



Sustainability Report 2016/17

Efficient, Lean, Sustainable



Lidl UK



This is Lidl UK's first Sustainability Report, covering our 2016/17 financial year. Over the next 70 pages, we will introduce our new CSR strategy and our vision to make good food accessible for everyone.

As we experience a period of unprecedented growth, it is important to our customers to know that we are a responsible retailer. This report sets out our approach to tackling some of the most urgent issues facing society today, and our future sustainability targets and commitments. It also provides an insight into our discounter business model.

Welcome to 'Efficient, Lean, Sustainable'.



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A word from our CEO

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As Chief Executive of Lidl UK, I'm delighted to welcome you to our first ever Sustainability Report and to introduce you to our new CSR strategy, A Better Tomorrow.

Christian Härtnagel
Chief Executive Officer, Lidl UK



Having arrived in the UK just over one year ago and having worked at Lidl for 15 years in four different countries, the biggest surprise for me has been just how competitive the retail environment in the UK is. Despite this, we have seen remarkable growth in recent years, we are now the 7th biggest grocery retailer in the UK. With annual sales up 18% to £5.3bn and reaching a record market share of 5.2%.

We now serve over half of all UK households in our stores every year. Without a doubt, this success is the result of the dedication of our 20,000 employees across Britain, together with our relentless focus on remaining true to our discounter DNA – that is, to offer the highest quality products at the lowest prices.

We have set ambitious plans for further rapid growth in the UK to cater for this demand, with a planned investment programme of £1.45bn over the next two years. We want to open at least one store a week – 50 to 60 stores a year. This is the fastest rate of expansion we have ever seen and, in order to maintain it, we are also investing heavily in our network of distribution centres. In early 2017, we opened our 11th warehouse in Wednesbury, which was our second new warehouse opening within six months, and in November 2017 we will be opening our 12th in Exeter.

Since Lidl entered the UK market back in 1994, our discount shopping concept has contributed to a revolution in the way consumers shop. People are choosing convenience and freshness, and more frequent shopping over the traditional weekly shop. People all over the country are realising that they can get top quality produce at surprisingly affordable prices at Lidl, and this is changing the face of the UK grocery sector.

But there is still a misconception in the UK that low prices must mean poor quality. In publishing this, our first Sustainability Report, we hope to challenge these misconceptions and increase our transparency by outlining our sustainability achievements to date and setting out our priorities and commitments for the future.

Our new CSR strategy, A Better Tomorrow, focuses on those areas that we believe are most material to our business and our stakeholders, and where we can have the greatest impact. This includes our approach to sourcing our products responsibly, buying British, tackling food waste and helping our customers to lead more active and healthy lifestyles.

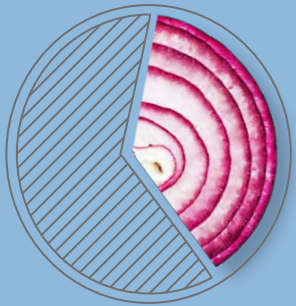
I hope you enjoy reading this report and that it gives you a sense of who we are and what we stand for as a business. While there is already a great deal to celebrate, this is only just the beginning of our sustainability journey and we're looking forward to making an even bigger positive impact in 2017 and beyond.

Christian Härtnagel
Chief Executive Officer, Lidl UK

October 2017



Our highlights



37%

increase in fruit and veg sales in two years

Championing a Healthy Society 41 >

1st

First supermarket to adopt the living wage (using the recommended rate set by the Living Wage Foundation)

Supporting our Colleagues 48 >



260,850

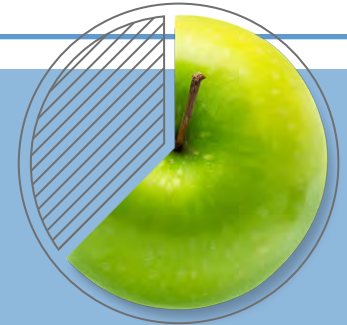
Helped 260,850 boys and girls participate in UK football through the FA Skills programme in 2016

Championing a Healthy Society 43 >

100%

of our own brand bananas, tea (black, green and rooibos) and palm oil are sustainably sourced

Sourcing for the Future 22 >



+60%

of our permanent products are from British suppliers

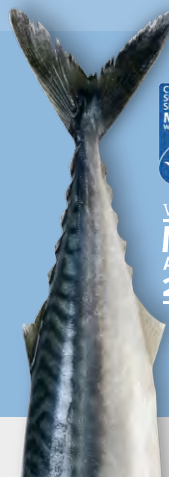
Securing our Supply Chain 32 >



30%

Lowered the sugar content in our own brand Crownfield cereals by 30%

Championing a Healthy Society 41 >



WINNER
MSC
AWARDS
2016

100%

of our fresh own brand wild-caught fish is MSC certified sustainable. We were also named winner of the MSC mid-size store retailer 2016 award

Sourcing for the Future 24 >



1st

First British supermarket to introduce Healthy Checkouts nationwide

Championing a Healthy Society 42 >



A Lidl bit different

When we arrived in the UK in the mid-90s, we offered a new way of shopping. As a **discounter**, we gave shoppers the chance to buy high quality products at low prices, making the shopping experience easier and more convenient.

We've seen our customers embrace this concept, with shopping at a 'discounter' having moved from being a novel experience to very much the norm, and even first choice for many UK consumers today.

As a result, we've experienced rapid growth, especially over the last five to six years, and at the end of our 2016/17 financial year we had more than 650 stores and 10 Regional Distribution Centres (RDC). This makes the UK a strong part of Lidl's network of 27 countries across Europe, which is headquartered in Germany. And it shows the power of being a Lidl bit different, with a different business model, a different approach to sourcing and selling, and a different way of looking at the sector.

As at the end of our 2016/17 financial year

Number of stores

650⁺

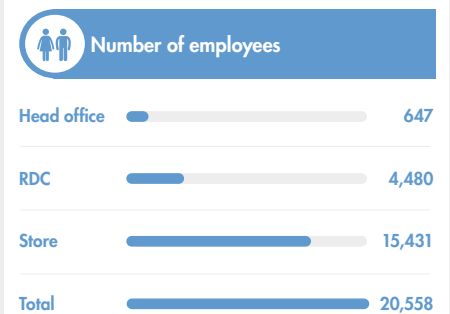


Number of employees

20,000⁺

Gross sales

£5.3bn





A different business model: Efficient, Lean, Sustainable

Our business model helps differentiate us from our competitors. Our philosophy centres on simplicity and maximum efficiency at every stage of the business, from supplier to customer.

Our stores stock a limited range of carefully selected product lines, allowing us to control costs and maintain the quality of our range. Around 30% of our products are negotiated by buying teams situated in many major capitals across Europe, allowing us to keep our prices low by purchasing in high volumes for Lidl stores Europe-wide.

We're always working to keep our operations streamlined and, through our lean buying teams, maintain strong relationships with our suppliers. This is made possible by the energy and dedication of our colleagues up and down the country, which enables us to keep our low cost, high quality promise to our customers.

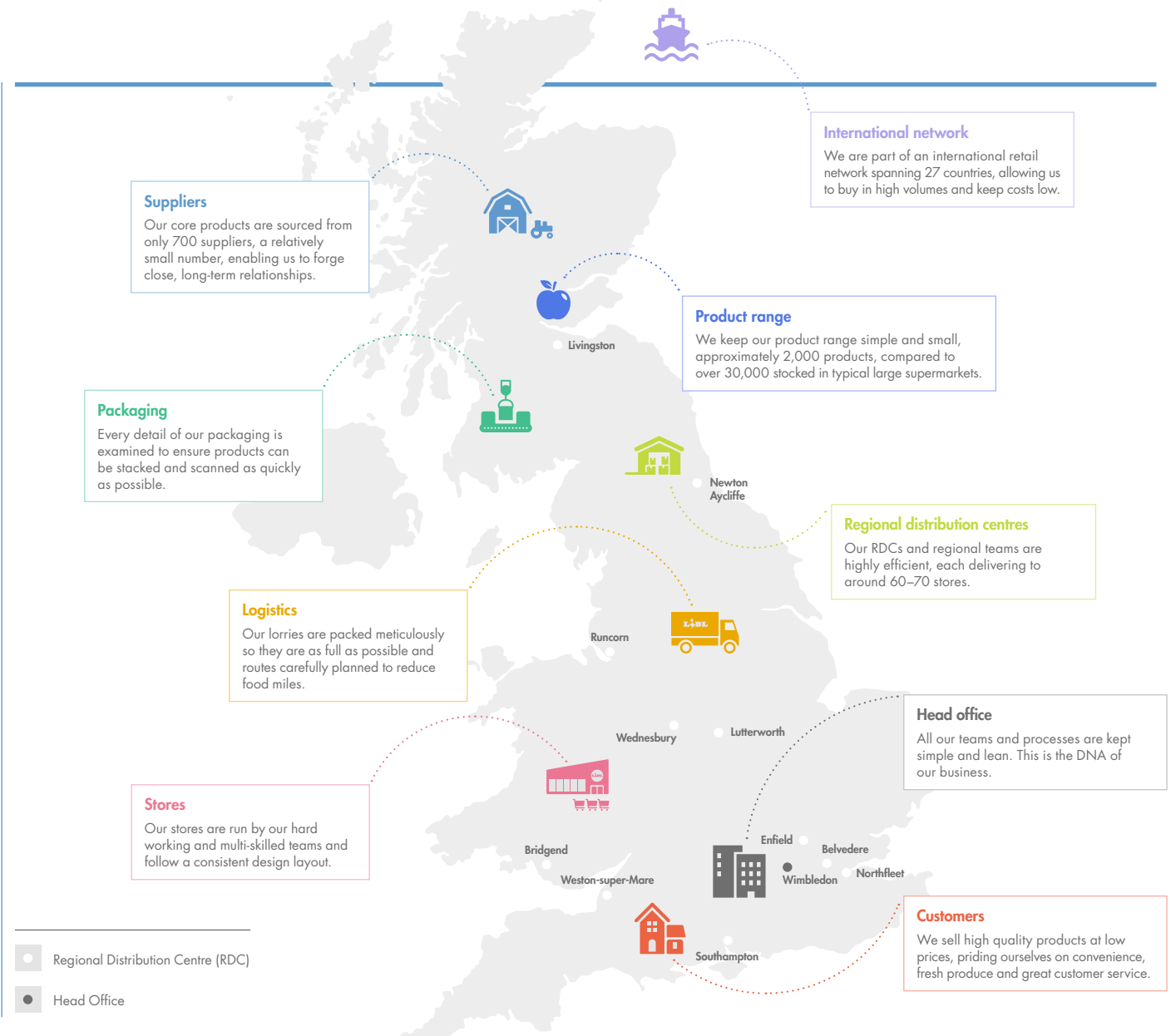
Sustaining our growth

We've set an ambitious strategy for the continued growth of our UK business. By 2019, we plan to invest almost £1.5bn in expansion and development, opening up to 60 new stores a year and building out our logistics network to accommodate our future growth.

During our 2016 financial year, we opened a new RDC in Southampton, creating nearly 500 jobs for the area, and in March 2017 we opened our 11th distribution centre in Wednesbury. We've also announced plans for a further three RDCs, in Exeter, Doncaster and Bolton, opening up to 1,500 new jobs and relocating two existing RDCs to Eurocentral (Scotland) and Avonmouth.

Our plans for long-term sustainable growth are driven by the following three strategic priorities:

- To realise our expansion potential in the UK, reaching as many customers as possible.
- To become the most attractive employer in the retail industry.
- To continue to convince all British households to shop at Lidl.



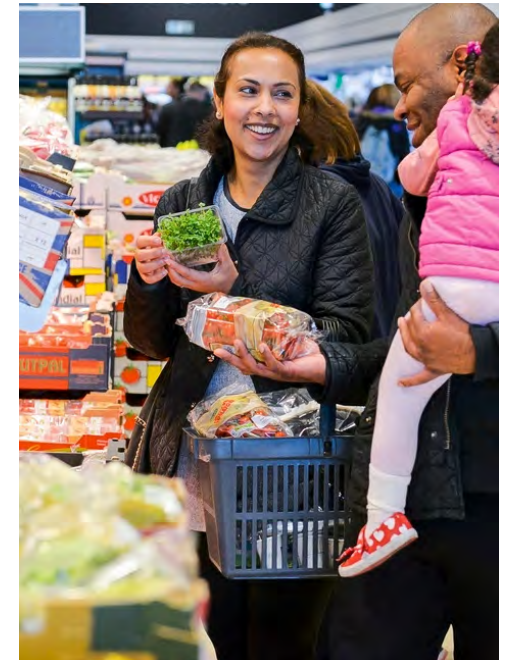


Trends shaping the future of food shopping

A number of societal and sector trends are changing the way people shop and transforming the grocery retail landscape. These trends impact all businesses, the retail and food sectors in general, and Lidl's unique way of working in particular. They will help to shape the future of our business and we must continue to respond to them.

Highly competitive market

The grocery market in the UK remains highly competitive. The rise of discounters like us, strengthened online offerings, food inflation and changing consumer habits have all helped reshape the traditional grocery market.



The rise of online shopping

In the UK, the proportion of households who do all their food shopping online has doubled since 2014 and we do more of our grocery shopping online in this country than anywhere else in the world. Whilst there has been continued growth in shopping at the brick-and-mortar store, the 'ultimate in convenience', shopping online, is set to play a more prominent role in the retail grocery market in the future.

Seeking convenience

The way we buy our groceries is changing. As our lifestyles evolve, consumers are embracing convenience shopping, choosing to shop day-to-day, rather than weekly.



Trends shaping the future of food shopping continued



Transparency in supply chains

Consumers are demanding more information about the products they buy, where they come from and who produces them. There is an expectation that businesses should know their supply chains and be able to provide evidence to support this, in increasing detail.



Mechanisation of the food system

Mechanisation has an increasingly important role to play in the sustainable development of the food industry. It is helping to tackle market challenges and increase productivity, for example, by relieving labour shortages, improving the efficient use of resources and enhancing market access.

People are looking locally

We know from our research and insight across the industry that consumers are seeking local produce. People want to be confident that they know where their food comes from, and they like the fact that local sourcing reduces food miles and offers high quality, fresher food.



A focus on health and wellbeing

Obesity levels in the UK have risen rapidly, trebling over the last 30 years. However, as a nation we are becoming more aware of the importance of a good diet and regular physical activity in the need to reverse this trend. And the government and businesses are playing their parts, setting and meeting industry targets to reduce salt and sugar intake and encouraging healthier eating and physical exercise.

