

Modern Slavery Statement: One Stop Stores

2018/19

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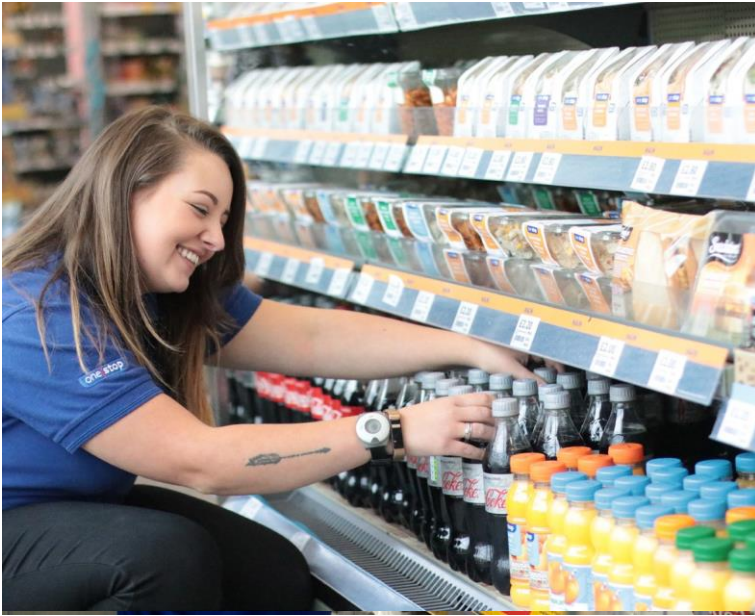
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Introduction



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. 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.

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 recognise the importance of transparency in driving collaborative action.

Our approach to managing the risk of modern slavery sits within the broader Tesco Group human rights strategy. Over the past 12 months we have continued to strengthen our approach both at a business unit and wider group level, including:

- Reframing the Tesco Group human rights strategy with a greater focus on forced labour.
- Entering into partnership with Unseen (at a Group level) helping us to better understand and identify modern slavery risks and improve our approach to remediation.
- Providing modern slavery training to One Stop's Leadership Team and One Stop's Franchise Team.

In the year ahead, we will continue to develop our approach to managing the risk of modern-day slavery within our business and supply chain.

This statement refers to the financial year ending 23 February 2019 and sets out the steps taken by One Stop Stores as well as relevant measures taken at wider Group level to prevent modern slavery and human trafficking in our own operations and in our supply chains.

This statement was approved by Jonny McQuarrie, Managing Director of One Stop.

A handwritten signature in black ink, appearing to read 'J McQuarrie', written in a cursive style.

09 August 2019

Our business and supply chain



One Stop Stores Limited is a retail convenience business with over 750 company operated neighbourhood stores and over 180 franchisees across England, Wales and Scotland.

Open 7 days a week, One Stop aims to meet the needs of all its local customers. We offer a range of food, beverages, non-food groceries and general merchandise. Many stores provide additional services including free cash machines, Post Office, PayPoint, Lottery and mobile electronic top-up.

One Stop has approximately 10,600 employees and has been a subsidiary of Tesco since 2003. It operates as

a separate business from a Store Support Centre in Brownhills, Walsall, and services its stores with ambient products from 3 distribution centres in Brownhills, Nursling (Hampshire) and Wakefield. We work with Tesco Distribution to deliver fresh food to One Stop stores.

There are over 330 suppliers across fresh, frozen and ambient ranges. Over the last 6 years we have been aligning our supplier base with the wider Tesco Group. All of our own-label products are now sourced from the same suppliers as Tesco UK stores.

One Stop Values:

- Our customers are at the heart of everything we do.
- We treat people how they want to be treated.
- We work together as one team.
- We make things easier.

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 One Stop Little Helps Plan. In the Plan's 'products' pillar we have committed to ensuring that 'international human rights standards are respected at all our suppliers' sites.

Policies in relation to modern slavery

One Stop is committed to upholding human rights. 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)

The Tesco Group Code of Business Conduct outlines the principles regarding how we conduct ourselves as a business. It incorporates our responsibility to respect the human rights of our colleagues, our customers, and those who work throughout the supply chain. Tesco Group is a founding member of the Ethical Trading Initiative (ETI). The Code of Business Conduct sets out how we use their Base Code as a mechanism to promote better and more consistent global labour standards in our supply chains. The first clause of this Base Code is that all employment be freely chosen.

