Report on

Living Wages and Incomes in Our Supply Chains

Lidl Great Britain

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1.

Introduction

Living Wage and Living Income as Part of Our Lidl Human Rights Strategy

Lidl takes its responsibility for upholding human rights within the supply chain very seriously. “Acting fairly” is one of five focus areas in our international CSR strategy. (Purchasing Policy for Human Rights in the Supply Chain)

We aim to drive improvements in our upstream value chain by taking targeted action to promote better labour standards and decent working conditions.

Our approach to human rights due diligence provides the necessary basis on which to accomplish this. It encompasses comprehensive risk analysis, targeted impact assessments, risk-based sustainability certifications and social audits, joint projects and partnerships with civil society organisations, as well as an undertaking to establish a grievance mechanism. (Human Rights Progress Report)

The Code of Conduct, which has been developed jointly by the companies of Schwarz Group, represents the bedrock of our corporate responsibility. It defines fundamental principles for working with business partners, with a focus on safeguarding human rights and respecting environmental concerns. One element of these principles includes binding minimum requirements with respect to wages and working hours.

For many years now, we have been including our Code of Conduct in negotiations with our business partners with the aim of ensuring their compliance with our social and environmental standards.
We view our duty of care as an active responsibility to shape practices throughout the entire value chain, and we work to ensure that our direct business partners appropriately address these principles along the supply chain. Our aim is for this to help make a tangible improvement in living conditions in the countries of origin of our products.

Fair trade begins with equitable conditions for all people in our value chain. At Lidl, we acknowledge that a statutory minimum wage as well as earnings from the cultivation of agricultural raw materials, are often not enough to cover the cost of living for workers, smallholders, and their families, or to deal with unforeseen expenses. This financial hardship is far more than a purely economic issue: a lack of living income or insufficient wages often forms the underlying root cause of severe human rights violations in global supply chains. Systemic issues such as child labour, forced labour, or gender inequality frequently result directly from the poverty of workers and smallholders. That is why we focus on promoting living wages and living incomes, to strengthen the protection of human rights across our global value chains.

Our goal is to close the gap to living wages and incomes in our supply chains, in proportion to our purchasing volume.

Definition of Living Wage (LW)

A **living wage** is a fundamental human right (Article 23, Paragraph 3 of the United Nations Universal Declaration of Human Rights):[1]

"Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity."

A living wage is calculated by first determining the cost of a basic but decent lifestyle in a particular region. This takes into account the cost of food, housing, education, health care, transportation, clothing and other essential family needs, including savings for unexpected events.

Living wage (defined by the Global Living Wage Coalition, GLWC):[2]
"The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family."

The elements of a decent standard of living include among other things:

- housing and clothing;
- a nutritious diet;
- savings for emergencies and social security.

Living wages vary from country to country and even from region to region within a country, due to differences in the cost of living.

[1] United Nations: The Universal Declaration of Human Rights
[2] Global Living Wage Coalition

Calculating the Living Wage

Monetary basis for a decent family standard of living

+ food
+ housing
+ basic necessities
+ unexpected events

= **Costs**

+ number of working people per family

= **Net living wage**

+ wage deductions and taxes

= **Gross living wage**

The exact costs are reflected in the prices of local products, such as staple foods, children's clothing and school supplies. It is important that these reference components be adapted closely to local conditions in order to reflect actual living conditions at that location. This is because the reference values vary not only from country to country but also from region to region within a country.

The total cost for a family is then divided by the number of working adults. This figure indicates the necessary wage for an employee — i.e., the net income required to cover the cost of living in a specific region for one month. Taxes and deductions are then added to this net wage to reflect the full cost.[3]

Different organisations apply different methodologies to determine benchmarks for living wages. The key actors include the Anker Research Institute (ARI), the Fair Wage Network, the WageIndicator Foundation and the Asian Floor Wage Alliance (AFWA).

The difference between the actual wage paid and the calculated benchmark for a living wage is known as the living wage gap.

In order to identify living wage gaps in its own supply chains, Lidl needs reliable data on employee wages as well as national and regional living wage benchmarks.

For this reason, Lidl has worked with the nonprofit organisation IDH for several years. IDH helps companies by providing practical tools for measuring the living wage gap. They use the living wage benchmarks calculated by the Anker Research Institute (ARI) (Anker methodology; see "Collecting the input data" on p. 9) to determine living wages as the basis for developing their IDH Salary Matrix. This matrix has gained worldwide recognition. It comprises two main components: first, the calculation of the wages actually paid and second, an assessment of the extent to which workers are paid a living wage based on the Anker benchmark and the actual wage data.

Lidl uses the IDH Salary Matrix for its Living Wage Project in the banana supply chain, and thus the Anker benchmarks for living wages.

The IDH Salary Matrix has become the industry standard for plantations producing commodities such as bananas, tea, cut flowers and coffee, and is used by retailers worldwide to ensure wage transparency within their supply chains. The tool is updated annually to reflect the latest benchmarks for living wages and therefore reflects the reality of wages in the countries included in the analysis.

[3] Global Living Wage Coalition:
The Anker Methodology for Estimating a Living Wage

Collecting the Input Data

A range of different methodologies have been developed for calculating living wages.
In our case, the **Anker methodology** as applied by the Global Living Wage Coalition is particularly relevant. Four key aspects are included in the calculation:

Dialogue with stakeholders Institutions and civil society organisations, such as trade unions, are involved in the process to increase credibility and acceptance among stakeholders.	**Obtaining secondary data on costs of living** This involves detailed documentation and analysis of real costs, including critical appraisal of available secondary data (press releases, information from NGOs, etc.) and adjustments to this data where required.
Surveying housing costs Housing costs are estimated based on international and national standards for decent housing.	**Determining a living wage benchmark** A combination of up-to-date local data (food prices, education, health care, transportation costs, etc.) and available secondary data to help people afford the necessities of life.

IDH — the Sustainable Trade Initiative

IDH is a global organisation working at the intersection of agriculture and markets. Its mission is to transform agricultural systems toward a future with prosperous livelihoods, long-term supply security and lasting environmental resilience. To that end, IDH aligns interests, mobilises investment and helps shape resilient food systems.[4]

[4] IDH — the Sustainable Trade Initiative: About IDH

Different country-specific remuneration systems can also be integrated into the calculation. The calculation can factor in not only base salaries but also bonuses and benefits in kind. Because the information in the IDH Salary Matrix is reported by the producers themselves, Lidl also works with third-party verifications, for example in the Living Wage Bananas project, to ensure that the living wages are calculated as accurately as possible.

A variety of strategies are implemented to effectively close living wage gaps in supply chains. Because there is no one-size-fits-all solution, each situation requires targeted action — for instance a combination of short-term, immediate measures and long-term structural changes. The key levers for achieving this can be summarised as follows:

Living Wage Premiums

One direct way to close wage gaps is to pay premiums. This can be achieved through targeted bonus payments, salary increases, or in-kind benefits, such as food vouchers. The key advantage of this approach is that it quickly benefits employees once the necessary data has been calculated and the processes in the supply chain have been established. At the same time, ensuring accurate payments at the source requires precise underlying data and involves a significant administrative burden, which makes scaling up a complex task.

Collective Bargaining

This approach focuses on enshrining living wages in collective bargaining agreements. It is a particularly sustainable and systemic strategy that creates lasting structures and empowers labour unions.

In the place of top-down directives, solutions are agreed through negotiations on an equal footing between employers and employees, thereby increasing credibility and acceptance.

However, because many supply chains lack a stable structure for trade unions, establishing a functioning social dialogue is time-consuming and does not offer a “quick win.” Furthermore, businesses need to be able to remain competitive in the face of rising labour costs.

Ring-fencing

Under a ring-fencing approach, the labour cost component is secured by calculating purchase prices that explicitly cover the costs of labour based on living wages. The labour cost component of the purchase price is considered in isolation and treated as non-negotiable when prices are negotiated. This ensures that the living wage remains an integral part of the core business and is thus protected from general price pressures. However, implementing this principle requires an exceptionally high degree of transparency and a detailed breakdown of cost calculations, which translates to a significant complexity of calculation and verification for the company as well as its suppliers.

Definition of Living Income (LI)

A **living income** — similar to a living wage — is closely linked to the human right to an adequate standard of living (Article 25 of the Universal Declaration of Human Rights).[5] While the focus of a living wage is on employees, the living income relates to the self-employed, particularly smallholder farmers.

Living income (defined by the Living Income Community of Practice, LICOP):
"The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household."[6] The elements of a decent standard of living are identical to those required for a living wage and include:

- a nutritious diet and clean water;
- housing and clothing;
- education, healthcare and transportation;
- savings for unexpected events and social security.

A living income is calculated in two main steps.[7] First, as is the case with the living wage, the benchmark is calculated: What costs does a household in a specific region incur to meet its basic needs? This benchmark serves as a target value and is often calculated, as previously mentioned, in accordance with the Anker methodology developed by the Anker Research Institute (ARI)[8] to precisely reflect local price realities (e.g., for groceries and school supplies).

In a second step, the actual household income is determined. For smallholder farmers, this often comes from a variety of sources:

- Proceeds from the sale of the primary cash crop (e.g., cocoa or coffee), minus production costs (seeds, fertiliser, equipment).
- Income from other agricultural products and from non-agricultural secondary activities.
- The value of produce consumed at home (food grown on one's own property).