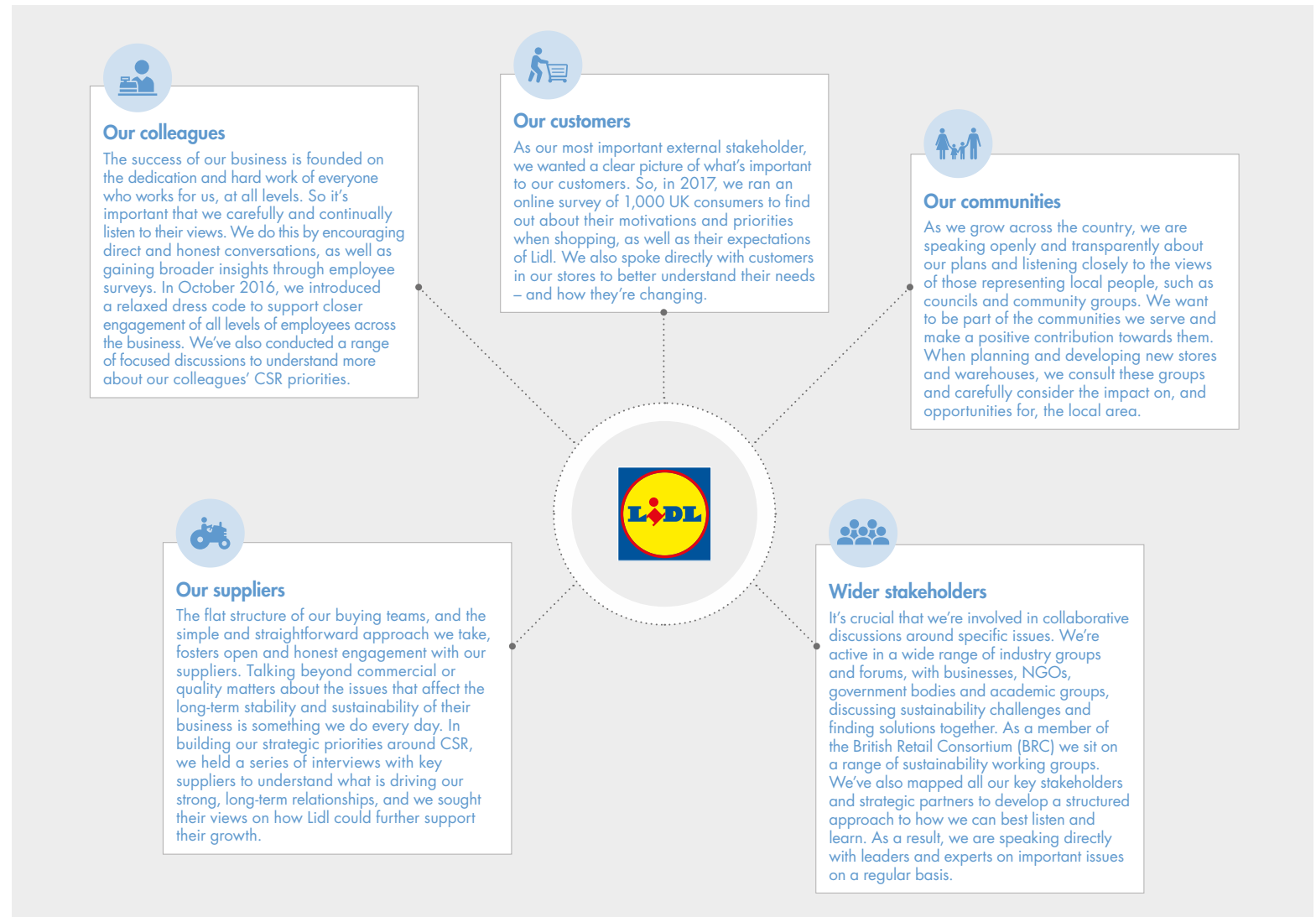




Listening to our stakeholders

We employ over 20,000 people, work with more than 700 suppliers to offer around 2,000 products, and over half of all UK households shop with us. We interact with a wide range of people and organisations, and our responsibilities are shaped by those who are important to us.

Engaging with our key stakeholders is a fundamental step to truly understanding the values and issues they care about most. In 2016, we spoke with and listened to many people, including customers, colleagues, communities and businesses we work with to help define our strategy and future commitments.





Our consumer survey

The way people shop and the factors shaping their buying choices are continually evolving. Our customers don't just expect us to meet their needs, they expect us to do it in a responsible way. As our most important external stakeholder, it's essential that we clearly understand our customers' expectations and the drivers that change their shopping habits.

Whilst there is extensive insight available setting out the needs and expectations of the UK consumer, we felt it was important to understand this from our own perspective, as well as how Lidl is performing in the eyes of our customers.

So in January 2017, we commissioned GlobeScan to conduct an online survey of 1,000 UK consumers, which asked a series of questions about the issues that people care about most when doing their grocery shopping.

1,000

UK consumers surveyed



Shining a spotlight on the results

We asked a simple question – what is most important to you when doing your food shopping? And the answers were ranked in order of priority using a score of 1-10. Our research showed that, unsurprisingly, quality of products ranked top (6.83), followed by low price (6.37). Conventional factors such as product range (4.93), convenient location (4.13) and the overall shopping experience (3.53) also remain priorities for the UK consumer.

However, our findings also showed that CSR considerations play a strong secondary role, and that consumers associate them with quality. Outside those traditional priorities, such as cost and quality, we found that where and how food is sourced are important factors. Consumers want local produce sourced in a responsible way with consideration for animal welfare. People also want to shop with retailers who treat suppliers and employees fairly, with that score closely followed by the availability of healthy and nutritious products.

How consumers define 'product quality'

We know our customers are looking for the highest quality, and understanding what this means is critical. However, product quality has never before been clearly defined. What does this mean to our customers? What are their expectations?

We asked consumers how they interpret or define product quality. Principally, consumers associate it with their shopping experience and closely link quality to healthy foods. But this insight also illustrates several secondary factors associated with quality.



Importance of factors when grocery shopping, importance score (0-10), Jan 2017

Product quality	6.83
Low prices	6.37
Range of products	4.93
Convenient location	4.13
Fair prices to British producers	3.78
Overall shopping experience	3.53
Animal welfare	3.21
British food	3.19
Pays employees fairly	3.09
Healthy/nutritious products	3.07



Quality associated with shopping experience, health and sustainability

Correlations with product quality

First tier associations

- Overall shopping experience
- Healthy nutritious products



Product quality

Second tier associations

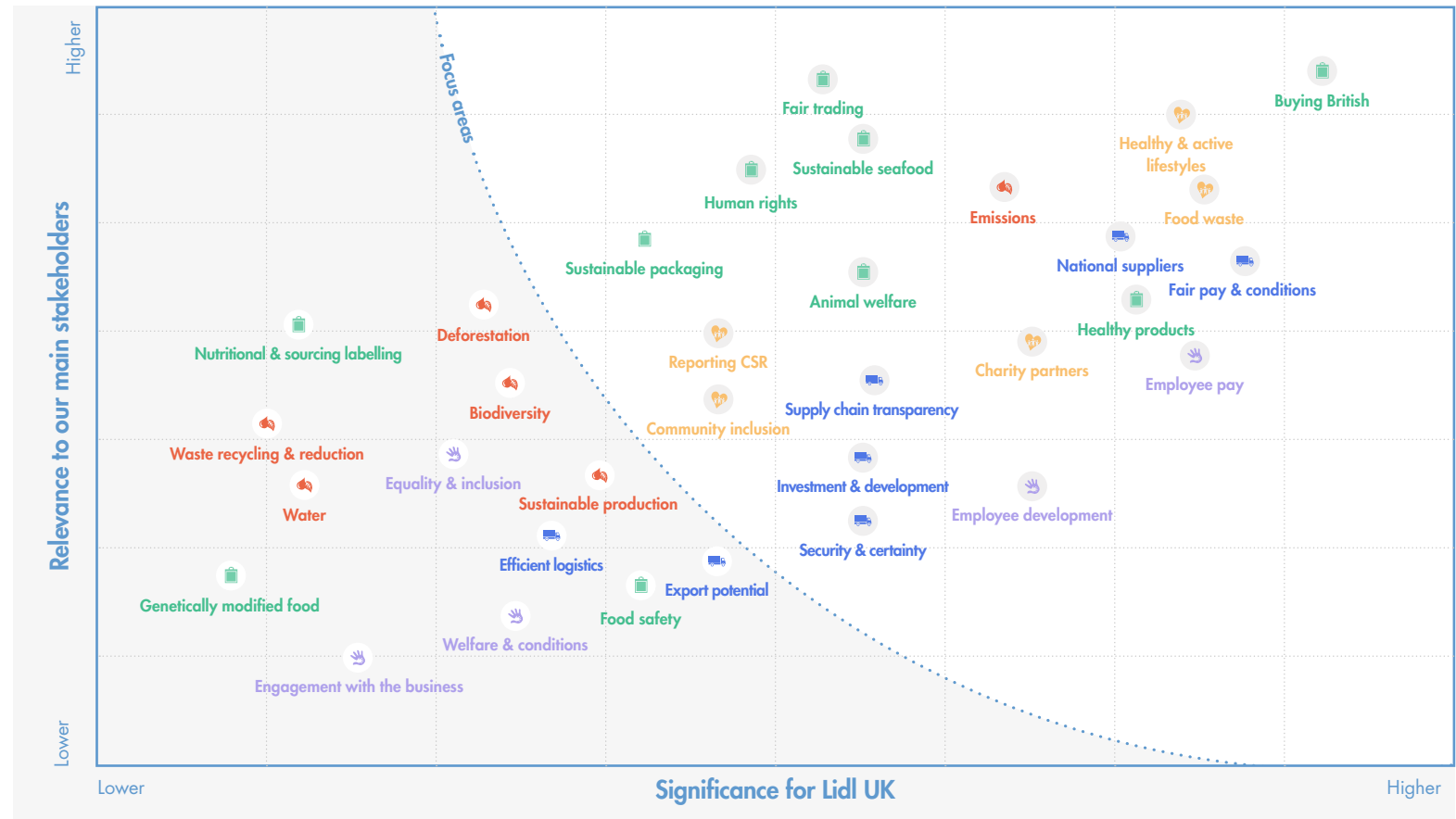
- Clear labelling of food origin
- British food
- Animal welfare
- Fair prices for British farmers
- Range of products
- Reduced fat/salt content
- Help customers live healthy/active lifestyles



Defining the issues that matter most

As a major food retailer, we operate in multi-tiered supply chains, and even though we keep our product range simple we source a wide range and high quantity of ingredients from across the world. We influence, and are influenced by, a wide range of stakeholders, which means there are a host of social, environmental and economic issues relevant to us. However, in order to create an approach that will deliver the best positive impact for our stakeholders and our business, it's important that we clearly define and focus on those areas that matter most – our material issues.

During 2016, we undertook a materiality study by assessing the views of our main stakeholders against the impact on our business. From this we identified 20 focus areas and four priority issues – our Big Steps. Whilst all selected issues are important our focus areas will help prioritise and shape our sustainability activities and focus of our reporting approach.



- Sourcing for the Future
- Championing a Healthy Society Securing our Supply Chain
- Championing a Healthy Society
- Supporting our Colleagues
- Protecting the Environment



Building 'A Better Tomorrow'

We are one of the fastest growing food retailers in the UK, driven by our promise to help save our customers money and offer the best products. But, to continue to grow in this way, it is vital that we act sustainably in everything we do and play a role in building a stronger society.

Our strategy, 'A Better Tomorrow', is simple and straightforward, like our business, and will help us to fulfil our vision. The main way we will do this is by focusing on the areas that are most relevant to us and where we can have the greatest impact – our 'Big Steps'.

Whilst our Big Steps help us focus on our four priority areas, they are underpinned by our broader strategy and ethos, which is built around five pillars and incorporates the important issues identified through our materiality study. Our strategy guides the decisions we make and informs our future goals.

Creating the long-term change we want will take time and we know there is a long road ahead. However, our newly defined strategic approach gives us the focus and framework to play our increasingly important role in helping to build a better society, economy and planet.

Although our strategy is long term, it is not static and will evolve in line with changing needs and expectations. We will strengthen our goals and define new commitments to ensure we continue to tackle the most important issues.

Our Vision

Our vision is to make good food accessible for everyone.

Our definition of 'good food'¹ is food produced, sold and eaten in a way that benefits our customers, our producers and our planet.



Our customers

Providing nutritious, affordable and safe food, and encouraging healthy and active lifestyles.



Our producers

Sourcing in a fair and sustainable way which builds local business and economies and improves lives.



Our planet

Minimising waste across the food system and promoting the efficient use of natural resources.

¹ Sustain. The Alliance for Better Food and Farming (2013) The Sustain Guide to Good Food: How to help make our food and farming system fit for the future

Our 4 Big Steps



Buying British



Sourcing Responsibly



Tackling Food Waste



Supporting Active & Healthy Lifestyles

Our Strategic Pillars



Sourcing for the Future

Priority Sustainable Development Goals (SDGs):



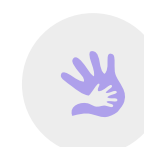
Securing our Supply Chain

Priority Sustainable Development Goals (SDGs):



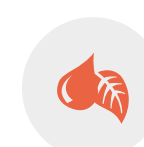
Championing a Healthy Society

Priority Sustainable Development Goals (SDGs):



Supporting our Colleagues

Priority Sustainable Development Goals (SDGs):



Protecting the Environment

Priority Sustainable Development Goals (SDGs):





'A Better Tomorrow' in more detail

Our 4 Big Steps and key commitments:



1. Buying British

Commit to British products while ensuring all our suppliers grow with our business and are treated fairly

We will:

- Continue to grow our British range and develop new British products.
- Support our producers to grow as we grow.



2. Sourcing Responsibly

Improve the quality of our products through sourcing more responsibly

We will:

- Build a more transparent supply chain and develop our approach to human rights and working conditions.
- Source 100% of our key raw materials sustainably by 2020.
- Source 100% of our fresh and frozen seafood sustainably by 2019.



3. Tackling Food Waste

Lead in preventing and redistributing food waste

We will:

- Reduce food waste from our stores per sq ft by 25% by 2020.
- Redistribute food surplus from all our stores by 2019.
- Develop a food waste campaign and adopt best practice labelling by 2018, to help consumers reduce household food waste.



4. Supporting Active & Healthy Lifestyles

Help British consumers live more active and healthy lives

We will:

- Increase consumption of fruit and veg, especially in children, through messaging and promotion.
- Provide over 1.2 million opportunities for children in England and Wales to participate in football in 2017.
- Train 1,000 children to be future 'Directors of Football' in Wales and set up 300 Lidl Skills Centres in Scotland.
- Make our food healthier by working towards the 2017 UK salt reduction targets, and reducing sugar by 20% by 2020 as set out in the government's Childhood Obesity Plan.

Our Strategic Pillars



Sourcing for the Future

Creating sustainable supply chains that are fair to everyone, bringing better jobs and supporting local economies.



Securing our Supply Chain

Building strong, mutually-beneficial relationships for the long term.



Championing a Healthy Society

Making quality food affordable and inspiring customers to live healthy and active lifestyles.



Supporting our Colleagues

Helping everyone reach their full potential.



Protecting the Environment

Minimising our impact through our efficient way of working.

The global agenda

The United Nations' Sustainable Development Goals (SDGs) provide the global community with a common set of targets to tackle major world issues such as poverty, inequality and injustice, and climate change by 2030.

We have aligned the relevant SDGs to our strategic pillars to establish where we can contribute to the delivery of these goals and, as we move forwards, the SDGs will be used to frame the agendas we are working on. To tackle these global challenges effectively we will look to collaborate with other organisations to achieve a greater collective impact and help define ways to evidence this.

Managing CSR at Lidl

Our business is built around simple processes and lean working, and our governance framework for CSR is no exception. Responsibility for CSR strategy and programmes lies at the top of our business with our CEO. We've created a direct reporting line between our Head of CSR and our CEO to make the decision-making process as fast and effective as possible. Strategic progress is reported internally to our Board of Directors.

Our CSR Team, formed of representatives from key departments, meets every quarter. Chaired by our CSR senior leads, the team helps co-ordinate and embed our sustainability programmes across the business.



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Society

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Our Big Steps



STEP 1 ● ● ● ● ●



Our Big Step for Buying British



Over three-quarters of shoppers believe it's important to support British farmers. This was backed up by our own Consumer Survey, which revealed that treating British suppliers fairly and buying British rank as two of the top five most important factors to people when food shopping.

Customers not only want to know where their food comes from, but they also seek assurance that the products they buy are produced in a way that minimises environmental impact and supports local producers. Increasingly, consumers are focusing on high product quality and animal welfare standards.

However, the British farming and food sector today is under increasing pressure from issues like food price fluctuations, overseas competition, a shifting political landscape, climate change and rising operating costs.

As a growing retailer in the competitive UK grocery market, we play an important role in helping to safeguard the future of the British farming and food sectors through our strong commitment to Buying British.

Why is buying British a priority for Lidl UK?

Buying British simply makes sense for our business. Our strongest relationships have been built with our British partners, we know our suppliers well and we want them to grow with us.

At Lidl we're proud to source an extensive range of British produce. It offers our customers fantastic quality and is an important element of the way we work. It enables us to keep our supply chains short, thereby reducing our carbon footprint, and offering a more stable trading environment.



To ensure that we can always offer our customers the freshest, highest quality products at the best prices, it is imperative that we continue to support the British farming industry and further cultivate the strong relationships that we have with our suppliers.

Christian Härtnagel
CEO, Lidl UK



STEP 2 ● ● ● ●



Our Big Step for sourcing responsibly



Issues like declining fish stocks and unsustainable logging mean it's more important than ever to source food responsibly

The world's population is growing faster than ever. 200 years ago, there were one billion people on the planet; today, there are 7.6 billion¹. By 2050, the world will need to produce 60% more food than we do today to meet the demands of this growing population.

This is having a huge impact on the way we source food. Global factors like climate change, modern slavery and resource scarcity are having a knock-on effect on the food supply chain. And issues like declining fish stocks and unsustainable logging mean it's more important than ever to source food responsibly. At a national level, customer expectations are changing. Mass production means people are becoming increasingly concerned about animal welfare and provenance. And this is boosting customer demand for locally-sourced produce and ethical trading.