In 2018/19 we launched a free, independent, and confidential 'Protector Line' for our colleagues. Protector Line, which is also used by the wider Tesco Group, enables our colleagues and our own-label suppliers and their staff around the world to raise concerns. Insights from these services are reviewed at both One Stop and Group Compliance Committee meetings.

One Stop specific employee policies are available on the One Stop learning platform and colleague engagement app. Tesco Group policies are available on the One Stop shared drive.

As part of its membership in the Consumer Goods Forum (CGF), Tesco Group is one of the companies leading collaborative efforts to combat forced labour. Such collaboration is particularly important in lower tiers of supply chains where we do not have direct commercial relationships. Tesco helped to develop and strongly support the CGF's Priority Industry Principles:

1. Every worker should have freedom of movement
2. No worker should pay for a job
3. No worker should be indebted or coerced to work

Governance

Tesco's supply chain human rights strategy, which also covers One Stop's own label supply chains, is led by the Group Responsible Sourcing Director, within Tesco's Product division. Governance of Tesco group's human rights work, for all markets and subsidiaries, sits with the Board's Corporate Responsibility Committee. The Committee meets three times per year, the full Terms of Reference can be found online.

Policies in relation to modern slavery

Responsible Sourcing and Supply Chain is highlighted as a principal risk within Tesco's overall business-wide risk assessment. Responsible sourcing is also a key sub-risk within One Stop's principle risk on Brand, Reputation and Trust. We therefore 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 One Stop Risk and Compliance Committee on at least an annual basis.

In 2018 Tesco Stores also formed an internal modern slavery working group that meets quarterly, at minimum, to monitor progress against the Group modern slavery strategy. This group is chaired by the Group Responsible Sourcing Director.



Human Rights due diligence

Over the past four years Tesco Group have put in place a due diligence process, in line with the UN Guiding Principles on Business and Human Rights and in consultation with over fifty internal and external stakeholders. This process covers all One Stop own-label products.

Our due diligence framework has five stages:



Tesco's 45 dedicated Responsible Sourcing specialists based across ten key sourcing countries are well placed to gather on the ground intelligence through their own direct engagement with suppliers and other relevant stakeholders. This includes capturing the views of workers through interviews and surveys. Where we do not have on the ground capacity, we engage a range of experienced stakeholders, including consultants and NGO's, who are supported by Tesco's commercial buying and quality teams. We use the information gathered to continually reassess and respond to the potential and actual risks in our supply chains.

In September 2018 Tesco conducted a full review of our group human rights strategy to ensure it continues to reflect the learnings from the group due diligence framework. 25 key stakeholders including suppliers, academics, NGOs, union representatives and internal stakeholders were engaged. Feedback included the following:

- We need to have a clearer focus on the most important human rights issues we are prioritising to have the greatest impact;
- The group monitoring programme (in particular for food sites) should place greater emphasis on the improvements that need to be made when issues are identified;
- Greater focus on advocacy is needed - including with suppliers, industry bodies and Governments - where we think this is necessary to bring about positive change for workers;
- We need to review our buying practices to ensure they enable us to deliver our human rights agenda.

The outcome of the review is a new Group strategy, that will initially be rolled out by Tesco UK (which covers One Stop own label), based on four clear focus areas. These areas both reflect salient issues within our supply chains and are aligned with stakeholder priorities.

Human Rights due diligence

Four key focus areas:

Sustainable
livelihoods

Worker
representation

Forced
labour

Gender
equality

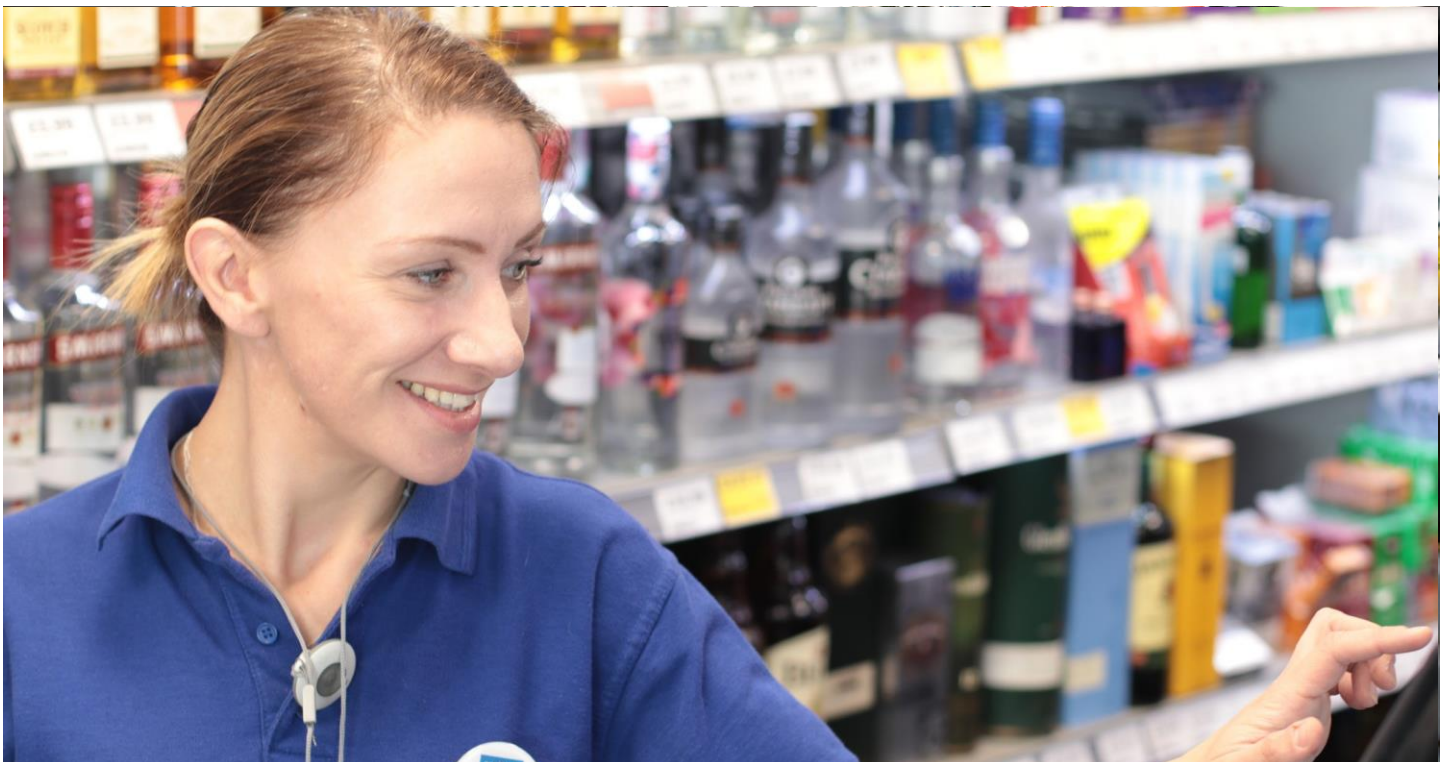
In our Group human rights strategy, we have also rearticulated our three-pillar approach to taking action:

Improve: Ensure our monitoring programme and supplier engagement is driving improvement of day-to-day working conditions

Transform: Focus our attention on multi-stakeholder initiatives that are aligned with our four pillars to address entrenched sector-wide challenges

Advocate: Formalise our work on advocacy - working with others to call for wider change where needed - building on our engagement with the Consumer Goods Forum, Ethical Trading Initiative (ETI) and others.

Recognising the role purchasing practices have on the ability of suppliers to maintain good labour conditions, in 2019 we will also be conducting a review of the group buying policies and procedures, and the impact that they can have on human rights standards.



Tackling modern slavery - our business operations

In our direct operations, we have identified that the potential risks on issues such as indebtedness and illegal working, come from our franchise stores; service providers who support our distribution centres and Post Office counters; and from our company owned stores if they fail to follow company processes. 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 areas outsourced to third parties, relative to areas where we directly employ workers.

One Stop Own Stores

The greatest risks of modern slavery exist for workers not in permanent employment. Most of our colleagues are employed on permanent contracts.

Our recruitment process includes right to work checks. For all direct employees of One Stop, we request colleagues to have a bank account in their own name into which we will pay their salary. We complete checks and investigate any duplicate bank details.

In 2019/20 we will review our current checks and processes around worker welfare.

An area of risk for the One Stop's own stores is concerning young people who deliver newspapers directly to customers' homes and who are often under the age of 16. We ensure we comply with all permits issued by councils and stipulated restrictions to the number of work hours. Signed parental consent is also required for us to employ any worker under 16.

In 2019 we are planning to introduce several measures to manage the risk related to Home News Delivery workers including new manager training covering children's work permit applications and a process to ensure that all under 16 colleagues are paid via bank transfer.