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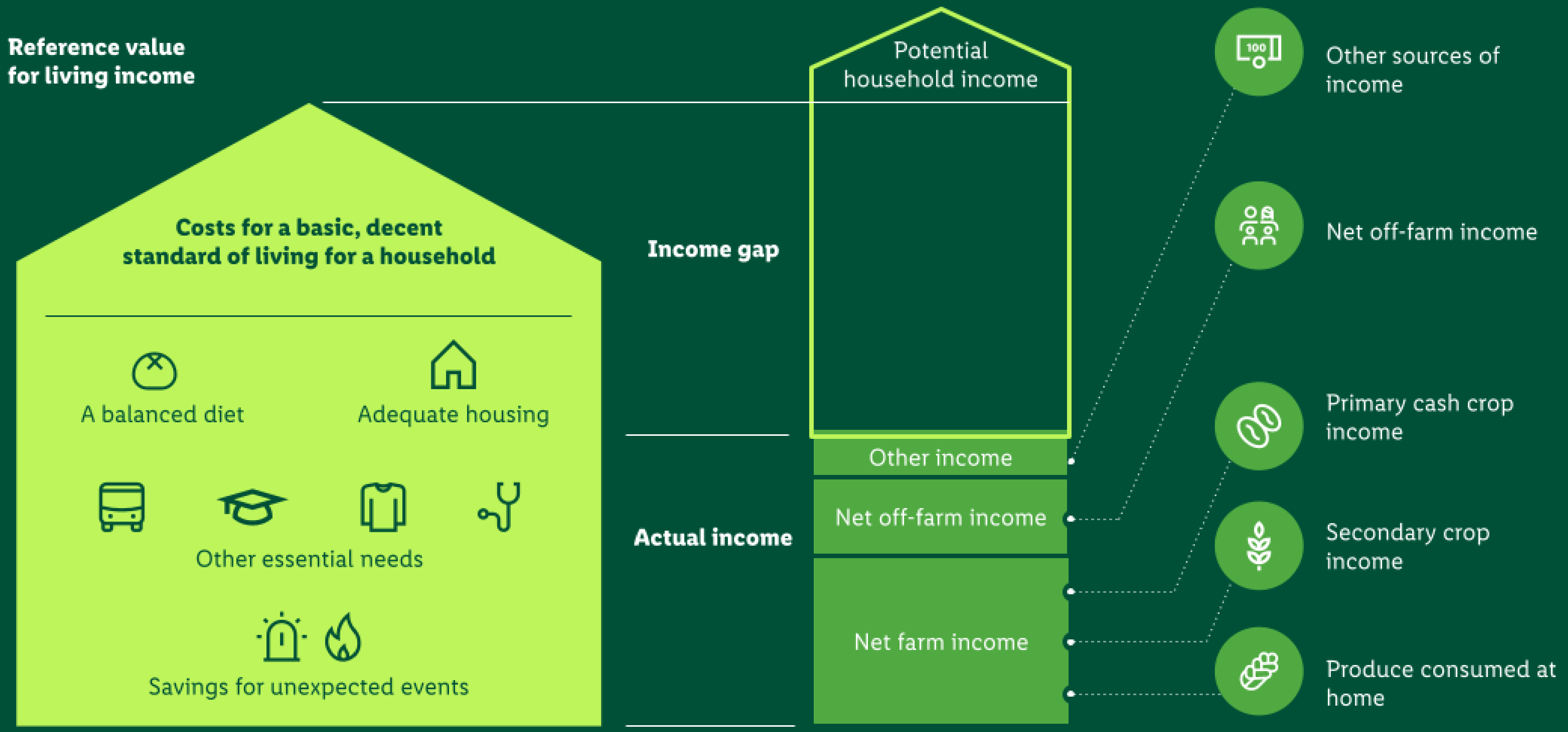
[5] United Nations (UN): General Declaration of Human Rights, Article 25(1)
[6] Living Income Community of Practice (LICOP): The Concept of Living Income
[7] Living Income Community of Practice (LICOP): Measuring Living Income
[8] Anker Research Institute: Anker Living Wage and Living Income Reference Values

Calculating Living Income
An Overview



The difference between this net income and the regional benchmark is referred to as the income gap.

Systematically closing this gap requires a comprehensive mix of economic, agronomic and structural measures — measures that go above and beyond isolated price adjustments:

Pricing and Transfer Payments
The Living Income Reference Price (LIRP) is a key tool.[9] This calculated reference price indicates the price that producers must receive per kilogram of a commodity so that a household can earn a living income, given a viable farm size and a sustainable productivity level. This is supplemented by flexible direct payments and premiums (e.g., Fairtrade Premium) as well as price floors (e.g., Fairtrade Minimum Price), which protect producers from extreme market fluctuations.

Productivity and Professionalisation
Yields on existing land are increased through training in Good Agricultural Practices (GAP) and access to high-quality agricultural inputs. This reduces the relative production costs and helps farmers run their farms as profit-oriented businesses.

Cost Reduction and Risk Mitigation
The use of agricultural insurance against extreme weather events and access to affordable loans protect income against unexpected losses and prevent farmers from incurring debts that threaten their livelihoods.

Diversification of Income Sources
In order to reduce dependence on a single commodity, diversification is encouraged — both on-farm through the cultivation of additional crops as well as off-farm through craft-based or service-oriented side activities.

Structural Mechanisms and Cooperation
Strengthening cooperatives increases producers' bargaining power and creates economies of scale. In addition, increased transparency in the supply chain — achieved through digital traceability — ensures that price markups are received directly by households without any losses.

We put these theoretical models into practice in projects such as Living Income Chocolate Bars and our Way To Go coffee. Our aim is to improve the income situation of smallholder farmers in our supply chains for the long term. By paying price markups based on the Living Income Reference Price, and by targeting local value creation, we make a measurable contribution to closing the income gap.

9 Fairtrade International: Fairtrade Living Income Reference Price (LIRP)

2.

Our Projects

Our Commitment: An Overview
Closing income and wage gaps in global supply chains presents a complex challenge.

At Lidl, we address this challenge with holistic projects that are specifically tailored to the needs of each value chain in order to achieve effective improvements on the ground.

Raw material/ product	Program	Objectives	Year joined
Bananas	Living Wage Bananas	We close Lidl's share of the wage gap for employees on banana plantations that supply Lidl in Germany, Austria, Belgium, the Netherlands, Denmark, Switzerland and the United Kingdom.	2022
	IDH Retail Commitment – Belgium		2022
	IDH Retail Commitment – United Kingdom		2023
	Decent Remuneration (Banana Link)	Through fair producer prices and stable social dialogue, we are helping to ensure living wages in the banana sector in Côte d'Ivoire.	2020
Cocoa	Living Income Chocolate Bars	We are closing the income gap for farmers in connection with our chocolate bar sales in Germany, Austria, Belgium, the Netherlands and Luxembourg. In addition, we fund initiatives to boost productivity and diversify income for cocoa-farming families.	2026
Coffee	SASI Retail Working Group	We are driving meaningful change in the global coffee sector and helping to ensure that coffee farmers earn a living income over the long term.	2023
Coffee **Cashews** **Tea**	Way To Go	We partnered with Fairtrade to develop the Way To Go concept to secure the incomes of smallholder farmers in Lidl's food supply chains and work towards a better living income.	Coffee (2022) Cashews (2022) Tea (2026)
Textiles	ACT	As a member of ACT, we support the implementation of sector-wide collective bargaining agreements for the textile industry in producing countries. The wages negotiated in this context are backed up by responsible purchasing practices.	2019

Our Commitment in the Banana Supply Chain

Living Wage Bananas (LW)

In 2023, Lidl Germany became the first retailer to work with its suppliers to close the wage gap for plantation workers in our banana supply chain. We have been consistently following this path together ever since.

"Acting fairly" is a key focus area for us. The project demonstrates specific solutions to safeguard the livelihoods of plantation workers in the banana sector. We plan to continue doing so on a systematic basis going forward in the interests of the producers and the workers. We hope that, as pioneers along with our partners FLOCERT and IDH, we have set an ambitious industry standard for the long term.

Stefan Haensel
Head of Quality & Sustainability, Senior Vice President at Lidl Stiftung & Co. KG

Background

The first step in developing our strategy for living wages was to perform a risk analysis that specifically targeted our entire product range in order to identify potential human rights risks. (Human Rights Progress Report) The analysis revealed that, within the fruit and vegetable product group, tropical fruits were associated with a particularly high risk of underpayment.

Bananas are the most widely consumed tropical fruit that Lidl Germany sells. For that reason, in 2021 Lidl Germany performed a human rights impact assessment (HRIA) for its Colombian banana supply chain — a process designed to identify human rights risks in order to obtain a clearer picture of the challenges faced within the supply chain. This in-depth risk analysis identified gender-based discrimination, non-compliance with occupational health and safety standards and underpayment of plantation workers as material risks. (HRIA Bananas + Action Plan)

Underpayment within the banana supply chain is a major challenge and also poses the risk of additional human rights violations.

Current surveys indicate that plantation workers often earn too little to provide themselves and their families with an adequate standard of living. Around 80 percent of people who live in extreme poverty live in rural regions, and two-thirds of them work in agricultural supply chains. Underpayment can often lead to child and forced labour.[10]

In order to combat this, in May 2022, Lidl Germany became the first German retailer to set out to close the living wage gap — relative to Lidl's purchasing volume — at every banana plantation from which Lidl sources its bananas. This initiative is managed centrally by Lidl Stiftung & Co. KG and applies to the entire range of bananas sold in Germany.

As one of the largest Fairtrade partners, Lidl Germany has offered a selection of organic Fairtrade bananas and Fairtrade bananas for many years now. In addition to the selling price, Fairtrade-certified organisations in the producing countries receive the Fairtrade Premium for Fairtrade bananas, which is collectively managed and used for social, environmental and economic development projects.

[10] Official UN document on the meeting of the Economic and Financial Committee; based on data provided by the World Bank and the FAO

Lidl's annual Living Wage Bananas Cycle is implemented independently of certification and therefore applies to both the Fairtrade banana assortment as well as the Rainforest Alliance-certified bananas.

Reach and Impact of Our Living Wage Bananas Initiative

Our living wage bananas come from four producing countries: Ecuador, Colombia, Guatemala and the Dominican Republic. Since expanding its initiative for living wages in the banana sector in 2024, Lidl has been supplying not only the German market but also stores in Austria, Switzerland, Belgium, the Netherlands and Denmark.

As a result of this, more than 20,000 people on 207 banana plantations in the producing countries were able to benefit from our efforts in 2025.