We need a responsible sourcing strategy which responds to these changes and can underpin our business as it grows. Trading sustainably and fairly is no longer just an important issue for our business, it's a rapidly increasing priority.

Sourcing responsibly is securing our business for the future. It's our way of responding to this vast range of social, environmental and economic challenges facing the world around us. It's about buying in the right way to create a positive change for our suppliers, customers, business and, ultimately, our society.

Why is sourcing responsibly a priority for Lidl?

We know our customers want to feel good about shopping with us. They're increasingly seeking reassurance that we are doing the right thing – whether it's treating suppliers fairly, protecting workers' rights in our supply chains, making sure ingredients are produced sustainably, or supporting local economies.



Population growth

2017

Population



7.6bn

Food demand



2050

Population



9.8bn

Food demand



+60%

¹ United Nations Population Fund
(<http://www.unfpa.org/world-population-trends>)





STEP 3



Our Big Step for tackling food waste

Food waste carries significant cost, socially, environmentally and economically, and is a huge challenge facing our sector and society.

Food is wasted all along the supply chain, from the fields, farms and factories that produce it, to the retailers that sell it, right through to consumers throwing it away at home. Recent research from the Waste & Resources Action Programme (WRAP) estimates that 10 million tonnes of food is wasted in the UK every year¹. Over 70% of this, or 7.3 tonnes, is generated in people's homes, and 60% is avoidable, costing households hundreds of pounds every year.

Driving down food waste at each stage of the food chain is a crucial step in building a more sustainable food system. As a major supermarket, we have a vital role to play, not only in reducing the amount of food waste that we produce, but also in helping our customers and suppliers to do the same.

Incremental change will not deliver the results we need to successfully reduce the amount of food wasted in the UK. We need a step change in how food waste is viewed and tackled at every stage of the food chain, from farm to fork, and we know that acting alone will not achieve this. Collaboration across the industry is key to making this happen.

Why is tackling food waste a priority for Lidl UK?

We are experts in maximising efficiency and minimising waste. It's a core part of how we do business and we are continuously looking to eliminate waste in any form. Waste costs our business, our suppliers and, most importantly, our customers, and keeping costs down forms the basis of how we work. For us, reducing food waste is also about supporting local communities through redistributing our surplus food and engaging with groups and projects on our doorstep.

10million

tonnes of food is wasted in the UK every year



7.3million

tonnes of food waste is generated in the home



60%

of this waste is avoidable, costing households hundreds of pounds every year

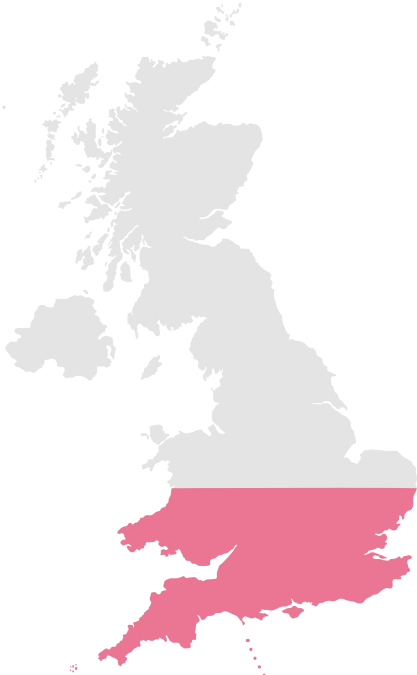
¹ Post-farm gate



STEP 4 ●●●●●



Our Big Step for supporting active and healthy lifestyles



The way we interact, travel, eat and work is continually changing. As our world has become more digitalised and 'on-demand', we're now living more sedentary lives.

Whether it's because many of us work long office hours, or enjoy screen-time at the end of the day, the fact is that most of us need to do more exercise. And our food habits have also changed over the years, too often favouring convenience and fast food over healthy alternatives.

Worryingly, the UK now has the highest obesity rates in Europe, with 25% of the population overweight or obese. Obesity increases the risk of a range of long-term health issues, such as cancer, heart disease and type 2 diabetes.

25%

The UK now has the highest obesity rates in Europe, with 25% of the population overweight or obese

Why is supporting active and healthy lifestyles a priority for Lidl UK?

From our research we know our customers want us to help them live healthier lives and, as a discounter, we play an important role here by ensuring high quality, nutritious food is affordable and accessible to all.

We also want to be more than just a food seller. As a focal point for millions of people in local communities across Britain, we believe we have a responsibility to encourage and enable our customers to live more active and healthier lifestyles.



Launched Oaklands fun size fruit and veg range for children

Read more





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Sourcing for the Future



Sourcing for the Future

Every day we source thousands of finished products, made up of tens of thousands of ingredients from around the world. Whether it's a banana grown in Colombia, chocolate chip cookies manufactured in the UK or haddock fillets wild-caught in Scotland, it's important to us that our products and their ingredients are as sustainable as possible. This means that they are produced in a way that not only respects the environment but also promotes human rights and decent working conditions.

To help us realise this ambition, we work closely with trusted third-party organisations to certify as many of our products as possible, helping our customers to shop sustainably. Our certified product range includes key commodities, seafood, meat and poultry and it's a range that's growing every year.

What we've achieved so far:



We've eradicated microbeads from all our own brand cosmetic and household products

100%

of our own brand bananas, tea (black, green and rooibos) and palm oil are sustainably sourced



100%

of our own brand permanent fresh wild-caught fish products are MSC certified sustainable and we won the MSC's best mid-size store retailer award 2016



WINNER
MSC AWARDS 2016

We are committed to:



Increasing the number and range of sustainably certified products	ongoing
Sourcing all our own brand key commodities sustainably by adopting independently certified standards	2021
Coffee: 100% of own brand products sustainably sourced by end of 2020	2021
Cocoa: 100% of own brand products sustainably sourced	2017
Palm Oil: 100% of own brand products certified from segregated supply chains	2018
Sourcing 100% of our own brand permanent fresh and frozen fish products from independently certified sustainable fisheries	2019
Meeting Greenpeace's Detox campaign goals by eliminating all hazardous chemicals from clothing and footwear	2020
Going 'beyond certification' by collaborating with partners on specific issues	ongoing
Implementing at least one producer development initiative to tackle specific challenges in our supply chain	2019
Eggs: 100% of our whole eggs and eggs contained in our products from cage-free hens	2025



Sustainable commodities

Thousands of people are involved in producing the huge number of raw materials and ingredients used in our products. We believe that focusing on these commodities, which are bought by Lidl in high volumes, allows us to have the greatest social and environmental impact in the short term.

As the growers and producers of these commodities typically operate in the lower tiers of our supply chain, tracing exact origins and directly driving improvements is difficult. Recognised certification schemes allow us to ensure minimum social standards are met and, dependent on the scheme, often deliver better incomes to workers, improved working conditions, and more sustainable farming practices.

Our commitment is to independently certify 100% of the key commodities used in our own brand products as sustainably sourced by the end of 2020. This goal is part of the Lidl Group's Raw Material Programme and is set across all 27 countries in which we operate. This enables us to amplify our influence and impact on a global level. And, to ensure these commitments are truly integrated into how we do business, they are written into our contracts with suppliers, forming part of our trading terms and conditions.

We've already made significant progress on these targets, and are proud to source 100% of our own brand tea, bananas and palm oil sustainably. We're now working hard to achieve our remaining targets, which will positively impact the lives of millions of workers in our global supply chains, and raise the bar on sustainable commodity sourcing.

In 2017, we published [Responsible Sourcing Policies¹](#) for our new commodities, setting out our approach and future commitments.



Raw material (own brand permanently listed products)

Certified as sustainable (%)

Cocoa	<div><div></div></div>	89%
Coffee	<div><div></div></div>	47%
Tea (black, rooibos & green)	<div><div></div></div>	100%
Palm oil (minimum mass balance)	<div><div></div></div>	100%
Bananas	<div><div></div></div>	100%

*We require all suppliers to supply 100% sustainable palm oil. This data has been collated from a self-declared survey of all UK suppliers (100% response rate received).

¹ www.lidl.co.uk/en/Responsible-sourcing-743.htm?ar=1



Sustainable commodities continued



CASE STUDY

Fairtrade cocoa sourcing

Over 120 (5%) of our own brand products contain cocoa. Most of it is grown on small farms by rural workers, who directly depend on cocoa for their livelihoods.

We are proud that we were one of the first supermarkets in the UK to offer a range of products certified under the Fairtrade Cocoa Programme. This means that shoppers can be assured that 100% of the cocoa in products displaying this logo is sourced from Fairtrade farmers, who earn a fair price for their cocoa, and receive a premium to support democratically agreed local community programmes.

The Fairtrade Cocoa programme label can be found on relevant produce packaging and our shelf tickets in store.



Detoxing our textiles

Thousands of chemicals are used in the manufacture of textiles, and some of these are hazardous to both our health and our planet. Whilst the use of many hazardous substances has been banned, the textile industry still relies on a number of toxic chemicals to dye, clean, process and protect our clothes.

We are committed to helping secure a toxic-free future for textile manufacturing. Our pledge is to meet the goals set by Greenpeace's Detox campaign – eliminating the discharge of all hazardous chemicals from our entire textile and footwear supply chain no later than 2020.

Moving forward...

We recognise that certification schemes form part of the solution and, over the coming years, we'll build on the solid foundations for the sustainable sourcing of commodities that we've put in place, both nationally and internationally.

We will continue to build greater visibility of our global supply chain beyond tier one, mapping the issues facing our producers, manufacturers and farmers. In addition to this, we will also begin to look beyond certification as part of our responsible sourcing commodity strategy. Working with selected expert partners, we will develop targeted initiatives on key responsible sourcing areas where we can have a positive impact on the lives of the people making our products, such as human rights in the palm oil supply chain.



We always strive to ensure our products offer incredible value, but that doesn't mean we compromise on long-term sustainability. We know how important this is to our customers, our suppliers and our business.

Richard Inglis
Buying – Head of Department, Lidl



Sourcing our fish responsibly

Over-fishing and destructive fishing practices have led to the depletion of many of the world's fish stocks. According to the Food and Agriculture Organisation of the United Nations (UNFAO), 86% of marine fish stocks are either fully exploited or overfished¹.

With traditional fishing methods unable to meet our increasing demand for the oceans' resources, more and more fish is now farmed. As a result, in recent years we have seen less well-known fish species enter our shelves, as we seek more sustainable alternatives to traditional species.

We want to be a global leader in sourcing fish responsibly, building on the progress we have made in the UK and across our international network. We're committed to making sure that, no matter how our fish is sourced, either caught wild or farmed, it comes from the most sustainable and well-managed fisheries and farms.

For over 10 years, we've been working with our suppliers and wider industry partners to guide our buying practices, to shape a more sustainable fishing industry and safeguard future supplies. We're proud to be one of the first UK supermarkets to offer independently-certified sustainable fish and seafood, and today our award-winning range of sustainable seafood is one of the largest on offer in the UK.



**If it wasn't sustainable we
wouldn't be in business**

Douglas
Mussel Farmer



Our sustainably certified own brand seafood range

		Number of seafood lines	Proportion of sustainably certified seafood
Wild-caught Seafood lines		94	68% (64 lines)
Farmed Seafood lines		58	78% (45 lines)
Total		152	72% (109 lines)

Seafood sustainably certified Seafood not sustainably certified

¹ Economic Analysis of Supply and Demand for Food up to 2030 – Special Focus on Fish and Fishery products, 2014, FAO



Sourcing our fish responsibly continued

Traceable, sustainable seafood

The amount of fish we sell has grown considerably. In the last year, we have seen our fish sales increase by approximately 50% so it is naturally important to us and our customers that we source fish as sustainably as possible.

In 2017, we published our first Responsible Fish Sourcing Policy to set clear sourcing standards covering issues such as traceability, endangered species and illegal, unreported or unregulated fishing (IUU). We have also built in a series of ambitious targets to ensure more of our seafood originates from sustainably managed fisheries. Today 72% of all our seafood lines are certified as sustainably sourced.

Our commitment is to source 100% of our fresh and frozen own brand fish and seafood products from sustainable sources by the end of 2018. In doing this, we recognise a range of trusted independent certification schemes. Our wild-caught fish must be sourced from Marine Stewardship Council (MSC) fisheries and all farmed fish must be sourced from farms that meet the standards set by the Aquaculture Stewardship Council (ASC), GLOBALG.A.P Aquaculture Standard or Best Aquaculture Practices (BAP) Certification.

We've made some great progress. Since 2014, we have doubled the number of MSC products we sell from 32 to 64. And in 2016, we introduced the first ASC products to our shelves.

Working with the Marine Stewardship Council

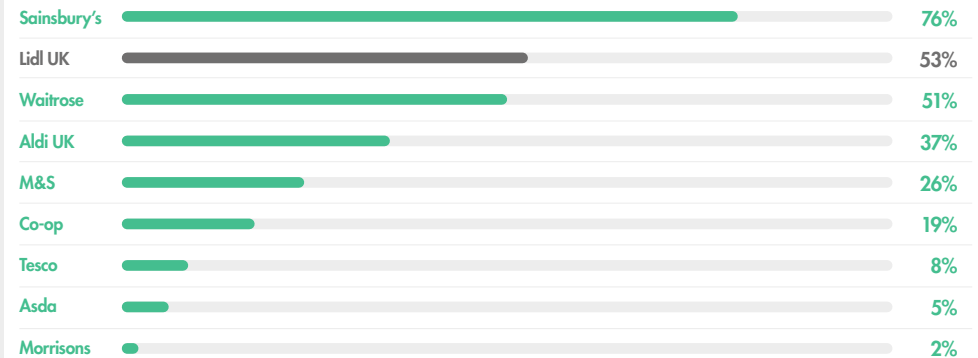
One of the reasons for the rapid growth in our sustainably certified range is the strong relationship we have forged with the MSC over the past decade. As a result, 100% of our fresh wild-caught (permanent) fish is now MSC certified. We were proud to rank second in MSC's 2016 survey of retailers selling the highest proportion of MSC-certified products, and to be named winner of the MSC's UK mid-size store retailer of the year award in 2016.



WINNER
**MSC
AWARDS
2016**



Proportion of MSC certified products by supermarket (MSC retailer survey 2016*)



*Includes branded products



Lidl's MSC labelling, and the advertising they have run, has influenced the whole sector. It has helped to reach a new audience for sustainable seafood, where anyone on any budget can make a sustainable choice. As an international business, Lidl's international contribution to seafood sustainability is huge – what Lidl shoppers choose in the UK helps drive change at a global scale.

Toby Middleton
Programme Director, MSC



Toby Middleton
Programme Director, MSC



Sourcing our fish responsibly continued

Farmed fish

As the global demand for fish and seafood continues to rise, fish farming is becoming an increasingly important source. However, we recognise that, as with wild-caught seafood, aquaculture, or fish farming, it must also be well-managed and sustainable.

When aquaculture is poorly managed, it can result in a range of negative impacts, such as low standards of animal welfare, spread of disease and pollution to water systems. Our goals ensure all our farmed fish will be sourced from well-managed and independently certified farms by the end of 2017.

Eradicating microbeads

Tonnes of microbeads, tiny particles contained in scrubs, shower gels and toothpastes are washed down the sink and released into the environment every year. These plastic particles are so small that nearly 100,000 microbeads are contained within a single application of some products, ending up in the sea and the food chain. Not only does this cause harm to marine life, but a recent study has also found that 90% of birds have plastic in their stomachs. So, in 2016, we phased out the sale of cosmetic and household products containing microbeads from our branded and own brand ranges.

Moving forward...

We'll continue working hard to meet and maintain our ambitious sustainable fish targets. Although there has been a focus on tackling over-fishing and declining fish stocks, the fishing supply chain also suffers from a range of social issues, so we will work with our industry partners to help raise social standards in the fishing industry globally.



