulates businesses who supply labour to

UK businesses, including the agriculture, shellfish gathering, food processing and packaging sectors.

We also have a whistleblowing hotline that employees and suppliers worldwide can use in confidence to raise any concerns or report policy violations (Alert Line). All reports are investigated in full, and remedial action will be taken as appropriate. Importantly, the Alert Line is independently run and is staffed by multi-lingual call handlers. The service is available 24 hours a day, seven days a week and callers remain anonymous at all times.

Our effectiveness in ensuring slavery and human trafficking is not taking place:

We work with our suppliers on the basis of continuous improvement to resolve issues and problems. If a problem is identified, the type of corrective action implemented will depend on a number of factors. These include the severity of the issue and the willingness of the supplier or production facility to work jointly towards a solution.

If required, we would introduce a corrective action plan that sets out a clear timescale for remediation. Suppliers are required to implement corrective measures through collaboration with the production facility management. This process is monitored by our Corporate Responsibility team and relevant Buying departments, in close cooperation with our suppliers.

If a severe risk is not resolved we will stop working with the production facility in question. The relationship will only resume once we are satisfied that the issues have been fully resolved.

Training and capacity building:

To prevent modern slavery in our supply chains we need to make our own employees and those manufacturing the products on our shelves aware of this issue and provide them with the tools to tackle it. We have introduced various initiatives to equip our product teams and suppliers with the relevant skills and knowledge:

- All directors at Aldi are tasked with mitigating the risks of modern slavery within their particular area of responsibility and they work closely with our Corporate Responsibility team to monitor our

suppliers' Corporate Responsibility performance and intervene if any issues are found.

- Since 2015, almost 300 employees have received specific modern slavery training from our Corporate Responsibility team. This training includes how to recognise potential problems and how to work with our suppliers and production facilities resolve issues if they do occur.
- This programme also includes specific training on how to collaboratively work with suppliers in high-risk categories such as palm oil, timber and cocoa.
- We regularly host conferences with suppliers to train and educate them on our Social Monitoring Programme, allowing them the opportunity to ask questions and share best practice with other suppliers on pre-competitive issues.
- All new employees with buying responsibility receive one-to-one training as part of their induction to the business to ensure they have a thorough understanding of social monitoring issues, including modern slavery.
- As part of our Aldi Social Assessment programme, suppliers whose production facilities are scheduled to receive Aldi Social Assessments are fully briefed on the approach and objectives of the programme before the assessments take place. They are encouraged to attend the assessments along with our experts to receive support and guidance on how to remediate any issues identified.

Modern slavery is a fluid and ever-changing problem. As a result, we are committed to continually reviewing our policies, procedures and controls to ensure that our business and supply chains are free from modern slavery.

This statement has been approved by the Board on 17 May 2017 and constitutes Aldi Stores Ltd commitments to avoiding slavery and human trafficking for the financial year ending 31 December 2016.



Matthew Barnes
Chief Executive
17 May 2017