Cana Group Workers
Dominican Republic

"We are very pleased to have the support. We are already looking forward to the next bonus."

"We love the bonus. It's a great help. Now we can count on it to pay our grocery bills."

Gloria Marín
Las Delicias Farm, Unibán Magdale

"I'm happy to say on behalf of the whole team what a blessing the bonus is for us all. Thank you from the bottom of my heart."

Methodology

In 2022, Lidl teamed up with all of the relevant business partners and the Fairtrade certifier FLOCERT to devise a process for auditing the data entered into the IDH Salary Matrix. This is intended to ensure that the plantation workers are correctly paid a living wage (Lidl's share), which is made possible thanks to the annual process developed by Lidl and its business partners. Since the end of 2024, For Impact has assisted with the remote data verification process and overarching coordination.

The process essentially comprises four steps:

1. Training

The first step is to train all relevant business partners, their upstream suppliers and the producers on how to use the IDH Salary Matrix. This ensures that the existing wage reality is mapped as accurately as possible. It is made possible through the support of IDH.

2. Data Collection

The data required to calculate the wage gap and the premium supplement is documented in the IDH Salary Matrix and provided to Lidl by the producers.

3. Data Verification

The data from all producers is first reviewed remotely. The subsequent on-site audits are conducted by trained FLOCERT auditors at plantations that are selected by an external service provider and Lidl on the basis of risk criteria. These audits ensure that the plantation operators' wage data is complete, consistent and accurate. As part of the audit, documents are manually reconciled with the wage data available at the plantations.

4. Payment

Lidl's share of the wage gap and the premium supplement for a living wage are calculated specifically for the relevant plantations and producers. The producers and suppliers then select appropriate payment methods and implement them in order to close Lidl's share of the wage gap.

In the next project cycle, Lidl and FLOCERT conduct a payment audit for a sample of producers. This approach serves to verify whether the correct payments were made locally. These audits are repeated annually, with the aim being to cover different producers each year in order to establish a credible basis of verified producers.

FLOCERT (independent audit service provider)
FLOCERT is a leading global audit and certification service provider that offers Fairtrade certifications. In addition, FLOCERT provides further certification and verification services as well as tailored sustainability solutions to promote fairness in global trade.

[11] Source: Flocert – Assuring Fairness

Annual process cycle
to close Lidl's share of the wage gap

Empowerment

- Kick-off with suppliers
- Training with new producers
- Annual review of supplier contracts

Data Collection

- Completing the IDH Salary Matrix
- Sending data

Data Verification

- Desktop data verification
- Conducting audits at plantations to verify data and payments to workers
- Completing the Voluntary Sustaining

Payment

- Developing an action plan for producers to close Lidl's share of the wage gap
- Actively closing Lidl's share of the wage gap

[1] The minimum wage associated with Fairtrade certified bananas is at least 70 percent of a net living wage The statutory minimum wage does not apply to the agricultural sector in every country.

Challenges and Potential Solutions

We were able to efficiently overcome the challenges that arose during the course of the project thanks to our constructive collaboration with our partners:

Challenge	Solution
Change in the supply chain	
Despite Lidl's continuous efforts to establish long-term relationships in its supply chains, they remain very dynamic and are affected by a range of factors. We can illustrate this using two examples: 1. In 2022, climate change-related crop failures and natural disasters such as extreme rainfall and tropical storms affected the availability of products in the banana supply chain. This resulted in an increase in the number of plantations, from 120 in fiscal year 2022 to 200 in fiscal year 2023, to cover the banana volume required by Lidl Germany. 2. Over the course of a cycle, changes in business relationships may occur in individual cases — for example, when farms are sold to new owners or business relationships are terminated.	1. Capacity had to be increased quickly in 2022 to integrate the 80 additional plantations into the Living Wage Bananas project. Lidl was able to absorb the changes in the supply chain in 2022 and 2023 by working closely together with its business partners and FLOCERT. The new plantations were included in the project and the necessary capacity added to complete the IDH Salary Matrix. Lidl integrated the new plantations into the process and FLOCERT verified the data collected by the new plantations during the second audit cycle. 2. Lidl discusses individual cases involving changes in business relationships that lead to the termination of the partnership with the respective supplier. The goal is to identify possible courses of action — such as excluding the farm from the current process if the farm in question is not interested in further participation in closing the wage gap retroactively.
Determining the correct wage reference period	
Benchmarks for living wages can only be determined for the previous year, since the calculation is based on a full calendar year. It is the only way to adequately account for factors such as inflation and changes in taxes and social security contributions. This means that living wages can only be paid in the year following the respective pay period.	Lidl has instructed its business partners on the correct period for collecting data and has agreed with them and the producers that any wage gaps will always be closed retroactively for the previous calendar year. This established a continuous, recurring process to ensure that Lidl's share of the living wage gap in the banana supply chain is closed for good.

Challenge	**Solution**
Calculating Lidl's exact share of the wage gap	
The IDH Salary Matrix has laid the foundation for measuring living wage gaps. The system calculates the wage gap for the entire plantation and for individual categories of workers based on the annual volume of bananas produced. The next step is to convert the wage gap to the price per kilo of bananas in order to determine the premium required to close the wage gap. This system can be used if one company sources the entire volume from the plantation. However, banana plantations often produce for a large number of buyers who are then responsible for closing their share of the wage gap based on the volume of bananas they buy. It was not possible, using the tools previously available on the market, to calculate the percentage premium to be covered by Lidl based on its banana volume.	Since the beginning of the Living Wage Bananas Cycle, Lidl has been working to continuously improve the accuracy of the living wage premium calculation and to increase the efficiency of the calculation process. Between 2023 and 2025, Lidl used an innovative calculation tool developed in collaboration with IDH to precisely determine the additional contribution required to close Lidl's share of the wage gap. The following key factors are taken into account: • The volumes purchased by Lidl per plantation • Country-specific tax rates and social security contributions for each location • Additional local project costs, such as those for additional staff • Detailed calculations of the gap at the levels of the plantation, worker category and individual employee • Payment models tailored to national guidelines and local payment systems • Interface for direct data import from the IDH Salary Matrix The objective of the collaboration with IDH is also to make the tool available to all market participants and share the experience gained during the project in order to develop a standardised process. This can be achieved, for example, through direct consultations conducted by IDH to further develop its online tools, as well as through Lidl's sharing of experiences and challenges during the "Better Together" events led by IDH and GIZ. Lidl is actively involved in optimising the IDH Salary Matrix and the dashboards designed to close retailer-specific wage gaps. Starting in 2026, the plan is to use these systems exclusively in place of the previous separate tool.

<table>
<tr><th>Challenge</th><th>Solution</th></tr>
<tr><td colspan="2">Changes in the plantation workforce</td></tr>
<tr><td>Many agricultural supply chains — including the banana supply chain — are dependent on migrant and seasonal workers who do not work on a plantation permanently, or do not return to the same plantation the following year.</td><td>The premium paid is distributed among the current workers, as in most cases it is not possible to retrace the migrant and seasonal workers included in the calculation from the previous year if they no longer work on the same plantation.</td></tr>
<tr><td colspan="2">Payment of the living wage premium</td></tr>
<tr><td>Different countries — and sometimes individual regions — have their own requirements and laws that regulate payment of wages and salaries. In addition, every plantation has its own payroll system, which third parties should understandably not interfere with. It became clear, following extensive research and consultation among market participants and stakeholders, that there was no system established on the market as yet that could guarantee that the living wage premium paid would actually be received by the workers.</td><td>Lidl worked with its suppliers and producers to find and adopt individual solutions based on the regional circumstances and the needs of the plantations. These currently comprise:
pay rises
bonuses
in-kind benefits (e.g., vouchers for local supermarkets)
Lidl requires its suppliers to provide evidence that additional payments and benefits in kind actually reach the workers. Such evidence may be offered in the form of (signed) written confirmations from employees regarding the amounts received, as well as photos of personalised vouchers.

To enable FLOCERT to verify the payments locally, this data, along with other information required for the audit, is provided to FLOCERT.</td></tr>
</table>

Challenge	Solution
Country-specific social security systems	
The Anker methodology does not take employer-funded social security systems — such as Colombia's *cesantías* (mandatory contributions to an unemployment fund) — into account when calculating the living wage benchmark. Every employer pays one month's salary per worker into the fund per year, which the worker can then access in the event of unemployment. Workers can also request a payout from the fund, for instance to make a down payment on property. These payments are not currently included in the Anker methodology, as they are intended for long-term financial planning and do not cover daily living expenses. Since the benefits are covered by the employer, international organisations are currently reviewing how to factor them into their calculations. In practice, some employers include *cesantías* as a component of wages in the Salary Matrix used to calculate the living wage gap. Similar employer-funded social welfare systems can be found in many countries in South and Central America.	Lidl is in constant contact with its suppliers and IDH, as well as banana producers, local trade unions and international organisations involved in the project, to find solutions to the regional challenges — such as plantations' additional costs due to social security payments like *cesantías* — and to foster dialogue. Lidl follows the requirements of the Anker methodology but takes the reality of plantation owners seriously. IDH itself published a position paper in April 2025 recommending that *cesantías* not be included in the calculation. To ensure that plantations do not have to calculate the Salary Matrix both with and without *cesantías* for different market participants, Lidl continues to allow producers to decide whether or not to include *cesantías* until a sector-wide agreement is reached.
Other challenges and limitations	
Wage gaps per worker and per plantation can be extremely small (for instance, only a few cents per worker/plantation). Based on feedback received so far from the supply chain, paying such small amounts to workers could be viewed negatively and could harm worker motivation and morale on the plantation.	If the wage gap per plantation is less than €10, Lidl consults with its suppliers on a case-by-case basis to determine whether a payment to workers is still appropriate. Ideally, this should also be done with input from plantation owners and workers. The decision as to whether, for example, amounts in cents should be paid out or, in this specific case, disregarded, is made on a case-by-case basis.