Franchise Stores

For our franchisees, our contracts include a requirement for them to obtain and check right to work documents for all colleagues. To support our franchisees, we have a set of right to work briefing documents to follow, which include guidance and examples of acceptable documents. Every quarter, as part of a routine compliance visit, we check the correct processes are in place in all our franchise stores.

In 2019/20 we plan to develop guidelines for our franchisees outlining our approach to modern slavery, to be issued with new franchise agreements. Our planned review of worker welfare checks will also include franchise stores.

Service Providers

One Stop uses a limited number of product suppliers that are not contracted by Tesco and therefore do not go through Tesco's due diligence process. In 2019/20 we will identify such suppliers and agree additional compliance checks needed in line with Tesco's Human Rights due diligence process.

Agency workers in our distribution operations and staff on cleaning roles in our stores are another high-risk area for us. One Stop stores' cleaning service provider is also a Tesco supplier and has gone through Tesco's ethical audit programme. Ethical audits include a review of the supplier's

Tackling modern slavery - our business operations

management systems to ensure they are adhering to the ETI Base Code, worker interviews, and analysis of how worker recruitment is managed.

In 2019/20 we will assess the need for agencies used in One Stop distribution centres to go through Tesco's ethical audit programme and attend the Stronger Together training.

Tackling modern slavery - our business operations

Unseen Partnership

In 2019 Tesco entered into partnership with the charity, Unseen, who run the UK's first fully independent and confidential **Modern Slavery helpline**. Trained helpline advisors are able to support potential victims of modern slavery as well as offer a way for businesses and the general public to raise suspicions or concerns. Real-time translation is available in over 180 languages. Through the Unseen business portal, we will be able to gain visibility of potential cases relating to Tesco raised by both internal and external parties. Where necessary, these will be investigated by experienced Responsible Sourcing and Group Security colleagues. As well as working in partnership to expand the helpline, Unseen will also support us in ensuring remediation for victims if cases of modern slavery are identified.



Tackling modern slavery - our supplychains

As all One Stop own-label products are sourced from the same suppliers as Tesco UK, the content in this section of our statement refers to action taken by Tesco and is relevant to our shared supply chains.

Own-label product supply chains are a potential area of risk for the business because of their scale and complexity. The potential human rights risks of our supply chains are assessed by considering the country of origin where products or raw materials are sourced 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 Ethical Trading Initiative, FNET and the Consumer Goods Forum. Campaigners and activists can also play an important role in helping us identify where some of the biggest risks lie, and we collaborate with them and learn from their experience wherever possible. We recognise the important role played by investigative journalism in identifying current and emerging risks.

This approach helps us 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 - Improve, Transform, Advocate.

Figure 1. First-tier sourcing map by risk status for Tesco UK Food, General Merchandise and Clothing.



Tackling modern slavery - our supply chains

Driving improvement

For the supply chains of Tesco UK and One Stop stores, we require all direct supplier sites (known as 'Tier 1' sites) in high risk countries to have an audit before they start supplying us, and then on an annual basis. These audits are conducted against best practice international labour standards as set out in the 'base code' of the Ethical Trading Initiative. In addition, we also conduct 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.

Sites are audited by audit bodies that have been approved by Tesco or by Tesco's in-house Responsible Sourcing specialists. During the closing meeting for these audit visits, all non-conformances with the Ethical Trading Initiative 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 2018/19 critical non-conformances were identified at 63% of supplier sites. The most common of these was excessive working hours.

As part of their contracts, 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 the Tesco 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 of reduced working hours to verify excessive working hours findings as closed.

In 2018/19, 89% of the supplier sites where critical non-compliances were identified had resolved these within the deadlines we set out. This is up from 81% the year before. For the remaining sites, Tesco's team continued to work with them to close the issues quickly as long as they demonstrated commitment and capability to do so. 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 question. Last year Tesco exited 37 non-food supplier sites and temporarily suspended two food sites on ethical grounds.

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

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 Tesco received eight calls to our Protector Line related to possible broader human rights violations in our supply chain. Through Protector Line, supplier visits and other channels, there have been nine incidents with potential indicators of modern slavery within Tesco. In these cases, we worked with suppliers to ensure, where necessary, workers were compensated, and any identity documents were returned. In the most serious incidents, whilst we investigated further,

Tackling modern slavery - our supply chains

Tesco suspended sourcing, and in two instances it was necessary to cease trading with the sites.

Payment of wages

One issue we monitor particularly closely in key sourcing countries is that salaries are paid on time and in full. 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 look to exit our relationship with them in a responsible manner. In 2018/19 Tesco Group identified 110 cases of concern involving 88 sites. 7,392 workers received a total of US\$508,307 as a result of Tesco's intervention.