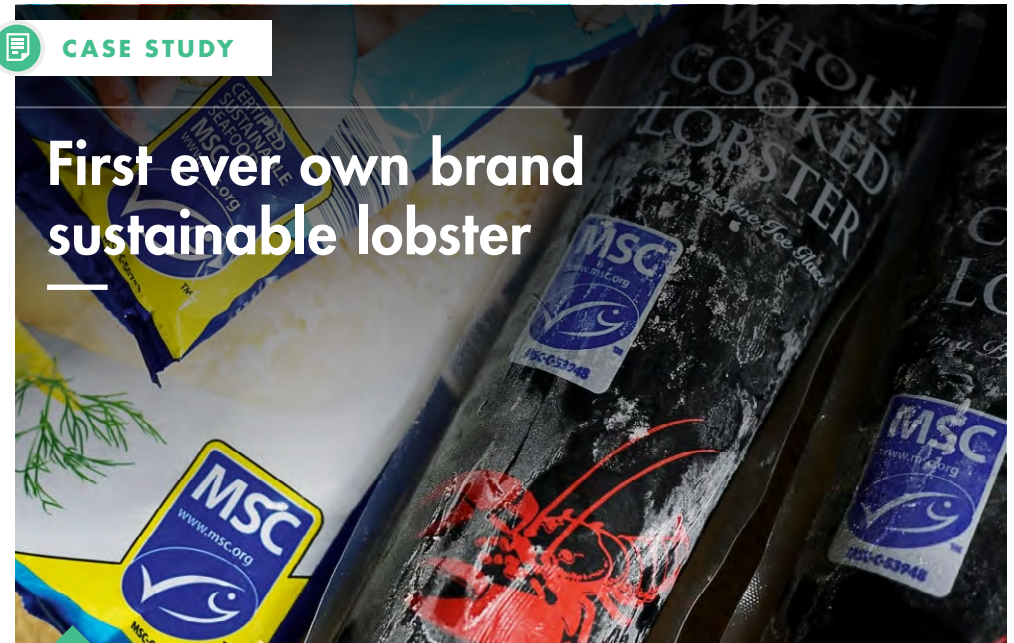
CASE STUDY

First ever own brand sustainable lobster

In October 2015, we launched the first supermarket own-brand whole lobster approved by the MSC for being from a sustainable source.

Our lobster comes from an area of Canada where fishing is restricted to two months per year to protect stocks. Fishermen use baited traps fitted with escape panels to reduce the number of undersized lobsters that are caught in them, and to help other species escape. The panels are biodegradable to reduce the chance of 'ghost fishing' by traps that are lost. And the fishery returns females with eggs to the sea to breed.

"This lobster is a perfect example of a great value, sustainable product from the cold, pristine waters of Canada," said MSC's Toby Middleton. "It's a real commitment by Lidl to demonstrably sustainable sourcing that is providing a benefit to their customers."





Our approach to animal welfare

Our research shows us that protecting animal welfare is a top priority when people choose where to shop and what to buy. Customers want to know that all animals within Lidl's supply chains are treated humanely and respectfully.



Farm Animal Welfare Council's Five Freedoms

- Freedom from hunger or thirst
- Freedom from discomfort
- Freedom from pain, injury or disease
- Freedom to express (most) normal behaviour
- Freedom from fear and distress

Higher welfare standards form a core part of our commitment to responsible sourcing and, as part of this, we endorse the Farm Animal Welfare Council's Five Freedoms. We believe that high levels of welfare should be maintained throughout the animal's life from farm to slaughter, which is why we are working closely with our suppliers to develop our animal welfare policies.

For us, guaranteeing welfare standards begins with our strong commitment to British farming, where we are able to forge close links with our suppliers and develop a detailed understanding of the minimum legal standards on farm animal welfare. The majority of our fresh meat, poultry and dairy products are British, and are sourced from farmers who adhere to clear welfare standards. We have confidence in these farmers, who are all on our approved supplier list and carry Red Tractor assurance, meaning they are independently audited to ensure welfare standards are met.

For selected products, farms must adhere to the higher welfare standards of the RSPCA Assured scheme. So far, we're selling 24 lines displaying the RSPCA label, including farmed salmon, eggs, and fresh and processed meat.

For our non-food lines, we don't conduct animal testing on any of our own brand products, and we also ensure that our suppliers don't conduct animal testing in the development of their cosmetic or household products. In 2014, we joined the international 'Fur Free Retailer' programme, ensuring that no real fur is used in any of our textiles, accessories or shoes.

Moving forward...

In 2017, we will publish our first animal welfare policy, which will outline our expectations on key welfare issues within our fresh and frozen meat and poultry supply chains.

We're looking to grow our RSPCA range, building on the achievement that, from September 2017, all of our fresh whole chicken and chicken breast fillets will have been RSPCA assured. We will also prioritise the welfare of laying hens and work closely with our egg suppliers so that we can source 100% of our whole eggs and eggs contained in our products from cage-free hens by 2025, in line with industry guidance.

100% of our British meat, dairy, fruit and veg is Red Tractor Assured

100%

Our pledge to work closely with our UK suppliers to phase out the sale of shell eggs from caged hens underlines our understanding of our customers' changing expectations, as shoppers increasingly search for responsibly sourced, high quality British produce at the best price.

Ryan McDonnell
Commercial Director



#LidlSurprises

We love to give people surprises and challenge consumer perceptions, so in July 2016 we launched our #LidlSurprises campaign to bust the myth that low price must mean low quality.

We Brits are convinced that 'you get what you pay for' and that things are either 'reassuringly expensive' or 'worryingly cheap'. We found that people unfamiliar with Lidl knew that our products were cheap and so questioned their quality.

We wanted to stretch ourselves and try something new to challenge this misconception, while being as transparent as possible and highlighting our responsible sourcing approach.

So we invited a few sceptics to come and see where our food comes from. They each spent the day at one of our farms or at sea, judging for themselves the skill, love and attention that goes into making our food so tasty and high quality...

#1 MYTH BUST

@Lidl

I worry where Lidl get their seafood.
I don't want to find it's from a ditch.



Chris



Sounds like a challenge Chris.
Fancy working in our ditch?



Lidl UK



Watch here



Fact

You don't have to pay premium prices to get premium quality. Chris spent a day working on a boat at one of our mussel farms so he could experience how sustainable and fresh our seafood is.

Conclusion

"They're clearly professional, they're clearly dedicated to what they do... to producing a really high quality product, to making sure it's clean..."

Chris

Both qualitative and quantitative research shows how our Surprises campaign, with its focus on real people, has brought about a reappraisal of Lidl. It has improved quality perceptions and encouraged sceptical shoppers to try Lidl and 'put it to the test' for themselves.

Our research revealed that, as a result of the campaign, viewers' trust in the products increased considerably. In the weeks following our adverts we saw our year-on-year sales in mussels, broccoli and Scotch steak increase by 45%, 109% and 16% respectively.



#LidlSurprises continued

#2 MYTH BUST

@Lidl

I'm not sure where Lidl get their food from. I would like it to be British.

Sharna

Sharna, fancy a job? We'll show you one of our Scotch beef farms.

Lidl UK

Watch here



Fact

"Every beast I have is born and bred in Scotland, my beef is all Scotch Assured, and this is the stuff they're raised on, good Scottish grass."

Jon/Farmer

Conclusion

"My perception has changed a lot of Lidl. I would never think to shop there but now it's completely opened my eyes."

Sharna

Watch here



"We've been working with Lidl for 10 years, so it's a really good relationship between the farm and Lidl. The farm is around 15,000 acres and the Lincolnshire wash about a mile away from the sea.

The land surrounding The Wash has been reclaimed from the sea full of minerals and nutrients, which makes it probably some of the best growing land in the UK."

James/Farmer

#3 MYTH BUST

I always get the impression that Lidl products come from overseas.

Helen



Our recent Surprises campaign uses real people to uncover the provenance, quality and sustainability of our products. Shown through the eyes of 'anti-advocate' shoppers and our British suppliers, growers and farmers, the campaign highlights the care and attention that goes into our sourcing.

Claire Farrant
Marketing Director, Lidl UK

[Overview](#)[Big Steps](#)[Sourcing](#)[Suppliers](#)[Society](#)[Colleagues](#)[Environment](#)[Our Report](#)

Securing our Supply Chain



Our suppliers are our partners

Due to the international scale of our business, our rapid growth in the UK and the varied nature of our supply chains, we operate within a complex sourcing environment. It's critically important that we respond to the many global challenges facing our supply base whilst keeping our business operations simple and streamlined as part of our discount business model.

We work with more than 700 different product suppliers from over 60 countries. We know how important it is for us to secure our supply chain through sourcing responsibly and working closely with our suppliers to ensure they operate to the highest standards in line with our business requirements.

Through working in this way, we can underpin our business with resilient supply chains, where people are treated fairly, have their basic human rights upheld and where local producers are supported so that they can grow and prosper. We are always looking for new ways to secure our supply chain further.

In recent years, we have worked hard to set these standards and establish more transparent supply chains, setting a foundation upon which to drive continuous improvement.

What we've achieved so far:



61%

of our food products are sourced from British suppliers



We have signed the National Farmers' Union's Fruit and Veg Pledge



100%

of our own brand eggs, milk, cream, butter, fresh beef, and fresh primary chicken are British

+£320^m

worth of British produce exported each year to 25 countries



We have an established non-food social compliance programme in high risk countries

We are committed to:



Driving sales in British products in line with business growth, as a minimum	ongoing
Building a more transparent supply chain, going beyond the 1st tier of our supply chain using Sedex ¹ to better understand our suppliers' risks and issues	ongoing
Conducting a human rights review of our supply chain aligned to UNGP guidelines	2018
Auditing 100% of UK high risk sites to measure performance in human rights and working conditions	2018
Ensuring 100% of our 1st tier UK suppliers attend modern slavery training by 2018	2018

¹ www.sedexglobal.com



Buying British

Although we were founded in Germany, our UK business is proud to support the UK economy. Walk into any Lidl store and shoppers can find a wide range of British products on our shelves. In fact, today, over 60% of our permanent product lines come from British suppliers¹.

Since entering the UK market in 1994, we have made significant progress in expanding our British offering. We have introduced over 100 new permanent products from British suppliers in the last year alone bringing the total to 1,200. We are absolutely committed to continuing to support the British farming and food sector by buying British whenever we can and working with our suppliers on British sourcing.



¹ British suppliers are defined as UK registered

Why is buying British important?

Our research shows that buying British is a top priority for our customers. They want to know where their products are coming from, and that by buying them, they are contributing to the growth of local producers and the wider UK economy. These values are absolutely mirrored by our business.

For us, buying British means helping to drive growth and create jobs here in the UK by supporting our farming and manufacturing industries, as well as processors, packers and distributors.

And it makes business sense. We like to keep things simple, and sourcing locally means we can build close partnerships with our British suppliers, helping to secure our supply chains well into the future. It also allows us to source the freshest quality products for our customers and keep food miles down, so it's a win-win for people and the planet.

Built on strong relationships

At Lidl, buying British is all about building strong, long-lasting relationships with our suppliers, and our streamlined business model allows us to do this successfully. Our small, dedicated buying team manages all aspects of the trading relationship, agreeing prices, setting specifications, securing volumes and acting as a consistent, single point of contact. This approach enables us to have a comprehensive understanding of our suppliers' businesses and an appreciation of the issues they face.

61%

Proportion of permanent products from British suppliers (FY2016)

We work hard to set detailed volume requirements early and keep our processes lean and transparent. We've worked with many of our British suppliers for several years and they have been able to grow with us through our long term, simple buying practices.





A track record in buying British

As part of our ongoing programme to source locally, 100% of our own brand eggs, milk, cream, butter, fresh beef and fresh primary chicken are British. And all of our British fresh meat, dairy, and fruit and veg is Red Tractor assured, displaying its recognisable logo. This shows that a product has been sourced locally, and that producers meet guaranteed farming standards. It also makes it easier for shoppers to find British products on our shelves.

A taste of Scotland

Our research has revealed that customers in Scotland are asking for more Scottish sourced products in our stores. We've installed a dedicated team of Scottish buyers in Glasgow to focus 100% on seeking out new suppliers and sourcing more Scottish produce.

Since 2015, we've increased the amount of Scottish products by 65%. Almost 300 products in our Scotland stores are now Scottish, that's 1 in 5 products we sell. And we're aiming to increase this by a further 25% in 2017.



CASE STUDY



Reviving the Scottish tomato industry

We have been working with supplier Albert Bartlett since we entered the UK market in 1994. We were one of the first retailers to confirm price and volume, providing them with security so that they could invest and grow the first commercially grown tomatoes in Scotland since the industry collapsed there in the 1970s. And in November 2016, we supported them in developing 'Scotty Brand Tomatoes', a new line for the Scottish market. These entered our stores in April 2017 and are already selling fast – in fact, we sell a third of their Scotty Brand Tomatoes.

"Lidl's support of Scotty Brand has been invaluable. Without that, it would have been very difficult for us to revive the tomato growing industry in Scotland. Today, we are proud of how far we have come with our sustainably produced tomatoes – they taste sweeter because they ripen slowly and are only picked when ripe and are more nutritious and delicious because they are also sourced and sold locally. Lidl has encouraged us to look at the long term and this has been instrumental in our growth" – Richard Allison, General Manager, Scotty Brand

In 2017, we further reinforced our commitment to buying British by signing the National Farmers' Union's Back British Farming Charter. This means we are committed to strengthening our relationships with British farmers and extending our British range even further.



65%

increase in the amount of Scottish products we source





Buying British continued



CASE STUDY

Laila's ready meals

We've been working with family-owned Laila's Ready Meals for the past five years, and represent more than half of their business. Founder Laila Remtulla MBE credits our strong relationship with the fact that they have had one solid point of contact throughout this time, with a very open and trusting channel of communication.

Since we began working together, we've increased the number of lines we source from Laila's Ready Meals from 10 in 2012, to 24 today. We've also helped them access our international network so they can begin to export. From a family-run, small business in 1986, today they employ 368 local people in the North West, and are continuing to grow.



NFU's Fruit and Veg Pledge

As part of our commitment to supporting our British producers, in 2016 we signed the National Farmers' Union's Fruit and Veg Pledge. This means that we are dedicated to working closely with our farmers to understand their challenges and provide support to make sure they are treated fairly. Together, we will work towards creating a more sustainable future for farming, through the 11-step pledge. Additionally, we will continue to provide our customers with the highest quality fresh fruit and veg at the best price.

Our longstanding relationships with many of our growers have helped us to understand the complexities of food production. Backing the pledge shows we are committed to putting security for suppliers, price certainty and elimination of waste top of the agenda. We have also pledged to continue our on-going promotional activity with growers, including 'Pick of the Week' promotions.¹ These are designed to provide flexibility and security to our supply base, through crop-availability-led planning.



We are delighted that Lidl has committed to our pledge, highlighting its commitment to long-term supply relationships, equitable distribution of reward along the supply chain, and fair and respectful trading relationships.

Ali Capper

NFU Horticulture and Potatoes Board Chair



We are very proud to have developed and maintained strong, long-standing relationships with our suppliers, and our commitment to the NFU pledge cements this further.

Ryan McDonnell
Commercial Director, Lidl UK



¹ www.lidl.co.uk/en/Pick-of-the-Week.htm



Buying British continued



Our relationship with Lidl goes back many years, and our confidence in them as a customer is fuelled by trust and the flexibility and simplicity of their buying arrangements. Regular dialogue, and clear communication, allows us to plan and structure our business. They respect the issues that affect us on a daily basis, both commercially and environmentally.

RS Cockerill York Ltd
Potato supplier



100%

of our own brand eggs, milk, cream, butter and, fresh beef and fresh primary chicken are British

Helping export the best of British

Being part of an extensive international network means we can export a significant amount of British products to our European stores, helping our local suppliers to increase international sales and raise awareness about the best British produce.

In 2016, we saw increased demand for our nation's most traditional and recognised lines exporting over £320m to 25 countries including Scotch whisky, local cheeses and crisps and snacks.



Moving forward...

We'll continue to invest in British products and search for new British suppliers to play our part in helping secure the future of the British farming and manufacturing industries. We'll do this by driving sales in food and drink from British producers and aim to increase the number of lines we sell. For example, 100% of our cheddar cheese will be British by the end of 2017 and we plan to increase the number of Scottish products we sell in Scotland by 25% in 2017.



Human rights and working conditions

11% of the UK labour force works within the food system. Agriculture alone employs almost 40% of the global workforce and many more in the wider system¹. For this reason making good jobs for workers in our supply chains is a priority for us.

As a discounter, keeping costs low is naturally at the heart of every decision we make. However, we are determined that our buying decisions do not negatively impact the people working in our supply chain or the natural environment that underpins it. We want to make sure that every time we trade with our suppliers, we do it in a way that is fair and consistent.

Our customers expect us to buy responsibly and we are seeing increasing government legislation in this area too, through requirements such as the Modern Slavery Act. It is through these stakeholders, as well as through discussions with our suppliers and key NGOs, that we have set our buying priorities.