"As IDH we support market players in their efforts to close living wage gaps in their supply chains, by bringing stakeholders together and by offering expertise, guidance and tools.

With Lidl we developed and tested a tool which made it possible to calculate the voluntary contributions necessary to close the living wage gap for their volumes as well as to identify potential distribution mechanisms.

As far as we know, Lidl was the first retailer to roll out a voluntary contributions approach that includes a specific distribution mechanism to workers with all their banana suppliers and producers. For us it's great to collaborate with partners like LIDL who are pioneering innovative practices."

Jordy van Honk
Global Director on Living Wage and Living Income – IDH

Outcomes

The various process steps — the completion of the IDH Wage Matrix by the plantations, the external verification of accurate data collection from all plantations, on-site spot checks of the calculated wage gaps through FLOCERT audits, as well as the application of the new tool for calculating Lidl's share of the wage gap — enable Lidl to calculate and determine its exact share of the wage gap in relation to the total volume procured, for each individual supplier and for each individual plantation.

This fosters transparency as to the costs required to close the gap between Lidl's purchasing volumes (DE, AT, CH, BE, NL, DK) and a living wage. The development and pilot testing of the tool have helped Lidl, its suppliers and plantation owners to find new solutions to effectively close the wage gap on the plantations.

For example, one supplier worked with plantations in the Dominican Republic to develop an innovative approach to closing wage gaps by offering shopping vouchers for local supermarkets. The supermarkets issued vouchers in the amount of the respective share of the wage gap for each worker that was attributable to Lidl. These were personalised with names and employee numbers and digitized to allow workers to see how much credit they had left on the voucher.

This very positive example in the Dominican Republic provided a best practice for other business partners to follow.

Since 2023, all suppliers have successfully integrated IDH's tool into the banana supply chain and the process for ensuring a living wage. Specific action plans to close Lidl's share of the wage gap are developed and implemented each year. In addition, all suppliers have received training based on the lessons learned from the pilot project and the tool developed in collaboration with IDH.

By closing Lidl's share of the wage gap through locally defined premiums, Lidl has set a new industry standard for payments to banana plantation workers. We have been implementing this process since 2023 in close collaboration with our suppliers and external partners, and we are continuously working to improve efficiency and make the process more user-friendly.

Stefan Heine
Managing Director, Afrikanische FruchtCompagnie GmbH

"Our collaboration on the Living Wage Bananas Project has become a standard feature of our partnership over the years.

Thanks to our work with Lidl, our producers and IDH, calculating wage gaps with precision is now a well-established process.
We have translated the initial complexity of the concept into effective operational measures.

What began as pioneering work has now become a successful routine that we are continually optimising. We will continue to work with Lidl to develop new ideas to ensure a forward-looking, socially responsible supply chain."

Testimonial from a banana producer in the Dominican Republic:

"We first heard about the IDH Salary Matrix and the living wage project at the end of 2021. The project was very wide ranging to begin with, and quite confusing. But with help from Lidl, IDH and our German exporters, we developed an effective method for measuring and closing the living wage gap. It took 24 months to develop this project but now we have a fantastic tool that allows us to make monthly payments to our workers. To do this, we use food vouchers from local supermarkets to bridge the living wage gap in relation to Lidl's purchasing volumes. The vouchers make a valuable contribution to the monthly expenditure of a Dominican family. Those in rural areas benefit in particular. We found a great way to achieve our objective.

First, we looked for supermarkets that were easiest for the workers to reach. Then we found a suitable retailer that was willing to work with us on the project. The next step was to draw up lists with the names and employee numbers of the workers who would receive the vouchers, indicating the exact amount to close the wage gap. The retailer used these lists to create the vouchers, which we then distributed to the workers. We organised information events to explain to the workers how to use the vouchers. Every worker received their own separate voucher, and signed to confirm receipt. Now the workers can spend their vouchers easily by presenting them along with their ID at the checkout. In this way we ensure that the right person is using the voucher."

Living Wage Alliance with IDH in Belgium (IDH Retail Commitment Belgium) (LW)

Background

At the end of 2022, Lidl Belgium, as part of a coalition led by IDH, joined forces with other food retailers to make a joint commitment to close their respective share of the wage gap on banana plantations by the end of 2027. The participating food retailers together account for about 70 percent of the total volume of bananas on the Belgian market.

The alliance works continuously with other market participants to ensure a consistent approach. In addition, the alliance engages in dialogue with other relevant stakeholders — such as producers, suppliers, certification bodies and trade unions — through joint multi-stakeholder forums.

Implementation through Lidl Stiftung's Living Wage Bananas Project

The wage gaps attributable to Lidl in the Belgian market are being closed as part of Lidl Stiftung's annual cycle on the banana plantations.

The banana volumes **for Lidl's Belgian market** have been covered since 2024 by Lidl Stiftung's Living Wage Bananas Project, enabling Lidl Belgium to meet its national commitment three years ahead of the jointly set deadline, and to continue doing so annually ever since.

At the beginning of the year, producers submit their wage data to Lidl using the IDH Salary Matrix. This data is first verified digitally (remotely) and then verified on-site through risk-based spot checks.

At the same time, the on-site audits involve verifying the previous year's voluntary contributions through audits of a random sampling of plantations. Throughout the entire audit process, producers have the opportunity to make corrections before Lidl's share of the wage gaps at the plantation level is finally determined. In the final step, we work with suppliers to implement measures to close the wage gap and collect the relevant supporting documentation.

For details on Lidl Stiftung's Living Wage Bananas Project, the methodology used and the outcomes, please see pages 17-27.

The Belgian working group provides public updates on its progress on the IDH homepage.

Living Wage Alliance with IDH in the United Kingdom (IDH Retail Commitment UK) (LW)

Background

The United Kingdom accounts for four percent of global banana imports, and British consumers eat more than 8 billion bananas every year. These bananas come mainly from Central and South American as well as West African countries, where data suggest that workers do not always earn a living wage.[12]

In March 2023, Lidl GB signed a national commitment by the British retail sector to pay living wages. The primary goal is for all workers in the banana supply chain to receive a living wage by the end of 2027.

Methodology

To ensure that we live up to this commitment, Lidl GB follows the IDH Roadmap on Living Wages and uses the IDH Salary Matrix to collect wage data from the supply base and calculate wage gaps. As part of the national coalition, Lidl GB works closely with suppliers, producers, key industry NGOs, certifiers and trade unions to collectively understand and address key challenges.

In 2024, Lidl GB announced it would enrol national banana suppliers into the Lidl Living Wage Banana Project following Lidl Germany's successful pilot project launched in 2022, which has also been implemented in Belgium, the Netherlands, Switzerland, Austria and Denmark since 2024.

Outcomes

Working closely with IDH, Lidl GB piloted a new platform to calculate all voluntary contributions based on the Salary Matrix and Lidl GB volume data. In addition, a distribution template was developed to help suppliers and producers pass these funds on to farms and workers throughout the supply chain. Since 2026, this platform has been integrated as an add-on into the Salary Matrix and is available to all interested retailers.

Lidl GB is taking a leading role: It is closing wage gaps in its own supply chain — based on the volumes purchased — ahead of the timeline set in the UK industry commitment. The first voluntary contributions were paid in 2026, with the long-term aim to support worker livelihoods.

Our Commitment in the Living Wage Alliance with IDH:
"As a coalition of UK retailers, we will strive for workers in our banana supply chains to receive a living wage by the end of 2027. We will progress faster wherever feasible."[13]

[12] The Guardian: Banana pricing: the unsustainable nature of the UK's favourite fruit
[13] idhsustainabletrade: UK Retailer Commitment

Participation in the "Decent Remuneration" Program by Banana Link (LW)

Background
Côte d'Ivoire is Africa's leading exporter of bananas to the European Union. To effectively improve the living conditions of the approximately 13,500 workers in this sector, Lidl France has been supporting the "Decent Remuneration" program run by the British NGO Banana Link since 2020.

The initiative aims to ensure living wages through fair producer prices and stable social dialogue. This approach follows the principle of the "Three Decencies," which holds that reasonable prices at the producer level form the necessary foundation for fair wages and decent working and living conditions.

Methodology
Implementing this initiative required targeted measures to overcome significant structural barriers:

- **Reducing gender-based inequalities:** Given the increased vulnerability of female workers, specific workshops were organised to strengthen their skills in collective bargaining and to address the gender pay gap.
- **Strengthening social dialogue**: By establishing the national industry association FETBACI[14] in 2023, the initiative succeeded in uniting the nearly 20 unions that had previously operated independently into a legitimate bargaining partner.
- **Equity in the value chain:** The program addresses the structural imbalance in which African workers typically receive only about 5-9 percent of the retail price by establishing a collaborative process for "fair prices" that ensures wage improvements are effectively financed and supported by all stakeholders in the value chain.
- **Transparency and data validation:** In collaboration with the CIRES research institute[15], the initiative enabled the collection and scientific validation of actual wage data at the farm level. This robust database has now become an indispensable foundation for fair negotiations.

Outcomes
A major success was achieved on September 26, 2024: The four largest exporters (accounting for over 98 percent of export volume) signed a charter with FETBACI, paving the way for the first national collective bargaining agreement in 2026.

This transformation is made possible by the synergy between the social partners: Funded by IDH and European retailers (including Lidl France, as well as Tesco and Carrefour, among others), the program brings together the expertise of Banana Link and international organisations such as the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) and AFRUIBANA[16].

[14] FETBACI: Federation of unions of all banana-producing companies in Côte d'Ivoire
[15] CIRES: Ivorian Center for Economic and Social Research
[16] AFRUIBANA is the pan-African umbrella organisation for fruit producers and exporters.

