Human Rights Impact Assessment
Wine, South Africa

2022/23

Contents

Introduction

Background

As part of its due diligence processes, Lidl GB contracted Ergon Associates to conduct a human rights impact assessment (HRIA) on the wine supply chain originating in South Africa. The report outlines the methodology, research and results of this HRIA.

Lidl GB is the UK arm of Lidl, the major European supermarket. Its network of food supply chains is complex and associated with a variety of challenges regarding sustainability in general, and human rights specifically. The Schwarz Group, which includes the retail divisions Kaufland and Lidl, recognises its responsibility to respect human rights. In their Human Rights Policy Statement, the companies state that identifying risks, assessing potential impacts and developing effective countermeasures is an ever-present challenge in implementing human rights due diligence. The companies of Schwarz Group commit to work together with their partners along the value chain to bring about continuous improvement in this area.

Objectives

The aim of the HRIA was to provide:

- An understanding of how specific supply chain relationships and activities have the potential to impact internationally recognised human rights.
- Expanded information on salient impacts, including an assessment of root causes.
- Engagement with relevant 'rightsholders' and other stakeholders and incorporation of their views related to actual or potential impacts.
- Recommendations to mitigate, prevent and/or remedy identified negative impacts and enhance positive impacts.

Selection of South African wine for this study

This HRIA focusses on wine from South Africa, where Lidl sources considerable volumes, has long-term supplier relationships and where there are known historical human rights challenges. Prior to this assessment, Lidl has not conducted any specific research on social issues or human rights on its wine supply chain from South Africa, specifically. However, South Africa has been in scope of other human rights due diligence research, including a gender risk assessment by Lidl International in 2021.

Multiple factors motivated Lidl's decision to focus this HRIA on South African wine. Wine from South Africa is a significant product category for Lidl and particularly Lidl GB is a major and well-recognised retailer for 'new world wines'. As a founding member of the Sustainable Wine Roundtable (SWR) in 2021, Lidl GB is also keen to engage more deeply on sustainability themes relevant to the sector. In addition to wine, South Africa is also an important sourcing location for a range of other Lidl products such as fish, flowers, and fruit and vegetables.

Methodology

Lidl GB engaged Ergon Associates, a specialist consultancy in labour and human rights to conduct this HRIA on South African wine. Ergon has extensive experience in carrying out HRIAs on complex international supply chains, including two previous studies for Lidl.

HRIAs are specialist studies designed to support an organisation's due diligence efforts in relation to international standards and frameworks, including the UN Guiding Principles on Business and Human Rights and the OECD Guidelines on Multinational Enterprises. The methodology used is designed to systematically identify actual and potential human rights impacts arising from specific business activities and relationships and rank them according to salience. Based on rightsholder feedback and a review of Lidl's functions and capacities, appropriate mitigation or remediation actions are then proposed.

Key stages of the HRIA process

The HRIA was based on the following steps:

Review of business activities	• Supply chain mapping and review of production activities, business processes and relationships relevant to sourcing wine from SA • Interviews with Lidl's CSR team, buyers and suppliers
Scope of impacted human rights and rightsholders	• Identify shortlist of relevant rights (potentially) impacted for each area of activity • Develop structure for impact assessment
Baseline analysis	• Desk review of legal framework and existing situation of rights in sector • Identification of information gaps • Stakeholder mapping and planning for fieldwork and engagement
Fieldwork and stakeholder engagement	• Institutional stakeholder engagement including sectoral organisations, trade unions, NGOs, certification organisations etc • Visits to production and processing sites in the supply chain – including management and worker interviews
Impact assessment	• Review findings and apply scoring methodology • Identify and prioritise highest saliency impacts and linkages • Determine relationship between Lidl and the impacts
Recommendations	• Develop recommendations to address identified, salient impacts • Conduct internal workshop with Lidl to discuss recommendations

Structure of the impact assessment

Review of business activities
Lidl's policies, governance documents and procedures related to procurement and supply chain management were reviewed.

Scoping: supply chain activities in scope
Ergon mapped out the key supply chain activities based on a desk review of relevant reports and sectoral analyses, as well as a review of Lidl's systems and processes and engagement with Lidl and their key suppliers. The graphic below shows relevant supply chain activities in scope for the impact assessment:

These activities were prioritised after an assessment of the full supply chain identified these as highest risk in terms of human rights impacts. Although there are risks associated with other activities – such as domestic transport, international shipping, and logistics in destination markets – these are not considered unique to the wine supply chain and are better assessed through specific activity assessments.

Scoping: potentially impacted rights and rightsholders
Rights likely to be affected by each supply chain activity were identified to produce a practical shortlist of rights for the baseline and impact assessment. Scoping was based on sectoral knowledge and desk research. All rights contained in the International Conventions on Civil and Political Rights and on Economic, Social and Cultural Rights as well as the ILO Core Conventions were reviewed as a starting point.

Rights in scope:

Labour rights

- Working conditions (contracts, wages, hours)
- Occupational Health and Safety (OHS)
- Freedom of association and collective bargaining
- Forced labour
- Employment discrimination
- Gender-based violence and harassment (GBVH)

Economic and social rights

- Right to an adequate standard of living – housing, food, electricity
- Right to health
- Right to land and property

Cross-category rights

- Right to life and physical integrity
- Right to an effective remedy

Key rightsholders present in or affected by the business activities in scope in Lidl's wine supply chain were also identified. As with rights categories, this list was updated as appropriate throughout the development of the HRIA.

Rightsholders in scope:

It is important to note that few categories of rightsholders are fully distinct; a person may be represented under more than one category of rightsholders simultaneously. In addition, impacts can be intersectional, meaning that they affect different rightsholders (as well as different individuals and groups within the categories of rightsholders) in different ways, depending for example on their gender identity, sexual orientation, ethnicity, age and/ or class. It is also important to note the presence of women and migrant workers (from the Eastern Cape, and neighbouring countries such as Zimbabwe, Malawi, and Lesotho) in the supply chain – particularly during harvest activities.

Stakeholder engagement

External stakeholder outreach is a key element of the HRIA methodology and is designed to:

- Collect the views of potentially impacted rightsholders on the likelihood and potential severity of impacts, root causes, and their views on potential mitigation actions.
- Identify potential stakeholders to collaborate with on potential mitigation actions.

Field visits

Fieldwork was conducted across seven working days in February 2023, during harvest season in the Western Cape. The fieldwork team comprised an Ergon consultant, a local consultant and a local female translator. Four processing cellars and nine farms[1] were visited in the areas of Paarl, Swartland, Wellington, Darling, Robertson, Worcester and Robertsville. All sites visited were in Lidl's supply chain. The selection of sites visited was designed to provide a representative sample of Lidl's wine supply chain, including a variety of farm sizes and locations, as well as Fairtrade-certified and non-certified sites. All sites were Wine & Agricultural Ethical Trade Association (WIETA) certified.

[1] Farmers, or "farm owners", were not available for full interview on all farm sites – owing to time pressures of the harvest season. Other staff, such as HR and sustainability managers, were interviewed where possible.

Institutional stakeholder engagement

In addition to fieldwork and rightsholder engagement, institutional stakeholder engagement is a key component of Ergon's HRIA methodology. Interviews were conducted with a range of national and international institutional stakeholders to gather their expert views on challenges and opportunities in the wine supply chain. Some stakeholders approached for interview did not respond to our request within the allocated period (see full list of stakeholders engaged below).