Our approach

We recognise that all supply chains are different, employing people all over the world, every day. To ensure we are continually driving improvements, we have adopted a range of approaches and have integrated our targets within our buying teams.

In the first instance, we are focusing on building the transparency of our supply chains and gaining visibility of priority responsible sourcing issues, as well as identifying industry collaborations where we can work with our peers on systemic challenges. In addition, all of our non-food products are sourced through approved factories that fall within our non-food social compliance programme, and are continually monitored on social standards by dedicated staff.

We know there is more work to be done when it comes to protecting human rights and ensuring decent working conditions, but we believe we are putting the foundations in place to tackle this area with respect and credibility. Over the next year we will conduct a human rights review of our supply chains, following the UN Guiding Principles on Business and Human Rights and will focus our approach on where we can have the most impact.



In 2017, we expanded our Supplier Code of Conduct to cover modern slavery and we are now working hard to gain visibility of labour standards within both our food and non-food supply chains, which are very different in nature.

Looking more closely at our supply chains

It's hard to imagine that slavery exists today, but forced and bonded labour, labour trafficking and the exploitation of workers is unfortunately a reality for too many people.

In order to protect against this, and improve conditions for workers in our supply chains, we expect all our direct suppliers to adhere to our 'Supplier Code of Conduct'. This code, which aligns with the UN Guiding Principles (UNGP) on Business and Human Rights and the International Labour Organisation (ILO) Core Conventions, addresses areas such as working conditions and payment, discrimination, workplace health and safety, and forced labour.



¹ NEF http://b3cdn.net/nefoundation/1bfd1f66401d3b5f4b_fsm6vjoti.pdf



Human rights and working conditions continued

Working with our food suppliers

Due to the fact that over 60% of the permanent product lines in our stores are from British suppliers, we have decided to focus the first stage of our work on human rights and working conditions in these supply chains.

In 2016, we updated our supplier contracts, allowing us to map the first tier of our UK food supply chains through Sedex, the Supplier Ethical Data Exchange. This has shown us, for example, that 80% of our UK supply base use agency labour, and that 34% of the workers within these supply chains are women. Using this level of information, along with other risk indicators provided by our stakeholders, we are developing a human rights due diligence process within our food supply chains. This means that within these complex supply chains, we will focus our efforts where we have leverage with our suppliers and can take immediate steps to mitigate human rights abuses.

Sedex®

Sedex is an online system widely used across the industry to gather information on labour standards, health and safety, environment and business ethics, enabling us to identify sectoral trends and priority areas within our supply chains.

As part of our due diligence approach, we have established a risk-based social auditing programme, conducting third-party independent audits to measure performance against our Code of Conduct. These provide us with an important snapshot of our supply chain performance on human rights and working conditions. Following audits commissioned at our sites, suppliers develop corrective actions to address any issues raised, which we monitor on an ongoing basis. Our approach is to work collaboratively with suppliers to address areas of non-compliance, ensuring we tackle any challenging issues head-on. Our risk assessment currently shows us that 27% of our sites are currently either high or medium risk with regards to human rights and working conditions.

Going beyond the first tier of our supply chain, we are involved in specific initiatives to drive improvements at grower and producer level. This year, for example, we are working with a group of suppliers to assess the standards of caravan accommodation provided to temporary workers within UK agriculture, and to determine where improvements can be made.

We are now identifying the best approaches to tackle the sectoral issues facing our food supply chains, including capacity building through supplier engagement, delivering training to tackle modern slavery, and developing policies to focus on issues such as labour providers.

Working with our non-food suppliers

We have been a member of the Business Social Compliance Initiative (BSCI) since 2007, committing us to improving working conditions for people employed in these supply chains. As part of the membership, Lidl's non-food suppliers are required to regularly carry out independent social audits by qualified local personnel for all non-food producers and to comply with recognised international labour standards.

Over the past 10 years, approximately 20,000 third-party BSCI audits have been conducted across our non-food supply base, including annual audits at all of our own brand textile and footwear suppliers, which we have identified as being high risk for human rights and working conditions. In total, 836 BSCI audits of own brand textile and footwear production sites were conducted in 2016. Recognising that audits only present us with a snapshot in time and do not necessarily drive improvements in themselves, we work to understand the root cause of the issues and take appropriate remediating steps. Expert partners work closely with our factories to develop and implement corrective actions following an audit.

Since 2008, we have also focused on going 'beyond compliance' in Bangladesh, working in partnership with the German Association for International Cooperation (GIZ) to provide dedicated training programmes for production facilities to support compliance with international labour standards. Our current joint programme focuses on Bangladesh, where GIZ currently employs more than 20 people who work exclusively for Lidl and to date have delivered on-the-ground training to 80 textile manufacturers across the country.

We are also members of the Bangladesh Accord, which is an independent, legally-binding agreement between brands and trade unions designed to work towards a safe and healthy Bangladeshi ready-made garment industry.

And as part of our commitment to supply chain transparency, we are proud to be one of the first retailers to publish a list of our main 650 suppliers' production facilities for textiles and footwear on our [website](#)¹.



We have published a list of our main 650 suppliers' production facilities for textiles and footwear

¹ www.lidl.co.uk/textileproduction



Human rights and working conditions continued

Tackling modern slavery in our supply chain

Tackling modern slavery is one of the biggest human rights challenges of our time. The ILO estimates that at least 21 million people worldwide are victims of forced labour. As a retailer, we are aware that food processing and agriculture are labour intensive industries that can employ high proportions of temporary and migrant labour.

As a responsible business, we are committed to working directly with our suppliers to tackle this criminal issue within the supply chain. To do this, we are a member of Stronger Together, a business led, multi-stakeholder collaborative initiative which develops clear guidance and resources aimed at reducing forced labour, human trafficking and other hidden third-party exploitation. All of our British suppliers are expected to attend a Stronger Together training session and commit to embedding best practice into their workplace. This includes taking practical steps such as disseminating communication materials addressing the issue of modern slavery in the workplace, and providing training as part of new employee inductions.

We also use the information that we gather on Sedex to look at where there may be indicators of modern slavery in our supply chain. These indicators, or alert signs, are based on the ILO's 11 indicators and are helping us to prioritise where we invest our resource further.

In 2017, we published our modern slavery statement. This fully outlines our approach to tackling modern slavery, in line with the UK government's Modern Slavery Act.



CASE STUDY

We're Stronger Together

Stronger Together is a multi-stakeholder initiative that aims to reduce modern slavery.

In 2016, we became a project sponsor of Stronger Together, helping us to identify and tackle modern slavery in our business and supply chain. So far, over 60% of our food suppliers have received training. Through this initiative, it is estimated that over 790,116 workers will hear the Stronger Together message.



Moving forward...

We will continue to build the transparency of our supply chains in the coming years, using Sedex to do this. Aligning with the UNGPs, we will outline our material human rights issues, and focus our ethical trade programme on areas where we have the influence to create sustainable change.

We will also engage closely with both the Lidl international network and the UK industry, leveraging our scale to tackle systemic issues. We will use collaborative platforms such as the British Retail Consortium, BSCI and the Sedex Stakeholder Forum to do this effectively.

**stronger
together**

tackling modern slavery in supply chains

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Championing a Healthy Society





Championing a Healthy Society

We see our stores not just as a place where people come to do their shopping, but where people come together in their local community. We want to support these communities, using our position as a focal point to champion a healthier society. With over 650 stores across the UK, we believe we have the ability, and the responsibility, to make a positive impact.

As a food retailer, we are best placed to do this by making it easier for people to live a healthy, balanced lifestyle, whether it's keeping active or eating well. So, we are making our products as healthy as possible, selling them at affordable prices, and promoting healthier products in stores.

By also working with FA Skills, we're helping to get kids active, as we know how important it is to instil good habits from a young age. Through our charity partnerships, we're offering support to families going through difficult times, helping children to stay safe from abuse and neglect, and encouraging everyone to take pride in their local community.

What we've achieved so far...

87%

of our own brand products meet the 2017 maximum targets for salt reduction



-30%

Cut the sugar content in our own brand Crownfield cereals by 30% since 2008

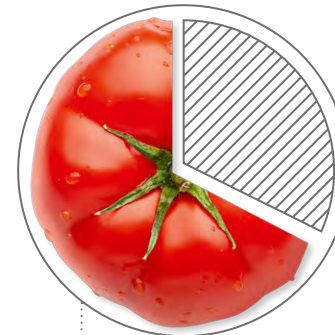


1st

Became the first British supermarket to introduce Healthy Checkouts nationwide



Helped 260,850 boys and girls participate in UK football through the FA Skills programme



37%

increase in fruit and veg sales in two years



£1.7m

raised for young people's cancer charity CLIC Sargent between 2012 and 2016

We are committed to:



Encouraging healthy eating:

We'll continue driving the sales of fresh, healthy products and encourage the consumption of fruit and veg, especially among children

ongoing

Reducing sugar by 20% in those categories defined in the Childhood Obesity Plan

2020

Launch a dedicated initiative to promote healthy and active living through new and creative ways

2018

Getting more children active through our FA Skills programme by:

Providing 1.2 million opportunities for 5-11 year olds in England to participate in football

2018

Providing 30,000 opportunities for children to play football, and train 1,000 children to be future 'Directors of Football', in Wales

2018

Setting up 300 Lidl Skills Centres in Scotland

2018

Helping to keep a generation of children safe from abuse and neglect by raising £3m in three years for the NSPCC's *Speak out. Stay safe.* school programme

2020



Encouraging healthy eating

The benefits of eating fresh, nutritious food every day are widely understood. These foods are naturally low in fat and provide us with important sources of nutrients to help maintain a healthy body and reduce the risk of many chronic diseases.

That's why we're committed not only to raising awareness of the importance of balanced diets and healthy lifestyles, but also to making it easier for our customers to follow them.

As a food retailer, we are helping people make healthier choices by ensuring nutritious food remains affordable, reformulating our products, bringing new ideas to encourage kids to eat healthily and providing clear nutritional information.

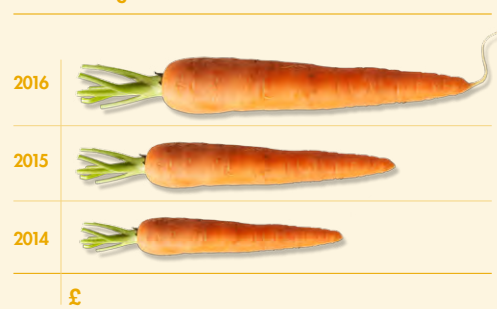
Healthy, affordable food

Many studies report that low-income consumers find price a key barrier to consuming more fruit and veg. That's why, by keeping our prices consistently low, we're helping keep nutritious food affordable for all our customers.

At Lidl, we want to drive consumption of healthy food by making it as easy as possible to eat well. This starts with offering fresh quality produce at the best price. In doing so, we've seen a 37% increase in fruit and veg sales since 2014 and by drawing attention to great value fruit and veg products through our 'Pick of the Week' promotions, we've seen a further 30-40% increase in sales compared to our non-promotional products.



Fruit and Veg sales



Making our products healthier

We continually look for ways to make our products even healthier by reducing the amount of salt and sugar across priority categories and we're committed to meeting the government's nutritional goals.

Cutting sugar content

In response to the very serious obesity epidemic in children and the impact this has on health problems in later life, the government introduced its plan to tackle childhood obesity. As well as encouraging physical activity, the 2016 Childhood Obesity Plan centred on cutting sugar through the introduction of a 'sugar tax' on the soft drinks industry and setting industry targets to reduce sugar content by at least 20% by 2020 across those foods that children enjoy.

Good progress has already been made on cutting sugar from across our range of soft drinks. From 2016, we've introduced 13 new 'no added sugar' soft drinks and started to remove sugary drinks from our shelves. Now 75% of our own brand soft drinks range contains no added sugar. There's still more work to be done though, and throughout 2017 we will be introducing more no added or low sugar alternatives to ensure every soft drink we sell contains less than 5g per 100ml of sugar.

In relation to sugar in food, our journey started with our own brand breakfast cereals. Since 2008 we've lowered the sugar content in our Crownfield cereals by 30%, and plan to lower it further from 23g per 100g today, to 18.5g by the end of 2018.

For our Crownfield cornflakes, we cut the sugar content by 30% from 8.5g to 6g per 100g between 2015 to 2016, saving over 20 tonnes of sugar, and by 2018 they won't contain any added sugar.



Crownfield Cornflakes

Sugar (g/100 g)

2015	8.5g
2016	6g
Target 2017	5.5g
Target 2018	1.5g



Fresh produce as a category is one of the strongest and fastest growing within our business and we're incredibly proud of what we've achieved so far.

Our customers rely on us to make fresh produce as accessible as possible and, rightfully, they expect fantastic quality and great prices, which is precisely what we deliver.

Emma Byrne,
Head of Fresh Produce, Lidl UK



Encouraging healthy eating continued

Our strategy to reduce salt

Since the government's voluntary salt targets were introduced in 2012, we've been committed to meeting them. By the end of our 2016 financial year, 87% of our own brand products complied with the Department of Health's 2017 maximum target for salt reduction.

But reducing salt isn't easy. It acts to preserve our food, it enhances flavour and colour and can also help bind ingredients, so we must carefully look at the impacts of reducing salt content in each of our products as they are developed. Through our salt reduction strategy, we are gradually lowering the content of salt across a range of food categories from bread to ready meals and soups to crisps, without negatively impacting product safety, product life or taste.

For example, we've worked hard to almost halve (-48%) the amount of salt in our own brand baked beans and also taken out over one third (-38%) of the sugar between 2014 and 2017.

That's taking out the equivalent of 101 tonnes of sugar and 32 tonnes of salt each year!

38%
Reduction in sugar

48%
Reduction in salt



Keeping our checkouts healthy

Our research revealed that more than half of parents claim their best efforts to feed their children healthily are hampered by being surrounded by chocolates, sweets and other unhealthy snacks. The survey of 2,000 consumers found that 68% of parents are pestered by their children for chocolates at the checkout.

As a result, we were proud to be the first supermarket to remove chocolate, sweets and sugary treats from our checkouts nationwide in 2014. These have been replaced with more nutritious options such as dried fruits and nuts, seeds, fresh fruit and fruit juices.

Former Public Health Minister Jane Ellison said: "I strongly welcome the introduction of healthy checkouts by Lidl, which is being rolled out as a direct result of customer research and feedback which has shown that a majority of parents are supportive of supermarkets offering healthier alternatives at checkouts."

Making fruit and veg fun (sized)

To make our fresh produce more appealing to children, we've developed a dedicated range of fun size fruit and veg. We've given them playful names, like 'Sweet Potato Piggies' and 'Romanesaurus Rex', and packaged them with attractive designs to promote a fun side to fruit and veg, and inspire parents to be creative in their efforts to get children to eat healthily. Since 2016, we've expanded the range and experienced a 100% increase in sales in the fun sized category, and we were proud to receive the award for best international initiative for marketing fresh produce to children at the London Produce Show in 2017.

Traffic lights – signalling a healthy diet

It's also important to make it easier for customers to find healthier products on our shelves. We've adopted front of pack traffic light labelling to indicate levels of fat, saturates, salt and sugar on all our own brand products to help people make an informed choice about the foods they buy.

Moving forward...

In 2017, we want to launch a dedicated initiative to promote healthy and active living to our customers. Through new product development and by featuring imaginative, nutritious recipes in our customer communications, we want to encourage people to buy, cook and even grow more healthy food, and make it easier for people to make healthy choices at home, work and school.



I think it really is such a fantastically simple but effective idea for getting fussy eaters more interested in eating healthily.

Hayley
Mumsnet blogger



Getting kids active

We're really proud to be partners of the Football Associations (FAs) in England, Scotland and Wales to help get kids active and living healthier lives. As well as helping to tackle obesity, we hope that our programmes will help to produce the next generation of football leaders, organisers and managers, and encourage greater girls' participation in sports.



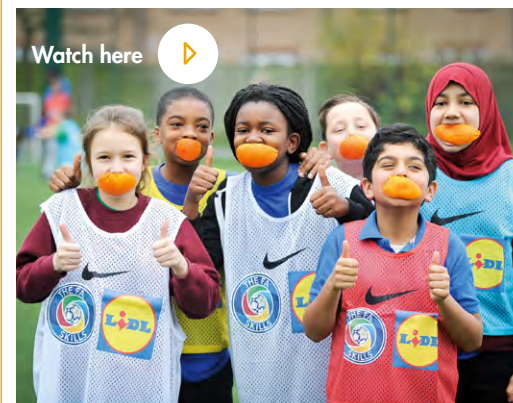
260,850

In 2016, we helped 260,850 boys and girls across Britain to get active and participate in football

Increasing participation for girls and boys in England

As well as being Official Supermarket of the England Team, we are Lead Partner of The FA's Skills Programme. Starting in November 2015, our investment over three years will provide 1.2 million opportunities every year for girls and boys aged 5-11 to participate in fun football sessions, both in and outside of school. We've been getting great feedback, including a story about Alys Spencer, who has already gone on to set up her own girls' football team. Alys' dad Adam credits the programme for keeping his daughter's passion for football going for so long.