Our Commitment in the Cocoa Supply Chain

Living Income Chocolate Bars (LI)

Background

Scaling Up from a Pioneer Project to the New Standard

At Lidl, we have been committed to fairer conditions in the cocoa sector for more than a decade. As early as 2014, we were among the first partners to join the Fairtrade Sourcing Program, adopting a forward-looking approach to the fair sourcing of our key ingredient — cocoa. This ambition is reflected throughout our supply chain: Since 2017, the cocoa used in our private label products has been 100-percent certified. Since 2022, the chocolate bars in our permanent range have all featured the Fairtrade Mark or Fairtrade Sourced Ingredient Mark.

A key success factor is our close partnership with Fairtrade: Insights gained from our private label “Way To Go” range, which we have been offering since 2020 in collaboration with Fairtrade and cooperatives in Ghana, have been incorporated into our work to refine the Living Income approach. The new Living Income program is a concept that extends far beyond current standards and demonstrates how targeted supplementary payments and investments can help close income gaps in the cocoa sector.

Fairtrade

Fairtrade is an international organisation that works around the world to promote fair trade relations, bringing producers, businesses and consumers together on an equal footing. It supports farming families and workers in producer countries to overcome poverty through their own efforts, strengthen their position in global trade and shape their lives on their own terms. Introduced in 2002, the Fairtrade Mark sets general standards (for smallholder organisations, plantations and contract farming), product standards that impose product-specific requirements, and the Fairtrade Trader Standard, which lays down rules for traders and manufacturers (including rules on payment methods and blended products).

Way To Go has achieved remarkable success, with more than 7,200 cocoa farmers benefiting from an income improvement premium (IIP) and investments in agricultural projects since the project was launched. Our specific achievements include distributing some 400,000 cocoa seedlings to help farmers renew their crops, providing training in agroforestry and enrolling more than 1,000 people in social security systems such as the SHARE health insurance project. In doing so, we at Lidl have demonstrated that fair pricing mechanisms can measurably strengthen farming families’ resilience to price and climate shocks.

Despite these successes, the “cocoa paradox” remains: While global market prices hit record highs in 2024, 30 to 60 percent of cocoa farmers in Ghana and Côte d'Ivoire continue to live in extreme poverty because they often do not feel the full benefit of a rising market. Lidl is now taking steps to translate this insight into widespread impact: In March 2026, we began to transition our entire permanent private-label chocolate bar range (“Fin Carré,” “J.D. Gross” and “Vemondo” brands) in a total of five countries (Germany, the Netherlands, Austria, Belgium and Luxembourg) to the new Living Income program.

Timeline and Operational Implementation

The rollout follows a clear timeline to ensure a measurable impact on the ground:

- **March 2026 onwards:** Launch of operational transition and extensive preparations.
  In its first year, the program will focus on operational preparations and the requisite administrative arrangements. These include selecting participating cooperatives and carrying out baseline assessments that Fairtrade Africa uses to assess the current situation of households.
- **From the 2026/2027 harvest year onwards:** Launch of actual project implementation on the ground in the countries of origin, Ghana and Côte d'Ivoire.

Methodology

The Calculation Logic: A Breakdown of What We Pay

The centerpiece of our strategy is a differentiated pricing structure. Our payments break down as follows:

- **Fairtrade Premium:** Fairtrade-certified cooperatives receive the Fairtrade Premium in addition to the selling price. The members reach democratic decisions on what to do with the funds, for example using them to strengthen the cooperative, raise productivity, invest in infrastructure, or fund social and environmental initiatives such as building schools and health centers or maintaining drinking water wells.
- **Booster:** We also pay a fixed bonus per metric ton of cocoa. These funds are earmarked for agricultural initiatives such as purchasing high-quality seeds, training in sustainable farming methods — which strengthen the resilience of plantations through practices such as agroforestry and targeted farm management — and income diversification programs to reduce economic dependence on cocoa.
- **Differential as compensation (LIRP Model):** The logic is based on the Living Income Reference Price (LIRP). If the market (farmgate) price is below the LIRP, we make a differential payment to immediately close the gap to the reference price. If the price is above the LIRP, boosters and premiums continue to be paid to promote long-term resilience.

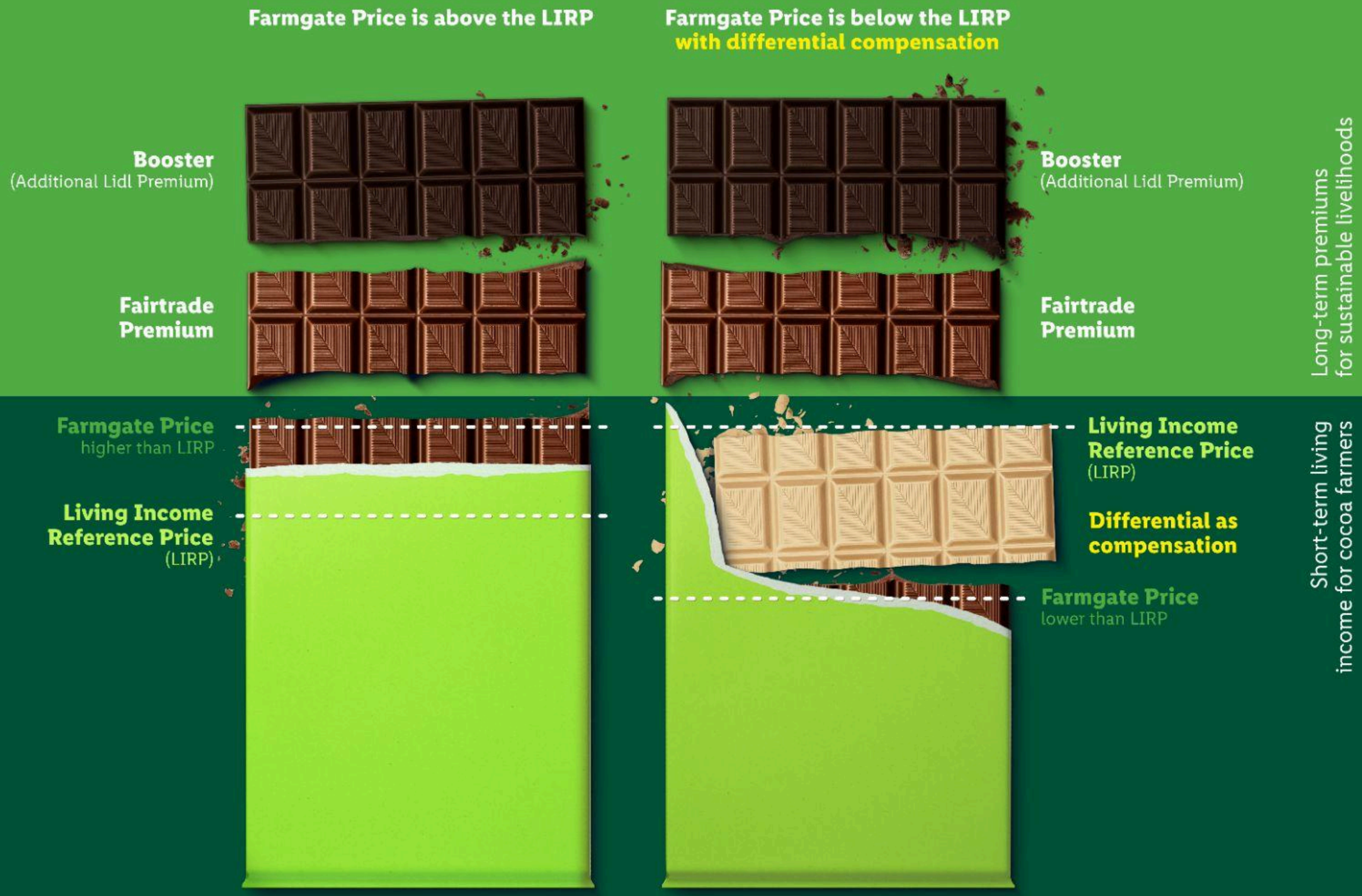
Investing in the Long-term Viability of Farms

Funds from the Lidl Booster are specifically invested in strengthening households over the long term. To boost productivity, we fund professional pruning and spraying services and the provision of supplies for farm renewal. To reduce dependence on cocoa, we promote income diversification by supporting alternative crops such as rice and yams and through projects involving small livestock farming and beekeeping.

At Lidl, we are covering the full additional costs of this program ourselves rather than passing them on to consumers. In doing so, we are making a tangible contribution toward the German Initiative on Sustainable Cocoa's (GISCO) industry target of achieving living incomes for 90 percent of supplier households by 2030.

> "With 'Way To Go', we set vital momentum in motion. But real change only happens at scale. Now it's about setting new benchmarks and multiplying our impact: we are making 'fair' the new standard."
>
> **Stefan Haensel**,
> Head of Quality & Sustainability, Senior Vice President at Lidl Stiftung & Co. KG

> "Through its commitment, Lidl demonstrates how retailers can make a concrete contribution to closing the income gap. The Living Income program invests directly in the future viability of cooperatives. This is precisely the kind of dedication we need from the cocoa sector."
>
> **Claudia Brück**
> Vorstand Fairtrade Deutschland



Exemplary representation of the income that cocoa farmers receive per ton of cocoa with the new Living Income Program. Farmgate Price and LIRP are subject to temporal fluctuations.

Our Commitment in the Coffee Supply Chain

There are multiple complex social challenges in the coffee supply chain. Globally, women account for up to 70 percent of the physical labour involved in coffee farming but they are often severely disadvantaged when it comes to accessing productive resources such as land, loans and training.[17] To specifically address these structural inequalities at a local level and improve the income situation of women coffee farmers in the long term, Lidl launched the “Way To Go Coffee” project in Honduras in 2021 in partnership with Fairtrade. In the Marcala region, all project activities are deliberately focused on an all-female target group, with the aim of directly empowering women producers through training, financial literacy and a pricing mechanism that delivers an additional income improvement premium.

At the same time, Lidl recognises that collective action is the only way to achieve widespread, systemic change in the coffee sector. That is why, since 2023, we have been involved in the Sustainable Agricultural Supply Chains Initiative (SASI), an industry-wide working group funded by the Federal Ministry for Economic Cooperation and Development (BMZ) in which we partner with other retailers such as REWE Group, Kaufland and dm-drogerie markt to promote living incomes across the sector through responsible purchasing practices and the strengthening of producer organisations.