The role of certification

We work hard with suppliers to obtain visibility of supply chains beyond our first tier who supply directly to Tesco and One Stop. In addition to our own mapping efforts with our suppliers, we also use certification to provide additional assurance of our sourcing. This won't solve endemic issues such as modern slavery on its own but is an important step to ensuring minimum standards are met.

Tesco is the UK's biggest retailer of Marine Stewardship Council (MSC) certified fish. Over the past 12 months Tesco has been engaging with the MSC as they review their standard to include provisions relating to human rights and the introduction of a public disclosure model. This is in addition to the broader work on human rights in the seafood sector.



Tackling modern slavery - our supply chains

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 involved in innovative projects on ethical recruitment and fishing vessel labour standards.

Preventing trafficking of children and women in the tea sector

This year we have started Phase II of the Assam Transforming Lives Programme in partnership with UNICEF, the Ethical Tea Partnership (ETP) and others. Phase one helped to enhance life skills for 35,000 adolescent girls in tea growing communities in Assam so they are better equipped to protect themselves from various forms of harm, including child marriage and child trafficking.

Building on the success of the first phase, phase two will also engage adolescent boys and expand the scope of the programme to cover issues such as healthcare, child development and nutrition, water, sanitation and hygiene education. The programme has already begun to engage through monthly Child Protection Committee meetings as well as weekly sessions for Adolescent Groups, enabling boys and girls to come together to talk about issues affecting them in a safe space.

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-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. The One Stop Employee Relations Manager has completed Modern Slavery training. This training was also provided to Technical Managers responsible for all Own Brand products, One Stop's Leadership team and One Stop's Franchise team.

For our supply chain, Tesco is one of the founding steering group members of the UK Stronger Together training programme and offers 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. All UK suppliers that supply both One Stop and Tesco UK stores are required to attend Stronger Together training.

As part of the Stronger Together working group, Tesco Group continues 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.

We will be undertaking further training with One Stop Business Development Managers, People Partners, Area Managers and Distribution Centre Managers in 2019.

We continue to require our suppliers to attend Stronger Together training. This requirement also includes the second-tier suppliers of our key UK food suppliers. Over the past five years, 1,037 representatives from Tesco Stores' food supply chains have attended this training. We also strongly encourage all fruit and wine producers to attend Stronger Training in South Africa.

Impact and monitoring

In addition to publishing this Modern Slavery Statement, as part of Tesco Group's governance framework we report annual progress on our human rights programme to the Tesco 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 commitments to responsibly source priority raw materials. We share a series of 'heat maps' to ensure that members of the 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. This year we have also provided the Committee with greater oversight to human rights incidents in our own operations and supply chains and briefed on key risk areas, for example, agriculture. No human rights incidents were reported in relation to One Stop's own operations in 2018/19.

At group level, we publicly disclose progress against the human rights commitments in the Tesco Little Helps Plan which is updated on an annual basis.

Plans for 2019/20

In the next 12 months we will continue to strengthen our approach to managing the risk of modern-day 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

- Provide further modern slavery training to relevant colleagues, for example, One Stop Business Development Managers, People Partners, Area Managers and Distribution Centre Managers.
- Identify One Stop suppliers not contracted by Tesco and agree additional compliance checks needed in line with Tesco's Human Rights due diligence process.
- Develop guidelines for our franchisees outlining our approach to modern slavery, to be issued with the franchise agreements.
- Review our current checks and processes around worker welfare.
- Introduce seven measures to manage the risk related to Home News Delivery workers, including manager training on children's work permit applications and payment of wages via bank transfer for colleagues under 16.
- Assess the need for agencies used in One Stop specific distribution centres to go through Tesco's ethical audit programme and attend Stronger Together training.
- Establish a One Stop modern slavery natural work team, that will monitor emerging risks and review progress against our commitments.

Supply chains

- Obtain greater visibility of where recruitment fees are being paid by workers in our supply chains and work with suppliers and relevant industry bodies to address this.
- Ensure modern slavery training reaches priority supply chains beyond first tier.
- Pilot tools and methods that are more effective than audits in identifying modern slavery risks.
- Work with the Responsible Recruitment Toolkit and the other sponsor companies to increase the reach and accessibility of the toolkit.
- Carry out Human Rights Impact Assessments in priority supply chains, in order to gain a holistic and in-depth insight into challenges faced by workers and communities. This will include an assessment of whether there are any indicators of Modern Slavery.