"Lidl joined us at an exciting time as we focus our efforts on supporting the grassroots movement through better facilities and coaching. Their investment supports us in providing professional coaching in a fun, safe and progressive environment, increasing participation among home-grown talent at this exciting time for English football." – Martin Glenn, CEO, The FA.



Training Welsh leaders of the future

The Football Association in Wales (FAW) aims to get 50% of young people playing football once a week. It's an ambitious target, and we're keen to help them achieve it. We've developed an initiative in schools called Lidl Play More Football. This aims to recruit and train 1,000 older children, who will in turn coach younger kids, helping to develop leadership skills that they can take forward into adult life.

"We are extremely excited to welcome a brand such as Lidl within our partner family. Lidl is committed to help develop the game on a local level. The Play More Football programme is the first of its kind in structure and will be a great platform for Lidl to engage with families." – Jonathan Ford, CEO, FAW.

Setting up Lidl Skills Centres across Scotland

We also work with The Scottish FA to get children playing football at 300 Lidl Skills Centres (LSCs) across Scotland. These provide the opportunity for girls and boys between the ages of 5-12 to play football after school in a safe environment with Scottish FA accredited coaches.

We've raised awareness of both our LSCs in Scotland and The FA Skills programme in England by creating Lidl Football Zones at high profile events, like county shows. In 2016, these Zones enabled thousands of kids to get active, play football for free and interact with SFA and FA coaches. They also helped us to engage with 15,000 families, encouraging healthy eating by handing out free fruit and veg.

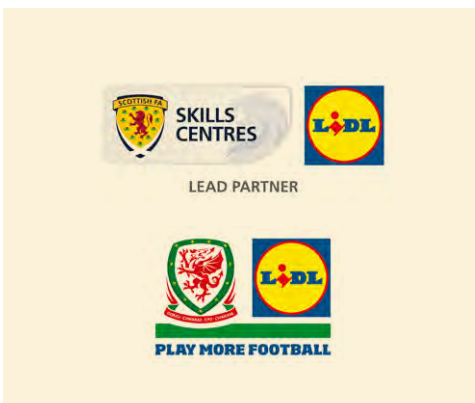
Fuelling footballers big and small

We know how important good nutrition is for children, and we want every player in our grassroots programmes to have the energy they need to make the most of it. There is a misconception that healthy food must be expensive, and these days parents are often time poor. So, through our 'Fuelling Footballers' campaign, we've created simple, healthy recipes for under £1 that have been approved by The FA's Head Chef, Tim De'Ath.



For us to partner with a company like Lidl who are promoting healthy eating and promoting the right type of lifestyle for kids, these are the areas that are really important for our future generations, so it's a really nice link for us as a partner

Gareth Southgate
England National Football Team Manager



Moving forward...

As well as providing investment for our programmes with the Football Associations, we'll be promoting our partnerships in stores to encourage as many children as possible to get active.





Supporting good causes

We're proud of both our long-standing and recent work with charity partners across the UK. We encourage our customers and everyone who works with us to support our charity initiatives, and have been inspired by their enthusiastic response.

2016 was a record-breaking year for our charity partnerships. And we were also pleased to be able to donate £1m from the proceeds of our 5p single-use carrier bag charge. We split the money equally between Keep Britain Tidy and the young people's cancer charity CLIC Sargent.

£1m

from the proceeds
of our 5p single-use
carrier bag charge



Helping to Keep Britain Tidy

In 2016, we teamed up with Keep Britain Tidy to encourage people to take pride in their local community. For the first time since we entered the UK market, we rebranded our iconic Lidl reusable carrier bags, to display Keep Britain Tidy's logo in place of our own.

We supported the charity's national EcoSchools programme to help educate young people about sustainability, and get them talking about environmental matters. One of the programmes will include inviting students from 20 schools to debate a variety of ecological issues.



The support of Lidl will help us engage with young people, and create a generation of young people who not only care about their environment but are also equipped to do something to help.

Allison Ogden-Newton
Chief Executive, Keep Britain Tidy

Supporting young people with cancer

Following an initial 15-month partnership with CLIC Sargent, the UK's leading charity for young cancer patients and their families, we committed to supporting the charity for an additional three years from January 2014 to December 2016. The goal was to raise £1m over the three years, and we were proud to surpass this target, raising over £1.7m in total for the charity.

When a family receives a cancer diagnosis it is devastating, particularly if the person suffering is young. It can also be financially distressing for families who have to cope with unexpected costs and taking time off from work. CLIC Sargent's support includes financial assistance, and their focus on making life easier for families and managing costs resonated strongly with our core purpose of providing healthy food at affordable prices.

We achieved our fundraising target through a combination of employee fundraising, cause related marketing, gifts in kind, sponsorship and donations from the single use carrier bag levy. We increased the level of donation from our Charity Christmas cards from 10% per pack in 2015, to 25% per pack in 2016. The cards were designed by the winners of our competition on social media, which raised even greater awareness for the charity.

Our employees also really got on board. During CLIC Sargent's Childhood Cancer Awareness Month in September 2016, for which we were the main sponsor, colleagues across the country dressed up as superheroes for a week and raised over £70,000. As part of our sponsorship, we agreed to match donations to CLIC Sargent, for the first £10,000 raised.

Through our partnership with CLIC Sargent, we were able to fund 70,000 hours of care for children and young people with cancer, and contribute to the smooth running of their Homes from Home, where families can stay for free so that they can be closer to their child during treatment.



Your backing has meant that CLIC Sargent's Cancer Care Teams have been able to support young cancer patients and their parents when they've needed us most, and for this we will be forever grateful.

Kate Lee
CEO, CLIC Sargent





Supporting good causes continued

Supporting children in Scotland

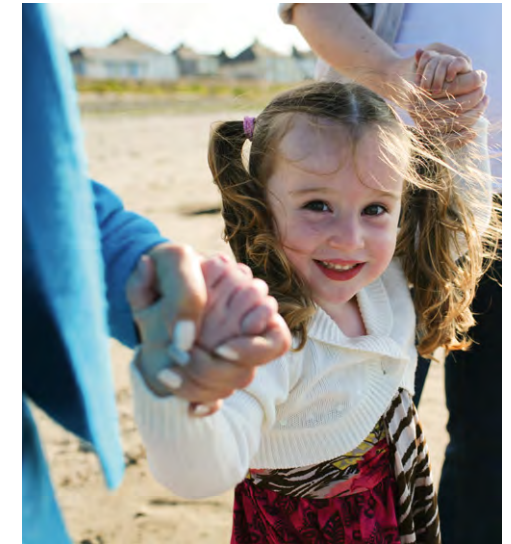
Since its launch in 2011, we've supported STV's Children's Appeal – raising over £300,000 to help the 220,000 children and young people in Scotland living in poverty.

The Appeal is especially important to us and our colleagues as it aims to support some of the most vulnerable and underprivileged children in Scotland and create a positive impact in those communities we serve.



Moving forward...

We've set ourselves the challenging goal of raising £3m over the next three years for our new national charity partner, the NSPCC. These funds will enable us to help keep a generation of children safe from abuse and neglect.



£1.7^m

In 2016, we donated £1.7m in total to charity.

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Supporting our Colleagues





Supporting our Colleagues

We know our business success is down to the dedication of the more than 20,000 employees across the UK who work in our stores, warehouses and offices. Our streamlined discounter model means every individual's contribution is vital, and we value the enthusiasm that our colleagues bring to work, day in, day out.

Our business is growing rapidly and our Lidl family is also growing. We are recruiting more people than ever before, and expanding our store and warehouse network across the UK in line with this rapid growth. Our new warehouses in Southampton and Wednesbury created around 500 jobs each, bringing new opportunities and investment to the local area. In 2017, we expect to recruit a total of around 3,000 to 4,000 employees.

Whilst this is great news, it will also bring with it some challenges. We will need to work hard to ensure that our teams stay engaged and motivated, and that our colleagues have opportunities to develop continuously. We also want to ensure that we hire the very best!

In 2016, we recruited our first Human Resources Board Director, underlining the importance that the business places on its people.

What we've achieved so far:

Launched Lidl intranet (LINK) and 'We Are Lidl', our employee culture programme



First British supermarket to adopt the Living Wage Foundation's higher living wage

16th

in The Times' Top 100 Graduate Employers rankings for 2016



118th

in The Guardian 300 Graduate Employer rankings for 2016

We are committed to:



Becoming the employer of choice in our sector by:

Improving our overall gender balance ratio	ongoing
Increasing the representation of women in senior management positions	ongoing
Conducting employee surveys to measure and track employee engagement	ongoing
Developing a long-term Diversity and Inclusion Strategy	ongoing
Continuing to develop our colleagues and providing ongoing training opportunities	ongoing
Continually reviewing our benefits offering and working environment	ongoing



Supporting our Colleagues continued

First supermarket to adopt the Living Wage Foundation's higher Living Wage.

In 2015, we became the first supermarket to adopt the living wage rate recommended by the Living Wage Foundation. This led to a 20% increase in job applications at Lidl.

In November 2016, we followed this up by becoming the first British supermarket to announce that we would adopt a higher living wage, benefiting 5,500 employees, who represent one quarter of our workforce.

'We Are Lidl'

The launch of 'We Are Lidl' in 2017 marked the start of our three year employee culture journey. We held 27 events across the UK over eight weeks, for more than 2,300 of our colleagues. These events enabled our Board of Directors and senior leadership teams to communicate our core leadership principles and remind colleagues about our Lidl DNA. This message was later extended to our sales and logistics teams, reaching over 20,000 colleagues in total.

Our core leadership principles:

Leading through communication, remaining efficient and dynamic, developing our teams, creating trust, acting fairly and being a role model.

WE ARE LIDL

Our Lidl DNA:

- We are dynamic,
- We are performance driven,
- We are proud to work for Lidl,
- We are one team.

We recognise that our people culture is crucial to the success of our business, and we look forward to continuing on our journey of change.

Training and development

We want to become the most attractive employer in the retail industry. We will do this by continuing to invest in attracting the best talent, developing and training all our employees as well as supporting their progression within the business.

Our wide range of training and development opportunities reflects our diverse workforce. Whether it's through emerging talent opportunities for graduates and undergraduate placements, our Store Manager development programmes or our international job rotations, we offer numerous possibilities to help employees develop their career with us. We also recognise that different teams and departments have very different training needs, and we develop our programmes with these unique needs in mind.

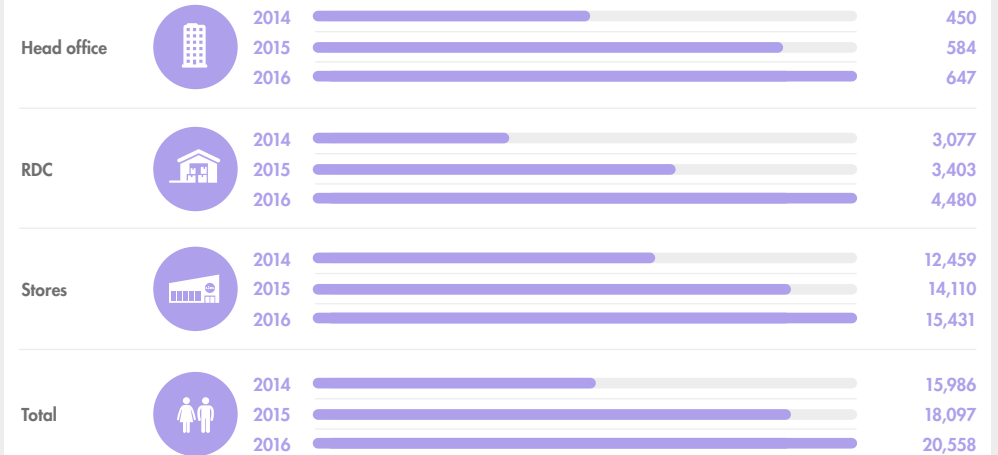


Lidl encourages you to come up with ideas and to put your stamp on it.

Mali Noon-Jones
Sales Operations



Number of employees (split by business area)



Total numbers of graduates, trainees and placement students

	2014	2015	2016
Graduates	12	31	32
INT Trainees	3	10	9
Placement students	–	14	–



Supporting our Colleagues continued



The expectations are high, but Lidl is really good at recognising your abilities and building your confidence so you feel ready to make those big business decisions

Rebecca

Graduate Supply Chain UK

Striving for equal opportunities

Our equal opportunities policy forms an important part of our recruitment process. We want to find and retain the most talented employees and we firmly believe that ideas and skills from a diverse, inclusive and gender-balanced workforce are incredibly valuable to our business.

Our employees come from 118 different countries and we foster a culture of respect, providing equal opportunities to all.

Our stores have roughly an even gender split at customer assistant level, however across our entire workforce the ratio is 59% male and 41% female. Currently, we also have more men (76%) than women (24%) in management positions. We are working hard to improve the overall gender balance of our workforce and enable more women to progress into management roles. In 2016, for example, we introduced childcare vouchers to help parents stay in the workforce.

Listening and engaging

Keeping our colleagues happy and satisfied in their jobs is incredibly important, so we conduct employee surveys to listen to them and find out what they like and don't like about working with us.

Our most recent survey received responses from more than 7,000 employees. The results showed that our colleagues are more satisfied than the average in the sector, and think the best things about working at Lidl are our team culture, competitive salaries, loyalty and job security. The survey also highlighted areas where our colleagues would like to see further action, including shift planning, benefits, recognition, and training and development.

We value colleague feedback and have used these results to help define our future strategic direction. We also responded directly to the feedback on benefits by introducing an employee discount and Team Lidl rewards, which offers employees a range of discounts on a wide variety of goods and services.

Engaging our workforce is equally important, and in March 2016 we launched our Lidl intranet, LINK, which enables us to communicate easily with our colleagues. For example, it incorporates our leadership principles and 'We Are Lidl' employer materials, as well as a range of videos and resources. Additionally, LINK gives our colleagues the opportunity to have their say on important topics, such as voting for our new charity partner.

Moving forward...

We will continue to conduct employee surveys to ensure we listen to, and act upon, our colleagues' views and feedback, and will use this to help define our People Strategy going forward.

We will also continue to offer relevant, tailored training and development opportunities to nurture our talent and help people progress in their careers.

Gender split

	2014	2015	2016
Total employees (M:F)	60:40	59:41	59:41
Management position (M:F)	77:23	75:25	74:26



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Protecting the Environment





Protecting the Environment

People across the world are consuming natural resources at an unsustainable rate. According to the Global Footprint Network, the world's population would need 1.7 planet earths to support its demands. And each year, the pressure on resources grows as the global population rises, and individuals' carbon footprints expand.

Climate change remains our greatest threat, impacting the way we work and how we source our products. And as a contributor to climate change, we know we need to continue to act, and build a business that will help lead us to a low carbon future.

What we've achieved so far:



of our food surplus has been redistributed¹



Established our store level food surplus redistribution programme, Feed It Back network



Stopped selling single-use carrier bags across all our UK stores from July 2017

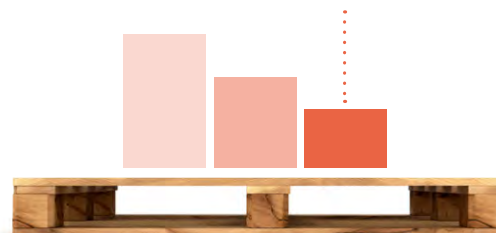
1st

First supermarket to offer rapid charge electric vehicle points



15%

Cut our carbon emissions per pallet by 15% since 2015



We are committed to:



Saving energy, reducing emissions

Calculate the carbon footprint of our operations and supply chain and publish emission reduction targets through our climate strategy

2018

Efficient logistics

Lower our transport carbon emissions per pallet by 8%, against 2016 baseline

2019

Food waste

Reduce food waste from our stores by 25% per sq ft, against 2016 baseline

2020

Work collaboratively to meet the Courtauld Commitment to reduce food and drink waste by 20% across the industry

2025

Connect 100% of our stores with local projects to donate food surplus by summer 2018

2018

Launch a national campaign centred on helping our customers reduce food waste in the home

2018

Operational waste

Continue to work towards achieving zero waste to landfill

ongoing

¹ Estimated from food waste data collected from our charity partners



Saving energy, reducing emissions

As a significant economic and environmental cost, lowering our energy and greenhouse gas emissions has been a key focus for us. Since entering the UK market, our emission reduction strategies have focused on rolling out the latest energy efficiency technologies across our stores and warehouses, replacing harmful refrigerants with less harmful alternatives, and delivering a smart and efficient approach to logistics.