Field visit

- 2 Lidl suppliers – interviews with 8 management team members of suppliers and sub-suppliers (incl production, human resources and sustainability functions)
- Sub-suppliers: 4 cellars – interviews with 4 cellar managers
- Sub-suppliers: 9 farms – interviews with 6 farmers and farm managers (incl family members)
- 3 labour brokers

Rightsholders

- 189 workers total
- 156 farm workers / 33 cellar workers – 98 men and 91 women
- Workers included trade union representatives and a large proportion of migrant workers (from Eastern Cape, Zimbabwe, Lesotho and Malawi)

Institutional engagement – National stakeholders:

- 1 trade union
- 5 NGOs (including one specific women's organisation)
- 1 research organisation
- 2 certification organisations
- 2 sectoral organisations

Institutional engagement – International stakeholders:

- Ethical Trading Initiative (ETI)
- Sustainable Wine Roundtable (SWR)
- Nordic retailer

Ensuring meaningful engagement

Topics for consultation and the resulting interview questions were customised for each stakeholder. Some questions were posed to all to gain a variety of perspectives, including broader questions relating to the positive and negative impacts of the sector, and recommendations for change.

Workers during field visits were asked about conditions in their current workplace, as well as the sector as a whole – including experiences of other workers or at other sites in the region in order to gain an understanding of broader sectoral impacts.

Several measures were taken to ensure meaningful rightsholder and stakeholder engagement:

- Issues and priorities for engagement were tailored to the stakeholders and rightsholders. Topics for consultation and the resulting interview questions for stakeholder engagement were tailored for each group or organisation based on their knowledge areas and experience.

- Measures were taken to create safe spaces for rightsholders and stakeholders to express their views. The confidentiality of the engagement process was explicitly communicated to all participants.

- Steps were taken to secure informed participation of all rightsholders and stakeholders through accessible communication documents and verbal explanations in the appropriate language - detailing HRIA process and its objectives, as well as the objectives of stakeholder engagement.

- Data collection and stakeholder engagement aimed to ensure an effective capture of diverse views and experiences. Targeted engagement with specialist knowledge of issues facing women and migrant workers strengthened the focus on vulnerable groups throughout the impact assessment.

Limitations

The methodology followed for this HRIA is considered to provide an effective means for identifying salient impacts in the wine supply chain and developing recommendations for a Human Rights Action Plan (HRAP). However, there were some limitations:

- While Ergon was involved in site selection, and the selection of sites visited represented a cross section of the supply chain, it is important to acknowledge the reliance on suppliers to organise sites for the visits.
- An important part of the HRIA methodology includes engagement with internal stakeholders at Lidl including CSR and Buying departments. Lidl GB CSR and buying department participated and were engaged in the HRIA process.
- Poor weather conditions on two days of the seven days of fieldwork reduced the number interviews conducted with harvest workers, as these workers are often not brought to site on rainy dates as picking cannot take place in wet conditions.
- The nature of the fieldwork, including time limitations, and the conditions under which it was conducted meant that it was unlikely to identify instances of more clandestine human rights impacts such as forced labour, or gender-based violence and harassment. This is an important limitation to recognise, and one which applies not only to this study but to all studies of this kind with a field work component of this length.

Country and sector context

Sectoral overview

Key facts

Economic importance	• The wine industry contributed ZAR 55 billion (approximately GBP 2.84 billion) to South African GDP in 2019 – constituting 1.1% of total South African (nominal) GDP (SAWIS, 2021). The economic contribution of the wine industry is particularly important to the economy of the Western Cape region, where the majority of wine is produced (SAWIS, 2021).
Social importance	• In 2019, the South African wine sector supported about 269,096 jobs (that is, 1.6% of total national formal and informal employment) (SAWIS, 2021). • In 2021 there were 2,613 primary grape growers, 536 cellars that crush grapes, 43 producer cellars, and 22 producer wholesalers (WOSA, 2022a).
Production volumes	• South Africa ranks eighth in the world in terms of overall volume produced, accounting for 4.1% wine produced globally in 2020 (WOSA, 2022b). However, this figure is declining (SAWIS, 2021). • White grape cultivars made up 55.1% of the total area of wine grapes planted in 2021. With Chenin Blanc, Colombard and Sauvignon Blanc being the most common varieties. Red wine cultivars make up 44.9%, with Cabernet Sauvignon, Shiraz and Pinotage the most popular (SAWIS, 2022). • The 2023 wine grape crop is expected to be significantly smaller (IOL, 2023) - a trend from the previous season (Vinpro, 2022). This contraction is attributed to: a reduction in the overall vineyard area as producers switch to other crops; extreme weather conditions such as heatwaves and heavy rainfall; and to disease (IOL, 2023).
Prices	• South African wines are among the lowest priced in the world. Of the 11 main wine exporting countries, South Africa is the sixth largest exporter by volume, but the lowest in terms of value (SOMO, 2020). 37% of South African wine producers are making a loss (SOMO, 2020). • Prices fluctuate. Prices received for Sauvignon Blanc and Chenin Blanc were down 6% and up 10% respectively in 2022 (including bulk and packaged prices). Bulk pricing for these varieties increased by 10% and 7% respectively (WOSA, 2023).
Sales and export	• Total exports of wine decreased by 5% in 2022, with an export value of ZAR[2] 9.9 billion (approximately GBP 440 million[3]) (WOSA, 2023). This reduction comes after a period of growth in 2021, which saw exported volumes reach 388.1 million litres (+22% on 2020) (WOSA, 2022c). This increase was largely driven by restrictions in response to COVID-19 (which resulted in artificially low export volumes in 2020) (Vinpro and SAWIS, 2021). • Wine is predominantly exported in bulk, with only between 35-45% of wine exported as bottled wine in recent years (SAWIS, 2021). In 2022, of the total 368.8m litres exported, 227.7m litres were exported in bulk (with a value of ZAR 2.3bn) (WOSA, 2023). • White wine varieties are the most common bulk varieties for export (WOSA, 2023).

[2] ZAR = South African Rand

[3] Exchange value calculated in April 2023

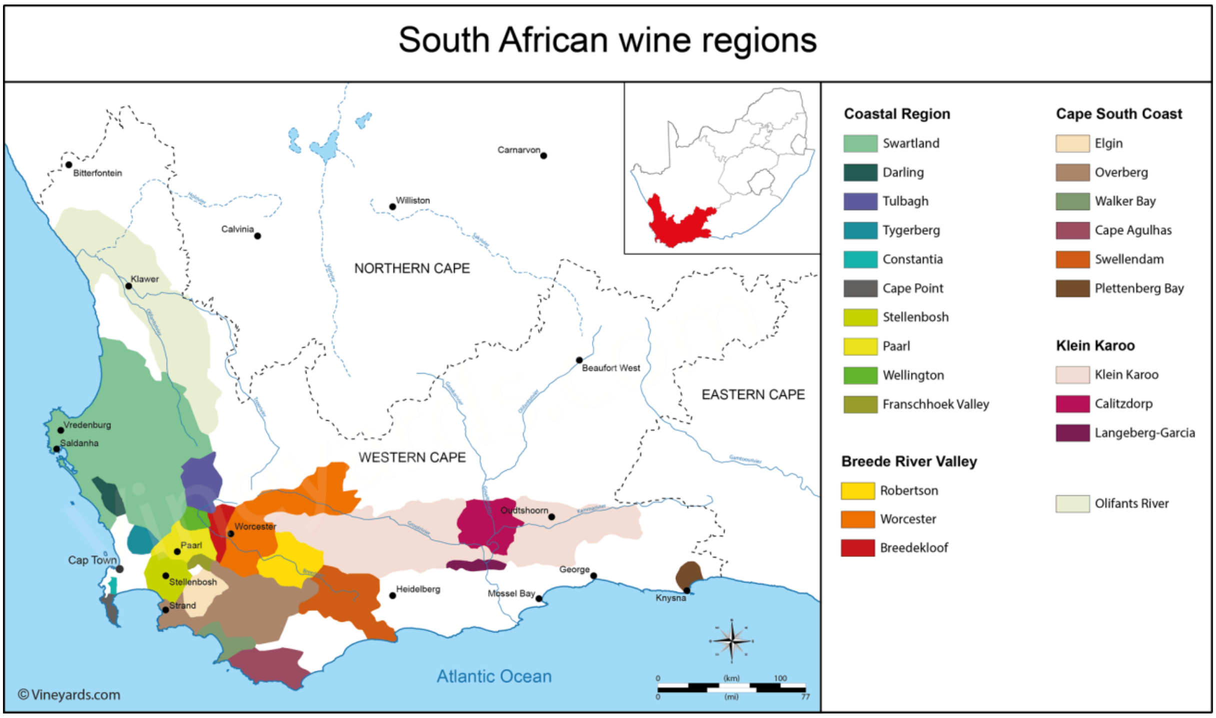
	• The UK is the leading destination market for wine exported from South Africa, with 20.4% of exports, followed by Germany (12.2%) and the Netherlands (8.69%) (OEC, 2021).