Way To Go Coffee from Honduras (LI)

Background

Honduras is one of the most important countries of origin for Fairtrade-certified coffee, yet farming families there face massive challenges such as political instability, labour shortages and the effects of climate change. Since women make up roughly half of the workforce in the coffee sector but often face gender-specific barriers to accessing resources, Lidl and Fairtrade launched the “Way To Go Coffee” project in 2021.

Methodology

The project’s aim is to leverage social, ecological and economic initiatives to achieve a living income. A key component is the payment of an additional income improvement premium (IPP) on top of the Fairtrade Minimum Price and Fairtrade Premium.

To strengthen economic security, farms are being upgraded with resilient crop varieties and training is being provided in business management and marketing. Social stability is promoted through training on emotional intelligence, female leadership and measures to institutionalise child protection.

Outcomes

In the second phase of the project (2024 to 2026), 383 women coffee farmers from the APROCOMSA cooperative actively participated in the project. One measurable success is the diversification of income, with a total of 131 participants having already added at least one new activity to their income portfolio. In addition, 334 women have so far been trained in areas such as leadership and health.

[17] See International Coffee Organisation (ICO) (2018): Gender Equality in the Coffee Sector

SASI Retail Working Group Coffee (LI)

Background

Lidl is firmly convinced that collaborative, cross-sector action is the only way to achieve lasting, effective change in the global coffee sector. With this in mind, since 2023 we have been part of a working group partnering with other retailers such as dm-drogerie markt, Kaufland and REWE Group on a joint project in Peru and Honduras under the auspices of the BMZ-funded Sustainable Agricultural Supply Chains Initiative (SASI). This partnership, which is coordinated by the German federal development agency Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), aims to firmly embed living incomes and wages in the German retail sector's coffee supply chains.
The project pursues three key strategic objectives: Establishing responsible procurement practices, promoting resilient and efficient production systems, and setting a joint agenda through sector-wide cooperation. The overarching priority will always remain to empower women and marginalised groups.

Methodology

Since the pilot phase began in 2025, the initial focus has been on creating robust underlying data. One key milestone was a comprehensive baseline assessment conducted in late 2025 in the regions of Junín (Peru) and Copán, Ocotepeque and La Paz (Honduras). This involved collecting sensitive data on household composition, productivity and sources of income in order to precisely determine the actual gap to a living income (Living Income Benchmark).

Sustainable Agricultural Supply Chains Initiative (SASI)
SASI works towards an economically, socially and environmentally sustainable transformation of global agricultural supply chains. In collaboration with governments, the private sector and civil society, it puts sustainability topics on the agenda and shapes political discourse.
It is run by the German federal development agency Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ).

Outcomes

The results of the assessment paint a mixed picture: While high coffee prices in the 2024/2025 harvest year generated incomes above the benchmark for some two-thirds of the households surveyed, many smallholders — in particular those with small landholdings or low productivity — continue to live below that threshold.

Based on these insights, the next key phase took place in the spring of 2026:
Stakeholder workshops were held in Honduras (March) and Peru (May) to finalise the implementation strategy in cooperation with local partners and exporters.

With these preparations now complete, the specific projects are getting underway in the countries of origin. A key lever in this process is to implement responsible purchasing practices, which includes mapping transparent supply chains and testing pricing models that factor in the Living Income Reference Price (LIRP). At the same time, local production systems are being professionalised through targeted climate adaptation initiatives, soil analyses and training in basic financial literacy. The aim is to support households living below the benchmark through productivity gains and income diversification, and to develop scalable approaches for the entire sector.

Our Commitment in the Cashew Supply Chain

Way To Go Cashews — Creating Value in Tanzania (LI)

Background

The global cashew supply chain has traditionally been marked by structural inequalities, since most of the nuts harvested in African countries are transported to Southeast Asia for processing. This decoupling of cultivation and processing means that local value creation in the regions of origin remains low and smallholder farmers are often unable to earn a living income. To counter this trend, in 2022 Lidl Netherlands became the first national retailer to introduce Way To Go cashews. The project focuses on retaining value creation in Tanzania and strengthening the economic resilience of the producer regions through direct engagement with local cooperatives.

Methodology

To put this objective into practice, Lidl relies on a model involving local integration and a data-driven premium system. In close cooperation with Fairtrade Netherlands, the supplier Johnny Cashew and local farmers' cooperatives, a thorough benchmark study was first carried out to determine the specific requirements for a living income in the region.

Building on this partnership, a dual payment system was established. While the regular Fairtrade Premium is channeled into collective projects, the additional "Way To Go" premium for income improvement (Income Improvement Premium) serves both as a direct financial allowance for farmers as well as financial support for community projects. This premium — in addition to the Fairtrade Minimum Price and the Fairtrade Premium — is paid directly to the cooperative and is specifically intended to bridge the gap between market-rate revenues and the calculated Living Income Benchmark.

The key milestones in the strategic premium investments include targeted efforts to promote productivity while at the same time reducing costs. For example, funding was provided for initiatives that enable farmers to produce high-quality fertiliser from the organic waste generated on their own farms. Funds were also invested in the purchase of digital scales to weigh the harvest more accurately and to guarantee that the payments made to farmers are absolutely honest and fair. This holistic approach is complemented by a procurement strategy under which the entire harvest — including broken cashew nut fragments ("cashew breakage") — is paid for. The latter is processed in innovative ways, for example as the base for our plant-based Way To Go cheese, thereby increasing supply chain efficiency and minimising food waste.

Summary

By systematically relocating the processing stages to Tanzania and providing direct financial support to producers, the initiative makes a measurable contribution to alleviating poverty and creating sustainable jobs, particularly for women.
Way To Go cashews close the economic cycle directly at the source while also reducing the environmental footprint by eliminating unnecessary transport routes (via Asia).

Our Commitment in the Tea Supply Chain

Way To Go Tea — Our Pioneering Role in Kenya (LI)

Background

In 2020, Lidl GB became the first British retailer to publish a Human Rights Impact Assessment (HRIA) focusing on the tea supply chain in Kenya. The aim was to identify the potential impacts of the company’s business and supply chain activities on internationally recognised human rights, and to engage in direct dialogue with stakeholders and rights-holders.

A key finding to emerge from this assessment was that wages and incomes are too low, in particular for workers on smallholder farms. Low and fluctuating tea prices, combined with high, variable production costs, make it difficult for workers and households to afford a decent standard of living.

To address this, Lidl GB is working towards living incomes in Kenya by introducing a new Fairtrade-certified tea product into its Way To Go range.

Methodology

In partnership with Fairtrade, Lidl GB became the first British retailer to develop a Living Income Reference Price (LIRP) for tea. Through structured focus group discussions in Kenya, data was collected for the living income calculation. The participants included farmers and technical experts from four cooperatives in the West of Rift region (Kericho) and representatives from the Tea Board of Kenya and the Kenya Tea Development Association. This group came together to understand the Fairtrade Living Income Reference Price (LIRP) methodology, agree on the values for each variable included in the calculation, and subsequently verify the final result.

Summary

Through its Way To Go tea range, Lidl GB commits to supporting progress towards a living income at the Fintea Growers Cooperative Union (Fintea Cooperative) in Kericho, Kenya. Lidl GB has also committed to paying the LIRP for 100 percent of the tea volume sourced for this product. This Income Improvement Premium (IIP) contributes to stable incomes for farmers for the long term, and is paid in addition to the Fairtrade Minimum Price and the Fairtrade Premium.

Way To Go tea will be available in Lidl GB from 2026. From that point on, Lidl will begin monitoring and reporting on the impact of this IIP on farmers in the supply chain.

Our Commitment in the Textiles Supply Chain

Lidl's Involvement in the ACT Industry Alliance (LW)

Background

Systemic Solutions for Fairer Wages

Acting responsibly is one of Lidl's core strategic goals for a brighter future. Wherever our actions impact people and the environment, we are there to take responsibility.
Our clothing and footwear products are manufactured in global supply chains, making it our responsibility to implement labour standards and ensure decent working conditions across the entire value chain in order to address the wide-ranging challenges for human rights and the environment.

Low wages in the textile value chain are a systemic challenge arising from the interplay of external conditions and corporate levers.

While inadequate statutory minimum wages and restrictions on freedom of association in producing countries undermine the basis for fair wages, we recognise that global purchasing practices and price pressure are also significant contributing factors. A sustainable improvement therefore requires not only stable local collective bargaining systems but also a more responsible approach to our own procurement processes in order to ensure living wages.

Nine out of ten workers in the garment industry in Bangladesh earn too little to provide enough food for themselves and their families.[18] In 2025, the average gap between the national minimum wage and the living wage in 31 of the garment industry's key producer countries stood at 41 percent.[19] With women making up some 60 percent of the workforce, they form the backbone of global textile supply chains.[20] However, they are exposed to a heightened risk of structural discrimination (vertical segregation): Because they are concentrated at the lowest levels of the value chain, they earn far less than their male counterparts in the sector.[21]

Ensuring living wages in the global garment industry is inextricably linked to the effective implementation of freedom of association. Only through protecting trade union rights do workers have the opportunity to demand fair wages collectively and break out of the low-wage sector permanently.[22, 23, 24]

We therefore recognise that challenges such as fair pay often have complex, systemic causes. For that reason, we rely on strong partnerships and the ACT industry initiative to drive long-term, systemic and far-reaching change.

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[18] Poverty — "The True Price Of Fashion"
[19] The Industry Wage Gap
[20] ILO, How to achieve gender equality in global garment supply chains
[21] ILO, Women lag behind men in terms of equal pay for work of equal value
[22] Amnesty International, 2024
[23] ETI, 2024, Türkiye's Apparel and Textile Sector: Insights from local perspectives
[24] ETI responds to new research on garment workers' rights across South Asia

Methodology

Lidl was the first German food retailer to participate in the ACT (Action, Collaboration, Transformation) industry initiative, which it joined in 2019.