As a firm basis from which to further cut our energy, all our operations in the UK have adopted our energy management system since 2016, which is certified to the ISO:50001 standard.



A focus on energy

For many years, we've been upgrading our energy management system to track consumption levels more accurately across all areas of the business. We are also installing sub-meters in our new and modernised stores to more precisely target where our energy is used, and help us identify new saving opportunities.

In 2016, we used a total of 315 GWh/yr of energy. The majority of this energy (84%) was used across our network of 650 stores, and the remaining 16% was consumed by our RDCs and head office.

We're a rapidly growing business, opening up to 60 stores a year, and as our portfolio of stores and warehouses has increased, so too has the amount of energy we've used. We have seen an increase of 5% in absolute energy consumption over the last 12 months, and the demand for energy for our stores, based on floor area (m²), has remained unchanged. This is because whilst we are building and investing in more efficient buildings and technologies, we are also installing more equipment to ensure we can offer the best range and freshest products to our customers.

Energy usage:

	2014	2015	2016
Elec (MWh/yr)	231,408	243,904	265,634
Gas (MWh/yr)	54,197	55,086	49,907
Total	285,604	298,990	315,541
Elec & Gas (MWh/yr per store m ²)	0.28	0.28	0.27

Transforming our refrigeration

Half of all the energy we consume is used to keep our products chilled or frozen, so refrigeration has been a particular investment focus for us.

In collaboration with our refrigeration suppliers we have developed a bespoke low energy refrigeration compressor pack which is designed to be installed in combination with an air source heat pump. Together, the two technologies achieve significant reductions in energy demand, with c. 27% energy saving and c. 17% CO₂ reduction in comparison to the standard refrigeration system we used previously. Currently, 83 of our stores are equipped with this heat recovery system and more are being built.

We have also introduced glazed doors on the front of our upright fridges for milk, meat and fish, resulting in huge energy savings of 30-40% guaranteeing the freshest products are available in our stores. In our warehouses, we're using rapid action insulated doors with air curtains between areas of chilled and ambient temperatures.

Smart lighting

Our programme to upgrade our stores and warehouses to efficient LED technology is achieving over 40% energy saving for lighting. Another benefit of LED technologies is that they emit less heat than traditional lighting, meaning our fridges and freezers don't need to work as hard. Currently, 20% of our stores and 9 of our 11 warehouses have converted to LED, and as part of our ongoing refurbishment programme, another 100 stores will be upgraded in 2017.

CASE STUDY



Plugging into employees' ideas

In 2016, we held a competition for our employees, asking them to think of energy-saving ideas. The winner suggested putting energy saving updates onto our intranet – and won a year's worth of energy for the home. Our intranet updates have now gone live.



Saving energy, reducing emissions continued

Cooling naturally

We're rolling out the use of natural refrigerants across our portfolio to help lower our greenhouse gas emissions. 50% of all newly installed shop floor equipment, and all refrigeration technology in new and refurbished warehouses, now use natural refrigerants.

Building for the future

In growing our business we're rapidly expanding our network of stores and warehouses. In 2016, we opened 34 new stores and, since November 2016, two new warehouses.

Therefore, future proofing is at the heart of our decisions for the design of our warehouses. Our new hubs built in Southampton and Wednesbury, which have received 'very good' BREEAM building sustainability ratings, incorporate the latest technologies and efficient passive designs. As a result, our future warehouses will be 30% more energy efficient per square metre, reducing both our long-term operating costs and emissions.

Our new stores, built to our updated design standard, are more energy efficient than traditional store construction. As standard, we use motion sensors and intelligent energy-conserving systems for lighting, and have introduced solar panel electricity generation in four of our stores.

Energy saving behaviour

Using best practice can only get us so far – it has to be done hand-in-hand with changing behaviour. For us, it's those little things that can make a big difference. Using energy saving refrigeration, for example, will save more energy if people are reminded to keep the doors shut. In 2017, we introduced bi-annual interactive training sessions for all warehouse and store staff whose work has an impact on energy.

Providing customers with rapid charge, free of charge

The use of electric cars is on the rise in the UK, but charging them can take time. In 2016, Lidl became the first supermarket to offer customers rapid charge, free of charge at some stores.

Moving forward

As a priority, we will calculate a scope 1, 2 and 3 carbon footprint of our operations and supply chain by 2018. We'll use this data to develop and publish our first climate strategy which will set out clear emission reduction targets and the actions we will take to reach these. We've already conducted detailed modelling of our energy use and explored a range of future scenarios to reduce this to support our strategy.

To further reduce our energy use in the short term we're investing in a range of optimisation measures, such as removing oven lighting, reviewing refrigeration temperatures and adjusting lighting settings.





Efficient logistics

Our transport fleet covers over 50 million kilometres every year to ensure our stores are stocked fully with the freshest products. In doing this we work hard to improve the efficiency of our logistical operation in order to minimise our food miles, emissions and costs.

Between 2015 and 2016, although we transported almost 500,000 more pallets than previous years, we travelled 6 million fewer kilometres and reduced our carbon emissions per pallet by 15%. Our goal is to cut the carbon produced per pallet shipped by an additional 8% by 2019 (based on our 2016 baseline).

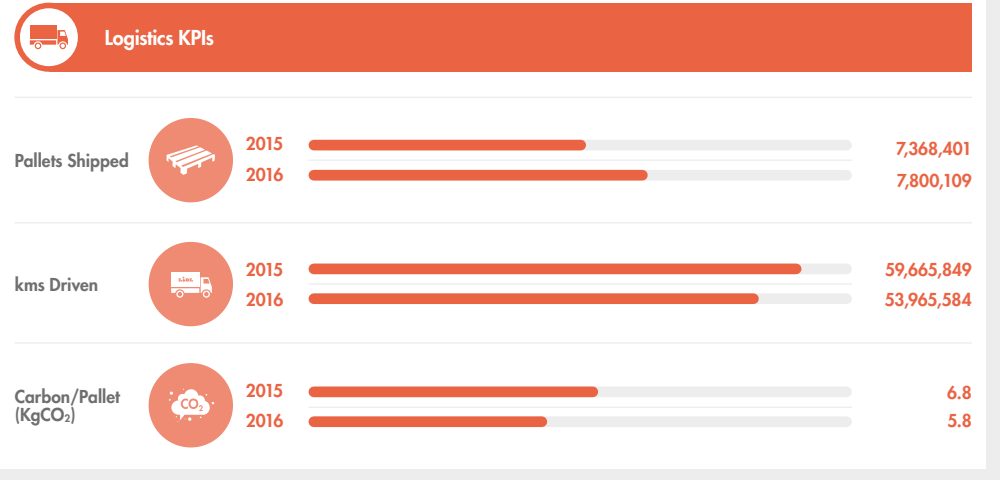


A logical approach

Our approach is simple – to continually reduce the distance we need to transport our goods. Working with our logistics partners, we carefully plan the most efficient routes. All our vehicles are loaded as close to capacity as possible to minimise the number of required trips. We are also expanding our use of double decker trailers, and as we grow our network of RDCs, the average distance from RDC to stores reduces, cutting food miles even further.

In 2016, we partnered with a third-party logistics company to provide a consolidation hub in central England to improve efficient flow of goods from our suppliers. Small loads can be delivered to one location which are then bulked up and transported on to our RDCs.

As well as working to reduce our carbon footprint, we're also making our operations quieter by investing in the latest noise reducing lift, door and engine technologies. We are working closely with Transport for London and a number of councils across the UK to deliver as many loads as possible overnight, whilst minimising noise during these deliveries. This has the benefit of reducing congestion on UK roads during peak times.



15%

Between 2015 and 2016, we reduced our carbon emissions per pallet by 15%





Tackling food waste

The latest data estimates that in the UK, 10 million tonnes of food is wasted from the time it leaves the farm to being consumed, and 60% of this is avoidable. We believe this is simply unacceptable. Not only does waste cost our customers hundreds of pounds, it also puts additional pressure on natural resources and our society.

It's clear to us that our responsibility reaches beyond our own business. Although we are working hard to continually minimise the food we waste, we want to help our suppliers and customers do the same.

We also know creating the change we need to successfully tackle food waste in the long term isn't easy and requires industry-wide commitment and collaboration. That's why in 2016, we joined retailers, manufacturers, local authorities and others across the industry in becoming a signatory to WRAP's Courtauld Commitment 2025 to work collectively to reduce food and drink waste by 20%.

Helping our customers cut their food waste

Over half of all food waste comes from our homes. Almost 20% of all household food purchases end up as waste; that's like taking home five bags of shopping and throwing one away! Therefore, making it as easy as possible for our customers to reduce the amount of food they throw away is an important focus for us.

We continually work to ensure our food is as fresh as possible when it arrives at our stores, and remains fresher for longer at home. The way we package our products is evolving, leveraging best practice to give customers extra shelf life on their fresh produce. For example, we recently introduced half loaves of bread and extended the use of resealable packaging.

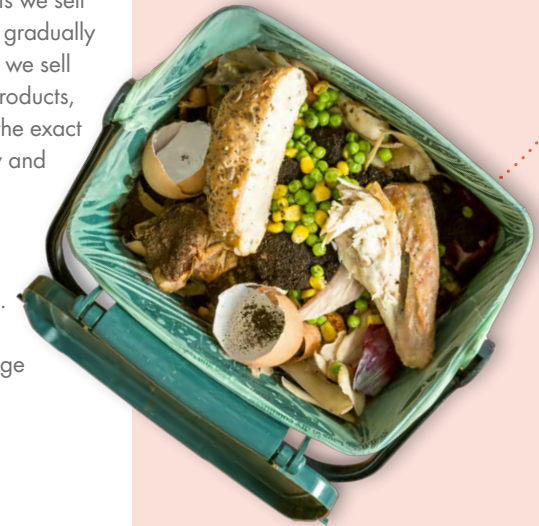
Product labelling and innovations in packaging give us a great opportunity to help our customers make the most of the food they buy. This includes, for example, clearer storage and freezing instructions and packaging with features that help extend product life or make individual portions easier. So, we'll be working to make those changes, particularly the ones that WRAP evidence shows can have the most impact on reducing food waste, on as many products as possible.

We're also looking at what kind of products we sell and how we sell them. For example, we're gradually increasing the amount of fruit and veg that we sell loose on our shelves. Unlike pre-packed products, this means our customers are able to pick the exact quantities they require, saving them money and reducing waste at home.

Changing people's behaviour, especially at home, isn't easy and our journey to cut household food waste has only just started. During our next phase of work, starting in 2017, we are working with WRAP to engage with our customers directly on this issue.

+50%

Over half of all food waste comes from our homes



To really deliver impact, we recognise that this cannot be delivered individually but by working closely with our peers and business partners across the industry.

Christian Härtnagel,
CEO, Lidl UK



Tackling food waste continued

Our food waste

Cutting out waste makes business sense and our entire operational model is built around it. For many years we have been refining our processes to accurately order the food we sell and ensure the food on our shelves is as fresh as possible through 'Just in Time' deliveries. Our discounting strategy allows us to offer customers food that is nearing the expiry date at a reduced price – and any food waste we do have is sent to produce energy from biogas.

The challenge for us now is to better understand the root causes of high wastage food categories. Throughout 2016, we have been working closely with WRAP to audit the flow of food waste through our stores, down to the smallest detail. The findings have helped us define new targeted interventions that we will apply to help us avoid food waste.

We want to build on the industry-wide pledge made through the Courtauld Commitment 2025, and have set ourselves the ambitious goal of cutting food waste from our stores by 25% per sq ft by 2020. We will continue to review our operating model and look for opportunities to prevent food waste, including engaging our staff on how they can make a difference in their place of work, and help educate customers about food waste.

Feed It Back – redistributing our food surplus

As a major supermarket, inevitably there are instances where we are unable to sell all the food that has been delivered to our stores. For us, it's important that this food surplus is redistributed to good causes, and for many years we've donated it to a range of charities via our RDCs. However, we wanted to find a way for our stores to directly help people in their local communities.

In 2017, we launched our national food redistribution programme, called the Feed It Back network. In partnership with Neighbourly, each of our stores will be connected with local good causes such as charities and community groups in their area. Our store colleagues will notify their network when quality food surplus is available and volunteers can then take this food to produce healthy meals for local good causes.

By the summer of 2018, we want all our stores to have teamed up with a network of local charities and organisations, so that together we can provide up to 2 million meals a year.

2million

By the summer of 2018, we want all our stores to have teamed up with a network of local charities and organisations, so that together we can provide up to 2 million meals a year



Feed It Back provides a great opportunity for us to make a real, positive contribution to the communities where we operate. From our pilots, we know that success lies in building strong relationships between our staff and local charity volunteers. They are the champions of this scheme.

Mark Newbold
CSR Manager, Lidl



Neighbourly

A social network connecting local projects and community needs with companies ready to help with funds and volunteering programmes.





Tackling food waste continued



470 tonnes

In 2016, approximately 470 tonnes of our food surplus has been redistributed to good causes



CASE STUDY

First supermarket to #FundaFridge

Our partner Neighbourly found that as a result of more food being donated, local charities often struggle to safely store all the surplus food. When we heard about this, we wanted to help find a solution.

So, we became the first retailer to sign up to Neighbourly's #FundaFridge campaign. We've pledged to donate £10,000 and will give 100 of our fridges and freezers to charities to enable them to store donated food safely.

Neighbourly founder Nick Davies explains, "Our recent research of over 200 food projects showed that half of all projects need more storage space and over one-third specifically needs chilled storage space to ensure they safely and sustainably manage surplus food donations from retailers, so no food gets wasted and they can support more people in the community."

Nick believes that "If adopted widely, this model could change how the supermarket industry deals with the redistribution of surplus food and provide a more holistic solution for community partners."



Moving forward...

Our customers

From 2017, we'll be promoting new and creative ways to inspire people to use the food surplus in their homes. By January 2018, we will:

- plan and implement a programme to increase Love Food Hate Waste campaign activity in store and via other channels.
- adopt industry best practice guidelines for date labelling and storage, and as part of our review we'll identify what changes could be made to our range and packaging to help customers cut waste.

Our business

In meeting our ambitious goal of reducing our own food waste by 25% by 2020, we're rolling out initiatives to target products that generate the highest levels of waste. For example, we're exploring sending waste to produce animal feed, modifying our in-store bakery plans, and increasing the amount of food we discount. Our food redistribution programme will also be fully implemented across all stores by summer 2018.



Working with suppliers to lower food waste

Whilst food thrown away in the home is responsible for the vast majority of food wasted in the UK, we also believe we have a shared responsibility to help our suppliers minimise food waste. We are doing this at an individual supplier level to understand and act on the specific issues and opportunities available.

Unlike most other major supermarkets, we operate a lean buying team structure, which means our suppliers can talk directly to one person responsible for both the buying and quality of products. This allows us to be more responsive and, for example, increase our orders if there is an abundance in crop.



Consulting with our growers

In consultation with our growers, we regularly review our standard product specifications to ensure they are realistic and fair. In 2016, we broadened the specifications of our standard carrot, parsnip and cauliflower lines, making sure more of the crop can be used whilst guaranteeing our customers can still enjoy excellent quality produce. By focusing on our standard range, rather than creating additional 'wonky veg' lines, we are confident that we are on the path towards a more sustainable and long-term solution to addressing farm level food waste.

"We are currently working together with Lidl. In 2016, we reviewed the specifications to allow more tolerance of minor defects to be included in pack. This, we believe, has allowed us to pack up to 20% more of the crop and is a much more sustainable approach than just introducing an additional wonky pack, which would probably only use an additional 1% of the crop." Alan Bartlett & Sons.

In addition, our fruit and veg promotions are designed to closely follow growing volumes, allowing us to maximise the use of fruit and veg in times of high and fluctuating yields. Specifically, our 'Pick of the Week' promotions are carefully structured to allow flexibility and security to our growers through crop availability-led planning.