Historical context

The South African agricultural sector remains heavily influenced by the legacies of colonialism and apartheid. Despite the formal abolition of slavery in 1834, conditions of forced labour and debt bondage persisted well into the 20th century, throughout apartheid (SOMO, 2020). Until the end of apartheid in the early 1990s, farms were essentially closed spaces in which employees and employers lived and worked together, as employees typically lived in employer-provided accommodation on farms. This created a 'family'-like dynamic which, in combination with the rural locations, made workers vulnerable to exploitation by employers, who were responsible for both the living and working conditions of their workers with little to no intervention from external parties (Devereux, 2019).

From 1994 onwards, a series of legislative changes were introduced that sought to regulate the relationship between employers and employees. These reforms entitled workers to a range of different basic protections (Devereux, 2019). With the end of apartheid also came the lifting of economic sanctions and new opportunities for farmers to export their products abroad. Other reforms, and changes to labour and land tenure legislation (e.g. introduction of the Extension of Security of Tenure Act - ESTA) are considered by some to have accelerated the casualisation of labour in agriculture, a trend which involved a move away from farmworkers living on farms in employer-provided accommodation, towards a model in which casual workers are brought in each day, with transport from communities to farms typically arranged by a labour broker (Webb, 2017; Devereux, 2019). However, farmworkers remain marginalised and vulnerable, with many engaged temporarily via labour brokers known as Temporary Employment Services (TES).

Geography and production calendar



Source: Vineyards.com

South Africa's vineyards are mostly situated in the Western Cape province near the coast, where the weather conditions are ideal for viniculture. In 2021, there were over 90,000 hectares of wine grape vines in South Africa (WOSA, 2022b). Whilst wine production is concentrated in the Western Cape province, there is an even distribution of vineyards across the region, with 16.4% of vineyards in Stellenbosch, 16.02% in Paarl, 13.91% in Robertson, 13.82% in Breedekloof, and 13.42% in Swartland. Together, these five regions constitute over 60% of the total area of wine grapes planted (WESGRO, 2021).

In a calendar year, vines begin to bud in September, and harvest takes place between February and March, depending on the region and the climatic conditions. Between September and the harvest period, maintenance activities are carried out on the vines, this includes pruning, watering and irrigation, and the spraying of agrochemicals such as pesticides and fertilisers. During the harvest season, the sugar and acidity levels of the grapes are monitored to ensure that harvesting begins at the optimal time for maximum quality of the grape and in turn, the wine (WOSA, n.d.a).

Producer profile

Grape growers, or producers, can be categorised into three groups:

- Growers that are part of a cooperative or a shareholding company that operates a cellar, such as an ex-cooperative.
- Independent grape growers without wine-making facilities
- Growers that also have their own wine-making facilities – or private cellars.

Growers who are members of a cooperative are meant to give their entire crop to the cooperative's cellar, whilst shareholder growers for ex-cooperatives can also sell on the open market to other private cellars as well.

Average farm size is approximately 35ha (SAWIS, 2022) The size of the farms that are members of cooperatives can vary considerably from 30ha up to around 300-500ha. Diversified farming operations are increasingly common. 40% of the farms that are audited by WIETA (see below) are multi-commodity (Interview with WIETA, 2023).

Wineries, which produce the wine, tend to be cellar operations of two types:

- Producer cellars, which are operated by cooperatives and ex-cooperatives
- Private cellars, which can be fully independent, vertically integrated from vineyards to export, or partly integrated from winemaking to export. These can include estate wineries (WOSA, n.d.b).

In 2021, there were 2,613 grape growers and 536 wine cellars (including 43 producer cellars and 471 private cellars) (WOSA, 2022a). Producer cellars dominate production, processing almost 80% of South Africa's total wine grape harvest (WOSA, n.d.b.).

Workforce profile

The South African wine industry supported approximately 270,000 jobs in 2019, including farm workers, as well as those involved in packaging, retail, and related sectors such as wine tourism (SAWIS, 2021).

On vineyards, the workforce has a significant female component and is characterised by both seasonal and migrant labour. While recent workforce statistics are not available, it was previously estimated that 70% of workers are seasonal workers, with most of them being women (Oxfam, 2017). While women are involved in a range of activities on farms, they are more likely to be seasonal workers than their male counterparts, who are more likely to be employed permanently (SOMO, 2020). This is true across the agriculture sector, with 52% of seasonal agricultural employees being women (SIZA, 2020).

Many migrant workers in the industry are largely from the Eastern Cape or from Zimbabwe, Malawi and Lesotho. These workers can be found in various production activities – but are overwhelmingly represented at harvest level and/or in temporary, seasonal roles – particularly foreign nationals. Anecdotally, workers from the Eastern Cape tend to be somewhat more settled in the area, whereas foreign nationals tend to be more recent migrants. Migrant workers are often both men and women, who come to the region alone, in couples or with family members.

Around 50% of wine farm workforces are permanent – with another 25% being temporary workers engaged directly by the farmer and 25% temporary workers engaged through labour brokers (Interview with WIETA, 2023). Wine grape farmers increasingly use labour brokers, known as Temporary Employment Services (TES), to meet any additional labour needs throughout the year, particularly during busy periods such as harvest season (SOMO, 2020). Labour brokers are also subject to labour legislation – and the Labour Relations Act (LRA) also establishes joint liability between the labour broker and the client, or farmer for the conditions of workers. However, it is reported that many labour brokers are informal operations, run by former farmworkers, who do not register their activities with the authorities, which in turn have limited oversight of the operations of labour brokers, in practice. Whilst engagement of external seasonal labour peaks during harvest, labour brokers are also increasingly being relied upon outside of harvest season (Interview with Lidl supplier, 2022).

Farmworkers in the sector are unlikely to be unionised. Agriculture has among the lowest union density of any industry (6.4%) when compared to others such as manufacturing (35.1%) (Stats SA, 2019). 12% of WIETA audited farms are unionised (Interview with WIETA, 2023). Low unionisation rates are partly explained by historical patriarchal structures, partly by the fragmented union landscape that exists in the sector, with various unions seeking to represent the same groups of workers.

The workforce profile in cellars tends to be significantly more male-dominated, with a lesser presence of migrant workers, and higher rates of unionisation. According to WIETA, among their members, 36% of workers at cellars are unionised, compared to 12% of workers on farms (Interview with WIETA, 2023). More broadly, unionisation rates in the agriculture sector stand at 6.4%, compared with 35.1% in manufacturing (Stats SA, 2019).

Certification

WIETA is the most important certification scheme for grape growers and cellars in South Africa. WIETA certification criteria includes adherence to its ethical code, which includes provisions on working conditions based on national legislation. Certified sites are audited a minimum of every three years. Since 2016, WIETA has also been certifying labour brokers operating in the sector (Interview with WIETA, 2023). In addition to audit and certification, WIETA has increasingly been scaling up its more programmatic interventions, including offering training, capacity building and other support (Interview with WIETA, 2023).

South Africa is the largest producer of Fairtrade wine globally, responsible for two thirds of total Fairtrade wine sales, with 24 certified producers and more than 2,500 permanent workers (WOSA, 2021). While Fairtrade has a positive reputation in the sector, limited market demand, from retailers and ultimately consumers, limits further growth and can serve to deter producers from pursuing the certification.

In addition to WIETA and Fairtrade, other certifications commonly held in the sector are Amfori BSCI, and IPW (Integrated Production of Wine Scheme) – the latter being an environmental sustainability scheme relevant to the sector.