ACT (Action, Collaboration, Transformation)
ACT is an initiative that brings together international textile brands, retailers and the IndustriALL Global Union to campaign for living wages in the textile and garment supply chain. It is the first global initiative to pursue this goal through comprehensive collective bargaining agreements in the producing countries, supported by the brands' purchasing practices.

Together with other member companies and the IndustriALL global trade union organisation, and under the leadership of Stichting ACT, Lidl is committed to establishing these collective bargaining agreements at the sectoral level as a systemic lever for fair pay. The initiative now includes the producer countries of Bangladesh, Cambodia and Turkey, and is also currently exploring the potential for a country program in Sri Lanka.

The country programs are at different stages, and the level of commitment also varies depending on the specific national contexts and on current political conditions and developments.

We support the initiative's projects by implementing the ACT Global Purchasing Practices Commitments, which aim to improve working conditions in the textile industry:

ACT Global Purchasing Practices Commitments[25]

- Commitment no. 1:
  Brands commit that purchasing prices include wages as itemised costs
- Commitment no. 2
  Brands commit to fair terms of payment
- Commitment no. 3:
  Brands commit to better planning and forecasting
- Commitment no. 4:
  Brands commit to undertake training on responsible sourcing and buying
- Commitment no. 5:
  Brands commit to practice responsible exit strategies

Implementing the ACT Commitments
Lidl consistently participates in the biennial Purchasing Practices Assessments and Purchasing Practices Self-Assessments in order to measure the extent to which the five Global Purchasing Practices Commitments have been implemented.
We continuously evaluate the results of these analyses in order to specifically optimise our internal processes, for instance by empowering our buyers with the skills to adopt sustainable practices and by implementing responsible exit strategies. (Human Rights Progress Report)

Outcomes:

Implementing ACT Cambodia
ACT Cambodia is the initiative's flagship program, and its successful development is thanks to strong and effective cooperation between employer representatives, trade unions and the brands sourcing in the country.

Beyond leveraging independent audits and certifications to verify that minimum wages are being paid, Lidl is committed to proactively empowering its business partners. In the run-up to signing the ACT Cambodia Brand Agreement, we worked with an external service provider in 2024 to train relevant suppliers in the application of the ACT guidelines on calculating and ring-fencing labour costs.

[25] ACT: ACT and Purchasing Practices

In 2025, we partnered with an external service provider to refine the internal tools for calculating labour costs in order to make the process more intuitive and efficient for producers. In addition, a recording of the online training session on the tool was produced and distributed to relevant production sites.

The revised tool was tested in 2025 in cooperation with one supplier and two production sites.

Comprehensive collective bargaining agreements are a key lever for living wages. To support the introduction of collective bargaining agreements in Cambodia, Lidl and its suppliers identified selected strategically relevant producers (in Cambodia) and provided them with specific information about the collective bargaining agreement between the industry association TAFTAC and the trade unions affiliated with IndustriALL. As part of this process, we also clarified our commitments under the global master agreement with IndustriALL. We maintain an active dialogue with our partners to explore the possibilities of signing the collective bargaining agreement at site level and to identify joint solutions.

Under the leadership of ACT, global companies, producers and trade unions in Cambodia have joined forces to form a Brand-Employer-Union Group to jointly develop a framework for labour relations in the supply chain that will enable wage increases through collective bargaining, strengthen labour relations and promote a stable and competitive industry.

In a historic move, the parties agreed on a groundbreaking brand-supported collective bargaining framework.[26] ACT Cambodia combines social dialogue, stakeholder engagement and collective bargaining with targeted and binding commitments on global brands' purchasing practices.

In 2024, Lidl signed its first binding agreement with the IndustriALL global trade union organisation concerning the ACT Cambodia country program.
In doing so, Lidl made a legally binding commitment to support the standardised collective bargaining agreement (CBA) for Cambodian production sites.

The key provisions were drawn up by the Cambodian employers' organisation TAFTAC and the trade unions affiliated with IndustriALL.
The agreement between Lidl and IndustriALL also includes commitments to transparency regarding labour costs in negotiations with suppliers who have signed a collective bargaining agreement, as well as to pay the increased wage costs as soon as the standardised CBA is signed at a Lidl manufacturing site. In 2026, Lidl signed an extension of the binding agreement with IndustriALL, thereby continuing its commitment to the implementation of brand-backed collective bargaining agreements at industry level in Cambodia as part of the ACT initiative.

[26] ACT Cambodia Report

3.

Insights

Achieving living incomes and living wages is not a goal that any single actor can achieve on its own. Our efforts to date clearly show that supply chains are dynamic networks that can only be made fairer and more resilient if all stakeholders work together.

To successfully integrate living wage and living income projects into our supply chain structures, we need strong and reliable partners — first and foremost our direct business partners. Achieving living incomes and living wages requires collective effort, and as such we are actively involved in cross-sector alliances such as the living wage partnerships with IDH in Belgium and the UK, the German Initiative on Sustainable Cocoa, the SASI coffee retail working group and the ACT initiative in the textile sector.

We are actively driving this collaborative approach forward through our own projects. We are convinced that pioneering work on the ground is a necessary catalyst for market-wide change. By testing and demonstrating practical feasibility through pilot projects to identify scalable approaches, we serve as a driving force. We are convinced that this will be instrumental in the systemic establishment of fair pay throughout the entire supply chain. At the same time, we view this as a mutual learning process. We actively contribute our insights to the industry dialogue and benefit in equal measure from the experiences of other players. Seeing the success of innovative approaches across the industry as a whole is a key source of inspiration and motivation for us to consistently deepen our own commitment and set new standards together.

Living Wage

Robust underlying data is essential for reliably calculating and closing wage gaps. For us, a functioning data collection infrastructure is the prerequisite for accurately calculating Lidl's contribution to closing wage gaps and achieving a living wage, and for implementing this in a targeted manner.

We prioritise quality and leverage regular on-site inspections and audits to ensure that the actions actually reach the people they are intended for. This verification provides us and our customers with the necessary assurance for our progress reports (claims) and guarantees correct implementation.

Supply chains are dynamic and need all stakeholders to work together to ensure that living wages are achieved in the long term. As well as the business community — including Lidl — actively assuming responsibility, it is essential for reliable national frameworks to be established in the countries of origin.
This includes strengthening minimum wage systems that can ensure fair wages for workers in the long term.

We also consider the promotion of comprehensive, industry-wide collective bargaining agreements to be a key approach to raising workers' wages. Industry-wide solutions ensure that fair wages do not put individual businesses at a competitive disadvantage but rather become the standard for the entire region. They promote dialogue between employers and trade unions on an equal footing and foster a local culture of negotiation that guarantees stable and fair working conditions in the long term — more than external oversight alone could achieve.

Bananas
The success of our project to close Lidl's share of the wage gap is based largely on wage transparency and excellent data availability, which we are able to maintain thanks to our business partners and the plantations. The concept of living wages is still new to many stakeholders, and as such we are continuously investing in supply chain capacity — including regular training and audits. In light of dynamic supply chains and shifting political and economic conditions, we firmly integrate ongoing analysis and training into our project cycles.

In this way, we ensure that we can respond to changes and are able to consistently drive forward Lidl International's Living Wage Banana Project in the focus markets — Germany, Austria, Switzerland, the Netherlands, Belgium and Denmark — as well as Lidl GB's Living Wage Banana Project.

We also continuously review participation in overarching projects in our banana supply chain for relevant countries of origin, such as Lidl France's involvement in the project with Banana Link and IDH, to empower local trade unions and calculate local living wage benchmarks in Côte d'Ivoire, through to its completion in 2024.

Textiles (ACT)
Lidl is tackling low wages in the global textile value chain through its collective commitment to the ACT (Action, Collaboration, Transformation) initiative and the associated work on responsible purchasing practices.

In view of significant wage gaps and structural discrimination, our focus as part of the ACT initiative is on establishing industry-level collective bargaining agreements to strengthen freedom of association and safeguard fair pay in the long term.
One milestone is our legally binding agreement for Cambodia (2024), under which we commit to transparency and to covering increased labour costs under collective bargaining agreements that have been signed. By implementing the ACT Purchasing Practices, providing targeted training on ring-fencing labour costs and expanding digital calculation tools, we are actively empowering our purchasing team and our partners to consistently pursue the path towards living wages, thereby promoting stable, competitive working conditions.

Living Income

While strengthening national systems is a key lever for living wages, the situation is more complex when it comes to living incomes for smallholder farmers: Rigid minimum prices for raw materials are often only partially effective in this context and pose the risk of market distortions. Implementation therefore requires a great deal of tact and a deep understanding of the respective supply chains. For that reason we rely on holistic approaches in cooperation with partners, such as Fairtrade.

Our actions increase incomes directly. If the market price is insufficient to enable a decent standard of living, we use the Living Income Reference Price (LIRP) as a strategic tool and make a differential payment.

In addition, we actively support farmers in harnessing additional sources of income, such as in the case of cocoa. The goal is to reduce dependence on fluctuating global market prices by promoting the cultivation of other crops, small livestock farming or local processing.

Only through this combination of direct financial support whatever the market conditions, of building local capacity and of close collaboration with the industry can we create livelihoods in the countries of origin that remain stable in the long term.

Cocoa
Real transformation in the cocoa sector can only be achieved if we scale up successful pilot projects. By expanding our Living Income Program to our entire range of private-label chocolate bars, we are taking a proven concept and making it the new standard in five European markets. Our goal is to achieve a measurable impact for thousands of farming families in Ghana and Côte d’Ivoire through a combination of the Lidl Booster, price stabilisation mechanisms and targeted income diversification.

By using the Living Income Reference Price (LIRP) as our guide, we are taking responsibility for creating fairer value chains. In doing so, we are sending a strong signal to the industry: A living income is not an optional side project but the foundation for sustainable cocoa production.