To underline our commitment to continue to help cut waste and work in a sustainable way with all of our growers, in June 2016 we became the second supermarket to sign the National Farmers' Union's Fruit and Veg Pledge.

Moving forward...

In addition to continuing to review our standard product specifications, we want to provide a sustainable route to enable our supplier base to easily connect and share best practice to maximise the use of lower-grade produce. And through our buying practices, we will require that our key suppliers measure their food waste and implement an agreed plan of action to reduce it.

By throwing its weight behind the nationwide initiative to back British farmers, Lidl underlines its commitment to working in a sustainable way with all of its growers.

Ali Capper
NFU Horticulture and Potatoes Board Chairman,
National Farmers' Union



CASE STUDY

Small is beautiful

In 2016, our potato supplier produced potatoes that were smaller than the grade we were after. So rather than cancel the order, we called the product line 'mini roast pack' and put them in our stores.

"Lidl have adjusted specifications and introduced new products to promote greater crop utilisation," says our potato supplier at RS Cockerill York Ltd. "The 'Mini Roast' pack uses a proportion of the smaller size of the crop that wouldn't ordinarily go for retail sale. This is another example of Lidl's actions to provide a sustainable future for their supply base, while still meeting their customers' quality and value expectations."





Managing our operational waste

As well as food waste, our business produces a number of other types of waste, mainly plastic, cardboard packaging and general (mixed) waste. Since 2015, the amount of operational waste we have generated has increased. Primarily, this was caused by the rapid growth of our business and expansion of our stores and warehouses over this period.

In order to minimise our impact, we follow the waste hierarchy, which means that wherever possible we look to prevent waste being generated in the first instance. We ensure that we are not over-packaging, and are training our colleagues to re-use resources wherever they can. For example, fruit and veg boxes are re-used to store our food surplus for collection by local projects.

Where we can't avoid waste, we look to recycle it. Like most other retailers, we recover 100% of our cardboard and plastic to be recycled, equating to approximately 85,000 tonnes of cardboard and plastic every year. We are increasingly looking for circular economy opportunities to integrate these resources back into our business. For example, we re-use plastic wrapping to produce bin bags for storing our waste, and cardboard from our distribution centres gets recycled at UK paper mills into card sleeves, which are used for returning food and general waste.

We have a long-standing ambition to achieve zero waste to landfill and we're very close to achieving it. Our mixed waste, which we are unable to segregate in our stores, is collected by our waste partners who extract as much of the recyclable material as possible. The remaining waste is sent for incineration to produce energy, with only a small fraction sent to landfill. In fact, 98% of our mixed waste is either recycled or recovered.

Operation waste

	2016
General waste	12,830
Cardboard	81,762
Plastic	3,595

Taking action on carrier bags

For many people, carrier bags have become a symbol of our throw-away society. We've always charged for carrier bags, and from July 2017 we committed to stop selling single use carrier bags across all of our UK stores.

This will reduce unnecessary plastic waste, estimated to be 63 million plastic bags every year, equivalent to 760 tonnes of plastic. But more importantly, we believe this will encourage a wider shift in consumer behaviour to act more sustainably and conserve resources.



98%

In 2016, 98% of operational waste from our stores and warehouses was recycled or recovered



Our pledge to stop selling single use carrier bags is all about promoting a more environmentally friendly alternative. It will directly encourage shoppers to think about sustainability, and the role they can play in reducing unnecessary plastic waste.

Ryan McDonnell
Commercial Director, Lidl



100%

of our cardboard and plastic is recycled

[Overview](#)[Big Steps](#)[Sourcing](#)[Suppliers](#)[Society](#)[Colleagues](#)[Environment](#)[Our Report](#)

Data and assurance





About this report

For the first time we have published a comprehensive report setting out our sustainability strategy, performance, targets and commitments. We have done this as we know how important running a responsible and sustainable business is to our customers, employees, suppliers and wider communities. We're committed to being clear and transparent in reporting on our performance, and where possible we have included performance data to allow year-on-year comparison.

Reporting period, scope and frequency

This report covers the operations and activities of Lidl UK GmbH (Lidl UK) for the financial year 2016 (1st March 2016 to 28th February 2017). We will publish our Sustainability Report every two years, so each report will reflect the previous two financial years.

Reporting against external frameworks

This report has been developed in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The GRI is an independent international organisation, whose standards represent global best practice for reporting on a range of economic, environmental and social impacts.

Assurance

We engaged Ernst & Young to carry out limited assurance of our core KPIs and materiality assessment in this report in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised.



Images credited to:

Pg 4 – **Christopher Pledger**

Pgs 26 and 41 – **UTZ** (www.utz.org)

Pgs 1, 9, 13, 15, 16, 20, 28-30, 35, 39, 46 – **Emli Bendixen**

Pg 25 – **MSC/Warren Smart**

Pg 26 – **MSC**



Address:

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Contact

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Assurance statement

Independent Assurance report to Lidl U.K. GmbH Management

We have performed a limited assurance engagement on selected content within the 2017 LIDL UK GmbH Corporate Social Responsibility Report (the Report).

Respective responsibilities

Lidl UK GmbH management is responsible for the collection and presentation of the information within the Report. Lidl UK GmbH management is also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with our engagement terms with Lidl UK GmbH management, is to carry out a 'limited level' assurance engagement on selected data and the materiality assessment used within the Report. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

Our limited assurance engagement has been planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The criteria we have used to evaluate the selected data ("the Criteria") are set out in the Report as footnotes and within the narrative text.

Summary of work performed

The procedures we performed were based on our professional judgement and included the activities below:

- Interviewed a selection of Lidl UK GmbH's management and reviewed documentation to understand the processes and controls related to the selected data.
- Interviewed a selection of 'data owners' responsible for managing, collating, and reviewing data.
- Reviewed and challenged the data on a sample basis by testing back to source documentation. Tested whether the data has been collected, consolidated and reported correctly.
- Reviewed the Report for the appropriate presentation of the data and including descriptions of limitations and assumptions.
- Conducted interviews with management and reviewed documentation relating to Lidl's materiality assessment process and how this was presented in the Report.

Our review of the data processes was limited to the following KPIs:

- % Lidl branded permanently listed products sourced from British suppliers.
- % Lidl branded products accredited to food standards (Fairtrade, Rainforest Alliance, UTZ, RSPO, Marine Stewardship Council, Aquaculture Stewardship Council, Global GAP, Best Aquaculture Practices, RSPCA).
- Food waste donated to food waste programmes (tonnes).
- % of Lidl branded products that met salt targets.

Our assurance engagement did not include procedures over any additional KPIs or content within the Report.

Limitations of our review

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance as set out in the International Standard on Assurance Engagements (ISAE) 3000 Revised on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

Completion of our testing activities has involved placing reliance on the Lidl UK GmbH's controls for managing and reporting the selected information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at Lidl UK GmbH beyond those used for the selected data.

We have only sought evidence to support the 2016-17 performance data. We do not provide conclusions on any other data from prior years.



Assurance statement continued

Our conclusions

Based on the scope of our review our conclusions are outlined below:

Has Lidl UK GmbH provided an accurate representation of its materiality assessment process concerning its CSR performance?

- Nothing has come to our attention to suggest that Lidl's materiality assessment process is not accurately presented within the report.

How complete and accurate is the selected data presented in the Report with respect to the scope described in the Criteria (outlined above in the "Summary of work performed")?

- With the exception of the limitations identified in the Report, we are not aware of any material information that have been excluded from the data relating to the topics above.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated in line with Lidl's reporting definitions and processes.
- We are not aware of any errors that would materially affect the data as presented in the Report.

Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to Lidl UK GmbH management. The observations provided below do not affect our conclusions on the Report set out in this statement.

- Lidl UK GmbH has described targets for its food waste donation, accreditation and salt target KPIs. However, for the buying British KPI, Lidl UK GmbH has not reported future commitments along with its progress to date. We encourage Lidl UK GmbH to set a measurable, time bound and ambitious goal for the buying British KPI.
- Lidl UK GmbH relies on information provided by its suppliers when calculating the palm oil portion of its accreditation KPI. While meeting certain certification standards is included within its contracts, the palm oil accreditation information is often "self-declared" by suppliers. We encourage Lidl UK GmbH to put more rigorous processes in place for verifying and documenting information obtained from suppliers through review and retention of relevant evidence.
- Lidl UK GmbH currently has a methodology in place to estimate total food waste data which relies on data collected by its charity partners. During the course of our process, we observed that the underlying data from charity partners can vary in quality, resulting in a need to estimate data from some sources. We therefore encourage Lidl UK GmbH to promote more consistent reporting from its partners.

Our independence and competence

We confirm annually to Lidl UK GmbH whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2017. We have implemented measures to ensure that we are in compliance with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1².

Our assurance team has been drawn from our UK Climate Change and Sustainability Services team, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP
London, 31 August 2017

² Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1)



GRI index

GRI 102 – General Disclosures

1. Organisational profile

Standard Disclosure	Description	Location of disclosure	Additional information, omissions and explanations
102-1	Name of the organisation	61	
102-2	Activities brands, products and services	6-7	
102-3	Location of HQ	7	
102-4	Location of operations	7	
102-5	Ownership and legal form	61	
102-6	Markets served	6-7	
102-7	Scale of the organisation	6-7	
102-8	Information on employees and other workers	6, 47-49	
102-9	Supply chain	31-38	
102-10	Significant changes to the organisation and its supply chain	n/a	No significant changes were made to the organisation during the reporting period.
102-11	Precautionary principle or approach	23, 36-37	
102-12	External initiatives	23, 25, 27, 33-34, 36-38, 42, 55	
102-13	Membership of associations	10	

2. Strategy

Standard Disclosure	Description	Location of disclosure	Additional information, omissions and explanations
102-14	Statement from senior decision maker	4	

3. Ethics and integrity

Standard Disclosure	Description	Location of disclosure	Additional information, omissions and explanations
102-16	Values, principles, standards and norms of behaviour	7, 13-14	

4. Governance

Standard Disclosure	Description	Location of disclosure	Additional information, omissions and explanations
102-18	Governance structure	14	

5. Stakeholder engagement

Standard Disclosure	Description	Location of disclosure	Additional information, omissions and explanations
102-40	List of stakeholder groups	10	
102-41	Collective bargaining agreements	n/a	0% of employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	10	
102-43	Approach to stakeholder engagement	10	
102-44	Key topics and concerns raised	11-12	

6. Reporting practice

Standard Disclosure	Description	Location of disclosure	Additional information, omissions and explanations
102-45	Entities included in the consolidated financial statements	n/a	Lidl UK does not report/publish consolidated financial statements.
102-46	Defining report content and topic Boundaries	10-12	
102-47	List material topics	12	
102-48	Restatements of information	n/a	This is the first sustainability report published by Lidl UK.
102-49	Changes in reporting	n/a	This is the first sustainability report published by Lidl UK.
102-50	Reporting period	66 or 61	
102-51	Date of most recent report	n/a	This is the first sustainability report published by Lidl UK.
102-52	Reporting cycle	61	
102-53	Contact point for questions regarding the report	61	
102-54	Claims of reporting in accordance with the GRI Standards	61	
102-55	GRI content index	64	



GRI index continued

GRI 103 and 200-400: Material topics (GRI Management Approach and topic –specific GRI Standards)**Buying British**

GRI disclosure	Description	Location of disclosure	Additional information, omissions and explanations
GRI 103: Management Approach 2016	103-1 Management approach – explanation of the material topic and its boundaries	16	
	103-2 Management approach – the management approach and its components	32-35	
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	32	

Responsible sourcing

GRI disclosure	Description	Location of disclosure	Additional information, omissions and explanations
GRI 103: Management Approach 2016	103-1 Management approach – explanation of the material topic and its boundaries	17	
	103-2 Management approach – the management approach and its components	21-27, 36-38	
GRI 203: Indirect Economic Impacts	203-2 Significant indirect economic impacts	22-23	

Healthy and active lifestyles

GRI disclosure	Description	Location of disclosure	Additional information, omissions and explanations
GRI 103: Management Approach 2016	103-1 Management approach – explanation of the material topic and its boundaries	19	
	103-2 Management approach – the management approach and its components	41-43	
GRI 413: Local communities	413-1 Operations with local community engagement, with assessments and development programmes	43	
Other appropriate disclosure: Product reformulation	Proportion of products that meet external health or nutrition targets or initiatives	41, 42	

Tackling food waste

GRI disclosure	Description	Location of disclosure	Additional information, omissions and explanations
GRI 103: Management Approach 2016	103-1 Management approach – explanation of the material topic and its boundaries	18	
	103-2 Management approach – the management approach and its components	55-58	
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	n/a	Data boundary to be established at an industry level to ensure consistent and comparable reporting.
Other appropriate disclosure: Product reformulation	Proportion of food surplus donated to charitable causes	57	



Our performance

Data presented for our financial year 2016 (1st March 2016-28th February 2017)



Our Company

Financial Year	2014	2015	2016
Number of stores	613	634	650
Number of RDCs	9	9	10



Sourcing for the Future

Sustainable commodities

Financial Year	2016
Cocoa	89%
% of own brand products certified as sustainable (UTZ, Fairtrade or Rainforest Alliance)	
Coffee	47%
% of own brand products certified as sustainable (UTZ, Fairtrade or Rainforest Alliance)	
Tea (black, rooibos & green)	100%
% of own brand products certified as sustainable (UTZ, Fairtrade or Rainforest Alliance)	
Palm oil*	100%
% of sustainable palm oil (RSPO) in all own brand products – minimum mass balance	
Bananas	100%
% certified as sustainable (UTZ, Fairtrade or Rainforest Alliance)	

Sustainable seafood

	2016
Number of own brand seafood products	152
Number of own brand seafood products certified as sustainable (MSC, ASC, Global Gap or BAP) (% of total seafood products)	109 (72%)
Number of 'farmed' own brand seafood products	58
'Farmed' own brand seafood products certified as sustainable (MSC) (% of total wild-caught seafood products)	45 (78%)
'Number of wild-caught' own brand seafood product	94
'Wild-caught' own brand seafood products certified as sustainable (ASC, Global Gap or BAP) (% of total farmed seafood products)	64 (68%)

Animal welfare

Number of RSPCA Assured products	24
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Securing our Supply Chain

Buying British

% of permanently listed product lines from British suppliers**	61.3
Value (£) of products exported overseas	£320m

Human rights and working conditions

% of UK suppliers on Sedex	72
Number of BSCI audits conducted of our textile and footwear suppliers	836
% of UK suppliers attended modern slavery training	67



Championing a Healthy Society

% of own brand products complied with the DOH 2017 maximum target for salt reduction	87
Number of children participated in UK football through the FA Skills programme	260,850
Amount (£) donated to charity	1,344,797



Our performance continued



Supporting our Colleagues

Number of employees

Financial Year	2014	2015	2016
Head Office	450	584	647
RDC	3,077	3,403	4,480
Store	12,459	14,110	15,431
Total	15,986	18,097	20,558

Number of graduates, international trainees & placement students

Financial Year	2015	2016
Graduate	12	31
INT trainee	3	10
Placement student	–	14

Number of graduates, international trainees & placement students

Financial Year	2014	2015	2016
Total employees (M:F)	60:40	59:41	59:41
Management positions (M:F)	77:23	75:25	74:26



Protecting the Environment

Energy (MWh/yr)

Financial Year	2014	2015	2016
Total electricity consumption	231,408	243,904	265,634
Total gas consumption	54,197	55,086	49,907
Total energy consumption	285,604	14,110	15,431
Total energy consumption per store m²	0.28	0.28	0.27

Logistics

Financial Year	2015	2016
Number of pallets shipped	7,368,401	7,800,109
Total distance travelled (km)	59,665,849	53,965,584
Carbon per pallet (KgCO ₂)	6.8	5.8

Food waste

Tonnage of food waste redistributed to charity***	469
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Operational waste

General waste (tonnes)	12,830
Cardboard (tonnes)	81,762
Plastic (tonnes)	3,595

*We require all suppliers to supply 100% sustainable palm oil. This data has been collated from a self-declared survey of all UK suppliers (100% response rate received).

**British suppliers are defined as UK registered companies.

***Estimated based on approximate pallets and tray weights from our charity partners.



Discover even more about Lidl

Everything you've read in this report – all the great stuff we're doing to be sustainable – is only part of the story.

Find out more about our sustainability performance, future commitments and plans visit www.lidlresponsibility.co.uk