Key supply chain activities

This section provides an overview of the wine supply chain and the key activities and rightsholders affected or involved.

Activity	Overview
Grape growing – Year-round maintenance	• Wine grapes begin to bud in September. • The phase includes the application of agrochemicals in order to increase crop yield and quality and keep vines free from disease and pests. • Activities such as pruning and watering are also included in this phase. • Workers are typically permanent employees of the farm. 
Grape growing – Harvest	• Harvest takes place in the summer months or February-March. Harvest takes places during daylight hours and cannot be conducted in wet weather. • Harvesting is largely carried out by hand, with clippers, by teams of workers. • Machine harvest is increasingly used on farms in certain regions, with certain vines and on those farms producing bulk wine. • The grapes are typically picked into baskets, and weighed or tagged, and transported in large bins on the back of lorries to the cellar where the winemaking process begins. • Harvest is the most labour-intensive phase with use of temporary workers and those engaged by labour brokers. 
Processing (incl. storage)	• In a time-sensitive process, grapes are transported to cellars where they are processed and turned into wine. • There are several stages involved in the winemaking process. Grapes are pressed to produce a juice, and are then fermented with either a natural or cultured yeast. During the fermantation process the wine is stored in airtight fermentation tanks (often made of stainless steel). • After fermentation, wine will be transferred to new barrels in order to clarify the wine and remove any excess sediment. • Storage of wine remains on site in the cellars where the wine is processed. • Workers are more likely to be employed directly and on permanent contracts. However, there is typically some temporary labour engaged for processing during the busy harvest period. 

Export	• For bulk wines, processed wine is packaged into large plastic ‘flexitanks’ in preparation for export. No bottling of bulk wine takes place in South Africa. This practice reduces shipping costs as the flexitanks weigh less than glass bottles and take up less space, allowing more wine to be transported per container. • Wine is then transported on lorries to the Port of Cape Town for shipping. • Bottling companies and their logistics subsidiaries, engaged by Lidl, are responsible for organising the export arrangements with suppliers and cellars in South Africa. 
Bottling	• The majority of the product is shipped to Europe where, in the case of bulk wine, it is bottled for the international market. A comparatively small portion of the wine purchased by Lidl is shipped to and bottled in the UK.

Key challenges facing the sector

COVID-19
The South African government’s response to the COVID-19 pandemic had a severe negative effect on the wine industry. Between March and April 2020, any trade or manufacturing of alcoholic products was prohibited. Restrictions on the domestic sale of alcohol around the country remained in effect into 2021 (Wine Searcher, 2022). Exports of wine were also banned for several weeks, causing serious logistical challenges at the Port of Cape Town, and contributed to an overall loss in direct sales of ZAR 5.7 billion (approximately GBP 272.4 million).

Many producers had no bridging finance to manage the losses incurred. Whilst wine sectors in other major producer countries benefit from government subsidies, the issues faced by South African producers are compounded by a lack of government support. In total around 80 wineries and 350 wine grape producers were expected to shut down between 2020-23 as a result of COVID-19 restrictions, and 25,000 people are at risk of losing their jobs (Vinpro and SAWIS, 2021). COVID-19 also had a significant effect on informal farmworkers, particularly migrants, due to their precarious employment and a lack of social security.

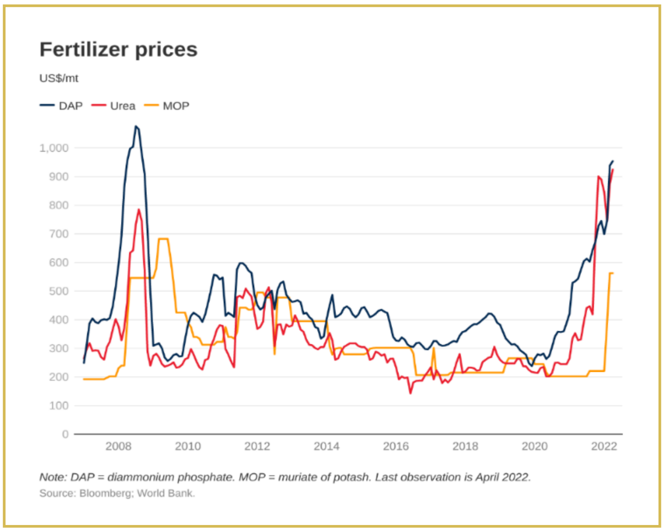
Bulk wines and low pricing
Among the key challenges facing the sector is the practice of exporting in bulk rather than bottled wines. Bulk wine reduces transportation costs by allowing a greater volume of wine to be exported per shipping container (SOMO, 2020). While arguably more environmentally friendly, this practice removes significant value adding processes from South Africa and shifts it to destination countries where the bottling and branding processes then take place. NGOs suggest that bulk wine purchasing has driven a race to the bottom among producers, in terms of price, and that retailers exert considerable pressure to suppress bulk wine prices (SOMO, 2020). In order to combat this trend, industry organisations have reportedly set a target of reducing bulk wine production to 40% of total production by 2025 (SAWIS, 2021).

Low pricing has also driven concentration in the sector – with smaller, struggling grape growers selling their business to larger producers, resulting in the number of grape producers in the country decreasing by 27% between 2010-21 (SAWIS, 2022). This has resulted in 80% of South African wine being produced by less than 50 cooperatives whose production is focussed predominantly on bulk wine (Rosalux, 2021). In addition, low prices are driving some grape growers to move towards other potentially more lucrative options, such as the production of grape juice or to simply planting other crops, such as citrus (WineMag, 2022b).

Climate change
Similar to other agricultural sectors worldwide, the South African wine sector is vulnerable to climate change, as increasingly extreme weather conditions such as frosts and heatwaves are likely to affect yields and quality. Rising temperatures result in higher alcoholic volume and reduced acidity of the grapes (FT, 2022), this affects the quality of the wines produced and consequently the prices received. In order to adapt to changing climate conditions, producers may have to change grape varieties (NewsWine.za, 2021). Unusual climatic conditions are reportedly contributing to a reduced 2023 crop (IOL, 2023).

Rising cost of fertilisers
The cost of fertilisers has risen dramatically, driven by a number of different international socio-economic factors. Prices are expected to remain high (World Bank, 2022). Given that margins received by producers in South Africa are already low, the industry is particularly vulnerable to external shocks such as these – as prices received by producers generally do not reflect increases in production costs.

Fuel costs and electricity supply
The South African wine industry has also been affected by rising fuel costs in recent years – further reducing margins.

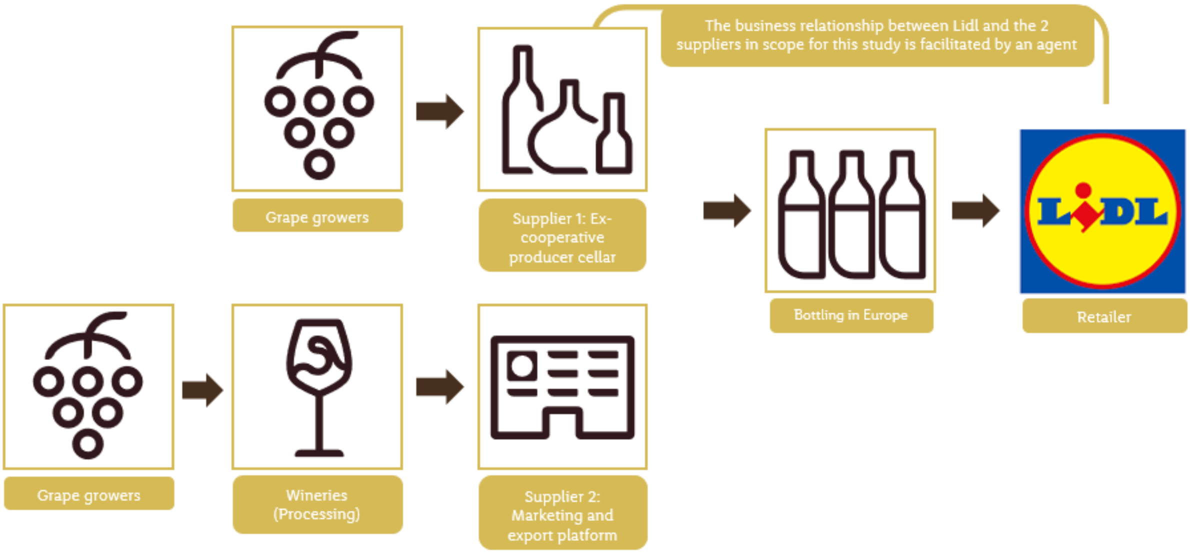


(Figure from World Bank, 2022)