Coffee

Effective change in the coffee sector requires both targeted on-the-ground projects and strong industry-wide cooperation. Through our “Way To Go Coffee” initiative in Honduras, we are bolstering economic security through income improvement premiums while also promoting social stability through female leadership training. At the same time, as part of the cross-sector SASI initiative we are actively involved in the German Retailers Working Group on Coffee to firmly establish living wages in the German retail sector through responsible purchasing practices and transparent supply chains.

A key lever in this effort is to precisely identify income gaps through baseline assessments and to test pricing models that factor in the Living Income Reference Price (LIRP).

By combining productivity gains with targeted efforts to promote additional sources of income, we empower marginalised groups in particular, to increase their resilience to market and climate shocks.

Cashews

Our commitment to the cashew supply chain in Tanzania demonstrates that long-term income security is inextricably linked to promoting local value creation. Together with our partners Fairtrade Netherlands and Johnny Cashew, we are breaking down the traditional, inefficient supply chain structure by moving processing back to the country of origin. A key lever for closing income gaps is our dual premium system: Based on well-researched benchmark studies, we combine the collective Fairtrade Premium with a direct “Way To Go” supplementary payment. This mechanism ensures that the financial value added goes directly to where it is needed to achieve a living income.

Beyond pricing, we focus on holistic efficiency and environmental responsibility. We minimise food loss and maximise revenues for producers through our “Full Crop” procurement strategy, which also utilises cashew breakage for innovative products such as our vegan cheese alternatives. This inclusive approach not only creates sustainable, fair local jobs, in particular for women, but also significantly reduces the supply chain’s environmental footprint by eliminating the need for transport detours through Asia. As a result, the cashew project serves as a pioneering example of how economic resilience and systemic action to alleviate poverty can be successfully scaled through local integration.

Tea

In the tea supply chain, Lidl GB is playing a pioneering role by directly incorporating human rights due diligence into its operational pricing models. This initiative was based on a comprehensive Human Rights Impact Assessment (HRIA) of the Kenyan tea sector, which highlighted the structural disadvantages faced by smallholder farms due to volatile global market prices.

In response, Lidl GB became the first British retailer to develop a Living Income Reference Price (LIRP) for tea, in close collaboration with Fairtrade and local experts. This is based on a participatory approach, with the Tea Board of Kenya and local cooperatives involved in precisely defining and verifying the variables for a living income.

The initiative is put into practice through our “Way To Go” range, which will set a new benchmark for responsible tea sourcing starting in 2026. Lidl GB is committed to paying the LIRP for 100 percent of the tea volume sourced from the FINTEA Cooperative in Kenya — in addition to the Fairtrade Minimum Price and the Fairtrade Premium. Through this three-tiered payment mechanism, we decouple farmers’ incomes from market fluctuations and create a reliable foundation for a decent standard of living. Starting with the market launch in 2026, we will continuously monitor the impact of these targeted investments to ensure the effectiveness of our actions and gain scalable insights for the entire sector.

Our existing “Way To Go” projects will begin to be rebranded as “Living Income Coffee,” “Living Income Cashew” and “Living Income Tea” to comply with the new regulatory requirements of the EU’s EmpCo Directive (empowering consumers for the green transition). We will no longer use the term “Way To Go” on our products or in our communications in the EU. This will not affect our commitment to these projects, working towards living incomes.

Outlook

The progress and initiatives outlined here make it clear: The path to universal living incomes and wages is not a sprint but a continuous process of transformation. It is evident that the combination of fair pricing mechanisms and the promotion of local structures is an effective lever for integrating systemic changes into our supply chains over the long term.

We will continue to systematically evaluate our efforts, identify scalable approaches and step up the dialogue with our partners and industry initiatives. Our goal remains clear: We want to continue advancing sustainability and social justice to effectively safeguard fair living conditions for everyone in our supply chains.

Glossary

Glossary

ACT (Action, Collaboration, Transformation)	ACT is an initiative that brings together international textile brands, retailers and the IndustriALL Global Union to campaign for living wages in the textile and garment supply chain. It is the first global initiative to pursue this goal through comprehensive collective bargaining agreements in the producing countries, supported by the brands' purchasing practices.[27]
Anker Research Institute (ARI)	The Anker Research Institute is a nonprofit organisation founded in 2020 by Richard Anker and Martha Anker with the support of the Global Living Wage Coalition. The institute determines global benchmarks for living wages and incomes, as well as over 100 Anker reference values and regional estimates in a growing number of countries. In addition, the ARI conducts valuable research on living wages and incomes, covering topics such as gender, migration, prevailing wages and more.[28]
Asian Floor Wage Alliance (AFWA)	The Asia Floor Wage Alliance (AFWA) was founded in 2007 as an Asian worker-led global labour and social alliance across garment-producing countries (such as Bangladesh, Cambodia, India, Indonesia, Pakistan, Myanmar and Sri Lanka) and consumer regions (the United States and Europe). Its goal is to address poverty-level wages, gender discrimination and issues related to freedom of association in global garment production networks.[29]

[27] ACT on Living Wages
[28] Anker Research Institute
[29] Asian Floor Wage

GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) is a German government-owned development agency. It runs projects around the world to promote sustainable development, education and uphold peace on behalf of the German federal government, in particular the Federal Ministry for Economic Cooperation and Development (BMZ).[30]
Fair Wage Network	Founded by Daniel Vaughan-Whitehead and Auret van Heerden, the Fair Wage Network was established to advance wage practices along global supply chains and to integrate the “fair wage” approach at a national and international level. It strives to help companies build fair, sustainable and high-performing wage systems across global supply chains through stewarding the evolution of their wage standards and practices. By combining cooperation, data and expert guidance, the Fair Wage Network supports companies in strengthening wage standards while enhancing sustainability performance and long-term value creation.[31]
Fairtrade	Fairtrade is an international organisation working around the world to promote fair trade relations, and brings together producers, businesses and consumers on an equal footing. It supports farming families and workers in producer countries to overcome poverty through their own efforts, strengthen their position in global trade and shape their lives on their own terms. Introduced in 2002, the Fairtrade Mark sets general standards (for smallholder organisations, plantations and contract farming), product standards that impose product-specific requirements, and the Fairtrade Trader Standard, which lays down rules for traders and manufacturers (including rules on payment methods and blended products).[32]
FLOCERT	FLOCERT is a leading global audit and certification service provider that offers Fairtrade certifications. In addition, FLOCERT provides further certification and verification services as well as tailored sustainability solutions to promote fairness in global trade.[33]

[30] GIZ
[31] Fair Wage About Us
[32] Fairtrade
[33] FLOCERT Who we are

German Initiative on Sustainable Cocoa	The German Initiative on Sustainable Cocoa (Forum Nachhaltiger Kakao e. V.) brings together the German federal government, represented by the Federal Ministry for Economic Cooperation and Development (BMZ) and the Federal Ministry for Food and Agriculture (BMEL), the German confectionery industry, the German food retail sector and civil society. Together, as a multi-stakeholder initiative, they pursue the goal of improving the living conditions of cocoa farmers and their families, conserving and protecting natural resources and biodiversity in cocoa-producing countries and increasing the cultivation and marketing of cocoa certified to sustainability standards.[34]
Global Living Wage Coalition (GLWC)	The Global Living Wage Coalition (GLWC) is an international alliance of organisations working worldwide to promote the implementation of living wages. The GLWC is organised as a partnership between two independent networks with complementary missions and areas of activity: the Anker Research Institute and the GLWC Action Network (Action Network).[35]
Good Agricultural Practices (GAP)	Good Agricultural Practices (GAP) are a set of voluntary, science-based guidelines and standards designed to ensure the safe and sustainable production and handling of crops and livestock. Their goal is to minimise microbial contamination, protect the environment and guarantee safe food for consumers.[36]
Human Rights Impact Assessment (HRIA)	A Human Rights Impact Assessment (HRIA) is a process applied to systematically identify, predict and respond to the potential human rights implications of a business operation, government policy or trade agreement.[37]

[34] German Initiative on Sustainable Cocoa — About Us
[35] Global Living Wage About
[36] Control Union good agricultural practices
[37] The Danish Institute for Human Rights: Introduction to human rights impact assessment, 2023.

International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF)	The IUF is the global trade union federation for workers in agriculture, food production, the restaurant industry and the tobacco industry. With over 10 million members worldwide in 128 countries, it coordinates international industrial action and campaigns.[38]
Living Income Community of Practice (LICOP)	The Living Income Community of Practice is an alliance of partners committed to the vision of thriving, economically stable rural communities that are integrated into global food and agricultural supply chains. The goal of this community is to support activities aimed at improving smallholder farmers' incomes to a level that provides a living income. This is intended to enable smallholder farmers to achieve an adequate standard of living.[39]
Living Income Reference Price (LIRP)	This calculated reference price indicates the price that producers must receive (e.g. per kilogram of a commodity) so that a household can earn a living income, given a viable farm size and a sustainable productivity level.[40]
Sustainable Agricultural Supply Chains Initiative (SASI)	SASI works towards an economically, socially and environmentally sustainable transformation of global agricultural supply chains. In collaboration with politics, the private sector and civil society, it puts sustainability topics on the agenda and shapes political discourse. It is run by German federal development agency Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ).[41]

[38] IUF
[39] living-income
[40] Fairtrade Living Income Reference Price (LIRP)
[41] Sustainable Supply Chains

The Sustainable Trade Initiative (IDH)	IDH is a global organisation working at the intersection of agriculture and market. Its mission is to transform agricultural systems toward a future with prosperous livelihoods, long-term supply security and lasting environmental resilience. To that end, IDH aligns interests, mobilises investment and helps shape resilient food systems.[42]
WageIndicator Foundation	The WageIndicator Foundation is a global and independent non-profit organisation that collects, compares and shares information about minimum wages, living wages, living-wage rates, living incomes, wages and salaries, labour law, collective bargaining agreements and gig and platform work.[43]

[42] Further information can be found at: https://idh.org/
[43] WageIndicator

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