In addition, extreme deficits in the management and capacity of the country's electricity infrastructure means that there are regular outages as state-owned electricity provider implements a practice known as 'load shedding' – with severe consequences for businesses. The practice has been carried out periodically since 2007, as demand for electricity exceeds capacity to supply it. During loadshedding, electricity supply is rationed with supply cut off for several hours at a time. During the 2023 wine harvest, power was cut off for eight hours daily. As a result, it is necessary for producers to keep their own backup generators to ensure that loadshedding schedules do not interfere with time-sensitive production processes, especially during the harvest. This costs cellars thousands in additional costs per month (BBC, 2023).

How Lidl buys wine from South Africa

Lidl's bulk wine supply chain from South Africa



Buying practices

Products	• Wine purchased by Lidl GB can be split into two broad categories of 'bottled wine' and 'bulk wine'. Within each of these two categories some of the wine purchased is Fairtrade. • 99% of the wine purchased from South Africa for sale in the UK falls into the category of bulk wine. The remaining <1% is premium bottled wine. • Lidl GB carries a line of 12 different South African wines, 4 of which are Fairtrade certified, however this can vary slightly year on year. There is a core assortment of wines that remains the same every year, with Chenin Blanc and Pinotage being the most important varieties. Other varieties include Shiraz, Cabernet Sauvignon, Sauvignon Blanc, Chardonnay Colombard, and Shiraz Cabernet.
Supplier selection	• Lidl has two key suppliers of South African wine, both of whom it engages through a Europe-based agent that is responsible for facilitating all aspects of the business relationship between Lidl and the two suppliers. • The agent has a long-term relationship with one of the suppliers (Supplier 1), sourcing from them since 2004. The other supplier (Supplier 2) has been supplying Lidl since 2021.
Contractual arrangements	• Contracts are made between suppliers and Lidl International but negotiated by the agent. • Contracts are three-year rolling contracts, with annual flexibility on volumes and prices.
Volumes	• Volumes of wine sourced by Lidl are fairly consistent year-on-year. Around 10% of total volumes are Fairtrade-certified.

Visibility	• Lidl has limited visibility within the supply chain. No details of the growers, or sub-suppliers, of the two main South African suppliers are regularly requested.
Buying practices of Lidl's sub-suppliers	• *Supplier 1* is an ex-cooperative producer cellar, made up of shareholder producers with which it has long-term commercial agreements. The supplier also sources additional grapes from contract farmers, when required. In total, *Supplier 1* sources from a total 70 different grape farmers. • *Supplier 2* operates a marketing and export platform. It sources from a core group of around 10 wineries, or cellars, most of which are cooperatives. For a given blend, *Supplier 2* will purchase a variety of wines from different wineries and will pay a service fee to one of these wineries to make up the blend especially for Lidl. Currently, there are 4 wineries from which *Supplier 2* sources for Lidl.

Ethical trade considerations

Lidl's policy framework	• Lidl has several different policies related to ethical trade, including a Human Rights in the Supply Chain policy, a Gender Equality in the Supply Chain policy, and a Human Rights and Environmental Due Diligence Policy. The Schwarz Group's (which encompasses Lidl GB) Code of Conduct (CoC) establishes requirements for business partners (including suppliers) regarding labour and human rights issues and the environment and stipulates that these be cascaded down to suppliers. • The Schwarz Group's Code of Conduct covers all human rights relevant to the supply chain and production and is based on the ETI Base Code.
Lidl's supplier evaluation	• In addition to variety, quality and price considerations – as of 2022, all first-tier suppliers for Lidl International must also regularly complete a sustainability Self-Assessment Questionnaire SAQ (Ecovadis) – which provides ratings and areas for improvement. The results of this evaluation are not currently factored into purchasing decisions.
Relevant projects and collaborations	• In 2021, Lidl GB became a founding member of the Sustainable Wine Roundtable (SWR), a coalition of actors working to develop a global wine sustainability standard, share best practices and host technical working groups.
Ethical trade standards of Lidl's suppliers	• Lidl's agent requires that South African suppliers adhere to the Amfori BSCI Code of Conduct, IPW (Integrated Production of Wine Scheme) and WIETA (the Wine & Agricultural Ethical Trade Association) certification. • Fairtrade certification is also required of farms and cellars from which Lidl sources Fairtrade products.

Impact assessment

This section sets out the key findings arising from the impact assessment, which was based on information gathered through the desk-based research of existing public sources, fieldwork at selected sites and broader institutional stakeholder engagement with a range of national and international stakeholders. The impact findings are organised by the supply chain activities in scope.

The impacts are assessed on their saliency - taking into account whether the impact is positive or negative, whether it is directly attributable to the activity in question, its duration, its likelihood, and its magnitude.

The table below displays the impacts assessed for this study. Each box represents an impact finding in relation to the supply chain activity (columns) and the rights category (rows). Positive impacts appear as green circles; negative impacts appear yellow, orange, or pink (shown by the scale below). The latter reflecting the most negative of possible impacts.

Impacts to which Lidl is potentially linked are indicated by a bolded circle, impacts to which Lidl potentially contributes are indicated by a bolded circle with a cross through. Impacts with neither a bolded circle nor cross are those to which Lidl has no potential link or contribution. Attribution to Lidl is further explained in the following chapter.

The impact findings below present a range of actual and potential impacts in a South African wine supply chain and are not intended to be a reflection of the selected suppliers and sites visited during the fieldwork.

Negative impacts

Positive impacts

Summary of impact scores by rights category and supply chain stage

	Crop Maintenance	**Harvest**	**Processing**
Working Conditions	⊗	⊗	⊗
Occupational Health and Safety (OHS)	●	⊗	⊗
Freedom of association and collective bargaining	●	⊗	●
Forced labour		⊗	
Employment discrimination	●	●	●
Gender-based violence and harassment (GBVH)	●	⊗	●
Right to an adequate standard of living	●	⊗	
Right to health	●		

Right to land and property			
Right to life and physical integrity			
Right to an effective remedy			

N.B. Given the risks of the broader agricultural context in South Africa, child labour was included within the scope of the impact assessment. Nevertheless, research conducted for this HRIA found insufficient sources and stakeholder reports to suggest that child labour is a salient potential or actual impact in the wine supply chain, with only historical reports of this issue identified. Subsequently, child labour does not feature on the summary of impacts table above.

Impact findings by activity

Crop maintenance

Year-round maintenance activities include watering and irrigation of grape vines, spraying of agrochemicals, and pruning of vines. Workers involved are typically permanent employees, but temporary and third-party workers can be engaged. Permanent farmworkers are also more likely to live in on-site accommodation.

Rights impacted	Rightsholders	Impact description	Impact rating
Working conditions (contracts, wages, working hours)	Farm workers	Farm workers engaged in maintenance activities are more likely to have permanent contracts, be paid a fixed salary most of the year, and are less likely to work long or excessive hours. Workers generally receive minimum legal wage[4] and those that live on site also receive free or subsidised housing, water and electricity. Issues with contracting, payslips and proper working hour recording occur. The minimum legal wage in South Africa is not considered a living wage (GLWC, 2022), and workers that do not live on site report issues with covering their living costs with minimum legal wage. These workers also experience longer hours owing to transport back and forth from town.	
Occupational Health and Safety (OHS)	Farm workers; Women	There is a risk that workers will not wear appropriate Personal Protective Equipment (PPE) or follow correct procedures for handling agro-chemicals when PPE is provided. Inadequate training can be an issue - with workers consequently not sufficiently appreciating the importance of wearing PPE.	

[4] As of March 2023, minimum wage in South Africa stands at ZAR 25.42 per hour (approximately GBP 1.03) (Department of Employment and Labour, 2023)

		There are some reports of farms exposing workers to agrochemicals by asking them to go back to work after spraying. Also, some reports of serious illnesses being the result of pesticide use - with higher incidences among women. OHS risks in relation to pesticide use are exacerbated by comparatively liberal national regulation on agro-chemicals.	
Freedom of association and collective bargaining	Farm workers	There is a legacy of limited union-employer relations in agriculture. There is often a belief among employers that unions have political motives and that their involvement threatens historical paternalistic relations on farms, which discourages unionisation. Unions report having difficulty accessing farm workers, with farmers not granting permission to access the sites. Women are less likely to participate in unions owing to discrimination and more limited time owing to gendered-care responsibilities.	
Employment discrimination	Farm workers; Migrant workers; Women	Women are much less likely to occupy higher-paid technical roles, such as tractor drivers or supervisors – with reports that they are not considered for these roles. Women are also less likely to be given permanent positions and are more likely to be given temporary contracts – which they may indeed request - owing to their domestic responsibilities. Issues with bathroom access are also common and can disproportionately affect women. Similar issues also occur between local Cape "coloured" workers and black workers, who may be migrants from the Eastern Cape. These workers are likely to have less favourable contractual agreements and lower grade roles.	
Gender-based violence and harassment (GBVH)	Farm workers; Women	GBVH is a risk in the agricultural sector, as well as in society more generally. Domestic violence between family relations living in on-site farm housing is not uncommon - exacerbated by overcrowding and houses shortages that leaves women with limited choices to leave homes, despite abuse.	
Right to an adequate standard of living - housing, food, electricity	Farm workers	Housing on farms is a complex and historical issue. Housing can be in conditions of disrepair with common disputes relating to responsibility of maintenance and allegations against farmers that this is intentional. Overcrowding is also common, with workers bringing in additional family members to live on farms - (in contravention of housing agreements) - because it is considered safer and better-quality housing than in towns. Overcrowding exacerbates social and maintenance issues and creates unhealthy conditions. There are some reports of farmers evicting workers with the legal right to remain in farm housing.	
Right to health	Farm workers; Women; Children and adolescents	Permanent farm workers and their families benefit from mobile medical units run by the Western Cape government. The units visit farm sites on a monthly basis - providing check-ups, medication and referral of workers to medical	

		services in town if required. Some farm workers also benefit from social work assistance provided through cellars. Contrastingly, it is noteworthy that family members may be exposed to pesticides on farms if proper OHS procedures are not followed. Poor quality housing can also cause health issues. Legacy issues of excessive alcohol consumption are common.	
Right to land and property	Farm workers; Women	Housing rights on farms are generally given to male household heads - rather than women - which affects their right to land and property ownership and can aggravate GBVH risk.	
Right to life and physical integrity	Producers	Societal violence also affects farmers and workers living on farms - with risk of violent attacks (particularly aimed at farmers) or violence between families living on site.	
Right to an effective remedy	Farm workers; Women	Permanent workers often have better communication with farmers - especially on farms where there are workers' committees and long-established relationships. However, there can be difficulties with committees functioning effectively and independently due to a heavy reliance on farmers for the organisation of committees and workers' lack of experience. Gender-sensitive grievance mechanisms are not commonplace. Farm workers may face issues raising grievances with external grievance mechanisms, such as the Commissions for Conciliation Mediation and Arbitration (CCMA) or other authorities owing to inefficient systems or poor knowledge and access.	

Harvest

Grapes are typically handpicked using shears and collected into baskets, weighed, and recorded, and then transported to cellars. Mechanised harvesting is increasingly common. Engagement of temporary workers, directly with farmers or via labour brokers, is most likely. Many are migrants and women. Impacts related to harvest worker transportation to and from worksites and local townships, organised by labour brokers, is also considered here.

Rights impacted	**Rightsholders**	**Impact description**	**Impact rating**
Working conditions (contracts, wages, working hours)	Farm workers; Migrant workers; Third-party workers; Women	While issues can occur in direct contracting, hiring through labour brokers increases the risk of irregularities relating to worker informality (no contracts or social security contributions) and non-compliance with legal minimum wage requirements - including manipulation or non-payment of wages, risk of deductions and a lack of transparency about working hours and pay, with payslips not being provided. There are isolated reports of recruitment fees also being charged in some cases.	

		37% of harvest workers in a 2020/2021 sample were not being paid legal minimum wage (Oxfam, 2022). In many cases piece-rates will apply during harvest. However, employers should also always pay the legal minimum wage for hours worked - which may not occur. Women can be particularly negatively affected by piece rates. There may also be requirements to pick a certain number of crates to reach legal minimum wage - which adds time pressures on pickers. Furthermore, even if legal minimum wage is paid during harvest, many temporary workers may only work in the harvest season, resulting in extremely low annual incomes. During harvest periods workers can work long hours (but often within legal maximums)[5]. There are also reports of not being paid on rainy days in some cases - despite workers coming on site. In terms of contracts, language barriers create additional risks of exploitation for migrant workers who may not be able to communicate in local languages. Workers may also be illiterate, and even if contracts are provided - they are regularly not explained properly to workers.	
Occupational Health and Safety (OHS)	Farm workers; Migrant workers; Third-party workers; Women	Harvest workers will be exposed to summer sun for many hours, with risk of heat stroke and sunburn, with temperatures capable of reaching over 40ºC. Workers also risk injury carrying heavy baskets or carrying out similar manual tasks – with additional risks associated with the use of harvesting machinery. Reports also indicate that time pressures mean that workers do not take breaks. Issues with access to water and bathrooms on site, or a lack of OHS training or PPE provision can occur. Women can be disproportionately disadvantaged by poor bathroom access. The most severe risks relate to transport provided by labour brokers for harvest workers - serious accidents en-route to sites are not uncommon - especially given that it is common practice for agricultural workers to be transported on the back of overcrowded trucks or "bakkies" (with no seatbelts) - with no legal maximum number of workers who can be transported this way.	
Freedom of association and collective bargaining	Farm workers; Migrant workers; Third-party workers; Women	Temporary workers, particularly those working for labour brokers, are very unlikely to be unionised - and this is an increasingly common form of recruitment for harvest periods. There also appears to be limited awareness among temporary workers about trade unions. Informality and the prevalence of irregular migrants may also exacerbate this situation.	

[5] 1997 Basic Conditions of Employment Act specifies that normal working hours should not exceed 45 hours. Overtime should not exceed an additional 10 hours per week for cellar workers and 15 hours per week for farm workers.

		Women are less likely to participate in unions owing to discrimination and more limited time owing to gendered-care responsibilities.	
Forced labour	Farm workers; Migrant workers; Third-party workers	While forced labour in its internationally-recognised sense has not been identified in recent years on vineyards - reports do indicate this is a contextual risk and there are concerns issues may go unreported (USDOS, 2023). Cases of forced labour occur in the broader agricultural sector and temporary workers, particularly migrant workers, experience significant vulnerabilities to labour exploitation (see above) that can include indicators of forced labour such as recruitment fees by labour brokers, debt, deception, threats and violence, or isolation. In extreme cases, these could constitute cases of forced labour.	
Employment discrimination	Farm workers; Migrant workers; Third-party workers; Women	Women are more likely to earn less (incl. below legal minimum wage) during harvest work, in cases with piece-rate systems and non-compliances. Furthermore, on farms where harvest is mechanised, men are most likely to occupy higher-paid tractor driving roles. As women are also responsible for domestic work - many start the day as early as 4am with tasks at home. Migrants are often preferred for harvest picking jobs over local South African nationals, as they are sometimes believed to be harder workers. Contrastingly, migrants are less likely to have permanent roles and some reports claim migrants are paid less than locals. This can result in tension between migrants and local workers - with discriminatory language and reports of occasional violent clashes in agricultural areas.	
Gender-based violence and harassment (GBVH)	Farm workers; Migrant workers; Third-party workers; Local communities; Women	Research suggests that GBVH is a risk issue in the wine and agricultural sector - with reports of labour brokers forcing women to perform sexual acts to secure jobs. Given that many workers are female migrants, they experience heightened vulnerability to GBVH.	
Right to an adequate standard of living - housing, food, electricity	Farm workers; Migrant workers; Third-party workers; Local communities; Women	While some temporary workers may be housed on farms – this is increasingly uncommon. Migrant harvest workers often live in shacks in informal settlements on the outskirts of municipal townships – with no or inadequate access to running water or electricity. Conditions are unsanitary and overcrowded. As migrant workers often send a lot of their earnings home - this puts downward pressures on available funds for accommodation.	
Right to an effective remedy	Farm workers; Migrant workers; Third-party workers; Women	Temporary harvest workers will lack access to grievance mechanisms and routes to remedy to a greater extent than permanent farm workers - as they may be working through a labour broker and have no direct contact with farmers. Migrant workers, particularly those that have irregular status, will also be highly unlikely to seek remedy. Even if a grievance mechanism is in place, it is uncommon for this to be gender-sensitive.	

Processing

During processing harvested grapes are pressed and are then fermented and stored in tanks. Workers at cellars are more likely to be employed directly and on permanent contracts. However, there is often some temporary labour engaged during the busy harvest period. There is a lesser presence of women and migrant workers at this stage.

Rights impacted	**Rightsholders**	**Impact description**	**Impact rating**
Working conditions (contracts, wages, working hours)	Cellar workers	Contractually, workers are generally directly employed by the cellar. Working hours may be long, but not beyond legal maximums and with respected breaks. Last minute notifications of overtime can be brought about by last-minute orders. Workers earn legal minimum wage or above - often earning more in more skilled roles and during periods with overtime. However, those on legal minimum wage report difficulties covering living costs. Legal minimum wage is not considered a living wage (GLWC, 2022).	
Occupational Health and Safety (OHS)	Cellar workers; Women	There are inherent OHS risks associated with processing activities, including slippery floors, falls, cuts on pipes, acid burns and chemical splashes. Serious life-changing accidents have been reported in isolated cases. Workers and supervisors may not follow OHS procedures and training, despite regular training and PPE often being in place. Time pressures from last minute orders and understaffing can aggravate this risk. Women may also have inadequate access to sanitary bathrooms facilities.	
Freedom of association and collective bargaining	Cellar workers; Women	Unionisation is more common in cellars, and some have collective bargaining agreements. However, there are also reports that workers committees or representatives can often be "yellow" or influenced by management, in some cases, serving to undermine freedom of association on some sites. Women are less likely to participate in unions owing to discrimination and more limited time owing to gendered-care responsibilities.	
Employment discrimination	Cellar workers; Migrant workers; Women	Women face difficulty in being taken seriously in winemaking - and are a considerable minority in wine cellars – it is particularly uncommon for women to occupy higher paid and more technical roles. Women can often be concentrated in lighter, lower-paid cleaning roles in cellars. Black migrant workers are also less likely to secure permanent or higher-paid roles at cellars – compared to local "coloured" staff. With black workers instead repeatedly serving in temporary roles during harvest periods.	
Gender-based violence and harassment (GBVH)	Cellar workers; Women	GBVH is a significant societal risk. While there are less women in processing roles, women will be working among a male-dominated workforce and are consequently at risk of GBVH -	

		particularly given the national context. However, no specific reports were identified relating to GBVH in wine cellars.	

Understanding root causes, attribution and scope for action

Root causes

To further understand the human rights impacts identified in this HRIA, a root cause analysis was undertaken. Root causes are underlying structural or contextual factors that are considered to drive human rights impacts and affect the enjoyment of human rights by rightsholders. The root cause analysis is important for the development of appropriate actions to mitigate or remedy impacts.

This analysis demonstrated that each human rights impact is frequently driven by multiple root causes, and these root causes often contribute to multiple impacts. Where there are multiple root causes driving these impacts, this may also compound or exacerbate specific impacts.

The root causes are categorised under three main categories: (*e.g., commercial sectoral and business drivers, legal and institutional framework and other contextual social drivers*).

Commercial, sectoral and business drivers

Root cause	Description
Price pressures	South African wines are among the lowest priced wines in the world, and it is reported that 37% of wine producers are operating at a loss (SOMO, 2020). This creates downward pressure on the conditions of workers and increases the likelihood of non-compliance with wage and other regulations. This pressure applies across all phases of the supply chain, but particularly at harvest. Price pressures also drive labour outsourcing, as producers reduce costs associated with contracting themselves, by relying on labour brokers.
Seasonal nature of work	Wine production has a high demand for labour during harvest periods – and is ultimately more seasonal than the fruit sector, for example. This results in a prevalence of temporary and seasonal employment. This impacts working conditions and also drives labour outsourcing during harvest. Producers with limited human resources capacity are also more inclined to outsource labour when it is only required for short periods.
Physical nature of work	Farm and cellar work is physically demanding in nature. Farm work is particularly so during harvest season when workers will be required to work long hours and carry heavy loads in summertime temperatures. Piece-rate work can also increase risk of injury, such as not taking adequate breaks. The physical nature of work exacerbates OHS risks.
Labour outsourcing	Use of labour brokers is increasingly common – particularly during harvest season. Labour brokers are not well monitored by authorities and increases the risk of non-compliance with regulations around wages, working conditions, unsafe travel to site and potential charges of recruitment fees or unfair deductions – which in extreme cases could constitute cases of forced labour. Many labour brokers are not registered with the relevant authorities – let alone certified - and subsequently contract informally. Labour outsourcing is driven by a range of factors including price pressures and other factors, such as housing legislation, deterring producers from contracting direct or permanent workforces.
Rural locations	Grape farms are typically located in remote areas. Isolation exacerbates risk of violent farm attacks, which can even include murders. While the Western Cape typically experiences lower levels of societal violence than other areas, risk remains. The occurrence of farm

	attacks is somewhat linked to the persistent legacy of apartheid which continues to contribute to tensions between typically white farmers, and predominantly black farmworkers. Rural locations can also obstruct union access to remote work sites, and present challenges for monitoring by the understaffed labour inspectorate.
Producer capacity	Producer capacity or willingness to comply with law or standards can result in inadequate human resource capacity, inadequate PPE or OHS training and/or commitment to ensure compliance with broader working or living conditions requirements. Producer capacity can thereby affect a range of living and working conditions experienced on farms. Further, limited producer capacity is also a factor driving increasing reliance on labour brokers. Very few farms have qualified human resource managers and conflict resolution training – which also has consequences for grievance mechanisms and right to remedy. Capacity is often more of an issue among smaller producers who may lack the necessary financial and technical resources and awareness.
Limited worker awareness	Workers may lack awareness of their labour rights, which can lead to exploitation in working conditions and/or mistrust. Migrant workers with limited ability in Afrikaans or English are particularly vulnerable to such practices as they may not be able to communicate properly with their employers or understand the terms of their contracts. In addition, many workers are illiterate. Limited worker awareness also impacts OHS risks, as workers may not understand the importance of using PPE to protect themselves, particularly against agro-chemicals.

Legal and institutional framework

Root cause	Description
Performance of state institutions	The number of labour inspectors is insufficient to enforce compliance with labour laws. The rural location of farms makes access for the purposes of inspection or enforcement difficult. In addition, the Department of Employment and Labour reportedly does not keep an accurate registry of labour brokers operating in the sector, and as a result there is very little oversight into their practices, contributing to risks relating to working conditions and, in extreme cases, forced labour. The poor performance of state institutions also impacts workers right to an effective remedy, as workers may face issues such as lengthy delays when raising grievances with external grievance routes, such as the CCMA or other authorities.
Union fragmentation	The union landscape within the agriculture sector in is highly fragmented, with numerous unions seeking to represent the same groups of workers. This fragmentation contributes to lower unionisation rates. Lack of union presence on farms in the wine sector is also related to the rural isolation of sites and requirements for unions to seek farmer permission to access sites.
Land and housing rights legislation	Housing on farms is a complex issue. ESTA (Extension of Security of Tenure Act) legislation designed to protect workers from eviction by their employers can also have a detrimental effect on other workers, if workers who are no longer working for a farm owner continue to occupy houses on site (which is permitted under ESTA). Legislation may also deter farmers from hiring permanent staff to avoid a complications around workers' right to remain in the accommodation and maintenance disputes – thus driving labour outsourcing.
Liberal regulation on agrochemicals	Legislation on agro-chemicals in South Africa is comparatively liberal compared to regions such as the EU. As a result, some chemicals that are banned in many other countries are permitted for use (one example is 'Paraquat'). Exposure to these dangerous agro-chemicals may result in lung problems and skin diseases, and in extreme cases could lead to fatal poisonings. Liberal agrochemical legislation exacerbates OHS risks on farms.

Road transport regulation	Weak road transport regulation in the Western Cape results in workers being transported in the back of overcrowded trucks, or “bakkies”, without seatbelts. This creates significant OHS risks, particularly at harvest level where temporary workers are transported in trucks to and from farms by labour brokers.

Other contextual social drivers

Root cause	Description
Legacy of apartheid	The agriculture sector continues to be shaped by the legacy of apartheid. Racial tensions between a predominantly white landowning class and a predominantly black farming workforce remain. Part of this legacy is the persistence of ‘family’-like relations between farm owners and their permanent employees who live on farms. This deters unionization and can also obstruct effective dialogue, contributing to a lack of producer capacity on matters such as human resources management – given that they can be accustomed to more informal relations with their workforce. The legacy also contributes significantly to discrimination against black workers, and in rarer cases, cases of violence and farm attacks.
Unemployment and lack of opportunity	High rates of unemployment in the Eastern Cape and neighbouring countries such as Lesotho, Malawi and Zimbabwe contribute to migration into the Western Cape. This contributes to downward pressure on wages and creates increased tension between migrants and local workers who compete for limited jobs. Furthermore, this lack of opportunity, and ultimately desperation, facilitates exploitation of migrant workers, particularly by labour brokers. This situation also affects those in South Africa - official statistics indicate that unemployment is around 35% – although many believe the figure is higher. Rates are double among young people (Stats SA, 2022).
Societal violence	The high rates of societal violence in South Africa also affect the wine and agricultural sectors. Rates of violence, including GBVH, impacts workers living on farm sites as well as farmers’ right to life and physical integrity, affected by the risk of farm attacks.
Societal gender norms	Societal gender stereotypes and norms fuel discrimination against women who may be considered less physically able to hold certain roles. This contributes to multiple human rights issues, including discrimination in work (e.g., lack of opportunity, low pay due to informal, part-time, temporary or less technical roles), GBVH and access to effective grievance mechanisms for women.
Societal perceptions of migrants	Migrant workers are prominent in Western Cape agriculture. Societal perceptions of migrants, whether positive or negative, can fuel discrimination by employers or by fellow workers. It is not uncommon for South African nationals to believe that they are being discriminated against in favour of migrants, and this increases discrimination and, in extreme cases, conflict and potentially violence in rural communities. Recent and ongoing changes to national policy to curtail migration from neighbouring countries, particularly Zimbabwe, may serve to further fuel discrimination (Al Jazeera, 2023).
Rural housing shortage	A shortage of rural housing in the Western Cape means that workers who live on farms in accommodation provided by their employers often bring additional family members to live with them on site (IOL, 2022). This creates overcrowded conditions, causing disrepair and driving GBVH. A lack of decent accommodation is also such that those workers who do not live on site typically live in shacks in informal settlements without running water or electricity, impacting on their standard of living.

Attribution of impacts to Lidl

The UN Guiding Principles and the OECD Due Diligence Guidance for Responsible Business Conduct outline three ways that a human rights impact can be attributed to a company:

- Causation
- Contribution
- Linkage

Understanding a company's relationship to impacts is important for determining its leverage, or the capability of a company to influence conditions in the supply chain. This understanding helps prioritise the impacts to be addressed and helps identify the most effective actions that can mitigate impacts or prevent potential impacts on rightsholders in the shortest timeframe. Nevertheless, it is important to highlight that a relationship to an impact through causation, contribution or linkage are not pre-requisites for action by companies, which should consider how they can address all impacts or potential impacts identified.

In order to develop and prioritise recommended actions for Lidl, Ergon undertook an internal analysis to identify the nature of Lidl's relationship – through prices paid, supplier selection and requirements and other sourcing and purchasing decisions - to each of salient impacts identified in this HRIA (e.g., causation, contribution, linkage). This process was part of the development of the subsequent recommendations.

As an end buyer with no direct contractual or investment relationships to the lowest, highest-risk tier of the supply chain (i.e., farm-based activities in South Africa), Lidl's activities alone are not sufficient to *cause* an impact to occur, in most cases. Its connections to impacts are therefore through *contribution* or *linkage* – as set out in some examples below. In some cases, there is no attribution.

The below are example descriptions of attribution for a selection of impacts and are not intended to be comprehensive. The summary of impacts table included in the previous chapter provides further detail on Lidl's attribution to each impact.

Farms: Crop maintenance

Rights issue	Attribution	Description
Right to an adequate standard of living - housing, food, electricity	Linkage	Issues relating to housing rights and conditions are driven by a range of factors including legislation, rural housing shortages and producer capacity. Some maintenance issues and potentially evictions can be the result of actions, inactions or decisions by producers in a supply chain – ultimately meaning that Lidl can be linked to this impact.
GBVH	No attribution	GBVH, particularly in the form of domestic violence, is a broad societal issue that occurs on and off farms. This situation in the sector is driven largely by societal gender norms and is not the result of action or inaction by Lidl or other commercial actors in the supply chain. Therefore, no attribution was found.

Farms: Harvest

Rights issue	Attribution	Description
Working conditions (contracts, wages, hours)	Contribution	Issues relating to working conditions, particularly worker wage levels, are largely driven by increasing price pressures exerted on producers – which are passed down the supply chain from cellars and exporters on to producers and even labour brokers. Price pressures are also a major driver of labour outsourcing – which exacerbates these issues. In this way, Lidl can contribute to this impact through the prices it pays.
Freedom of association and collective bargaining	Contribution	Low levels of freedom of association at harvest level is driven by factors such as isolated rural locations, fragmentation of unions, and to a certain extent, labour outsourcing – which in turn lends itself to the hiring of transient, migrant workers – which are harder for unions to access. Price pressures drive labour outsourcing – and in this way, Lidl can contribute to this impact.

Cellars: Processing

Rights issue	Attribution	Description
Occupational health and safety	Contribution	OHS risks are somewhat inherent to processing tasks. However, time pressures from last minute orders and understaffing, brought about through prices pressures, can aggravate risk of accidents. In this way, Lidl can contribute to this impact.
Employment discrimination	Linkage	Discrimination at all stages is largely caused by societal perceptions – be it of migrants or women. Nevertheless, discrimination against certain workers – in terms of contracts or conditions, for example - is ultimately the action, inaction or decision of supply chain actors, and therefore Lidl can be linked to this impact.

Recommendations

The recommendations below are provided by Ergon to Lidl based on the findings of this HRIA and Ergon's understanding of Lidl's current systems and processes. These recommendations will require further reflection internally and development within Lidl's HRAP. These additions may include practical elements such as the allocation of responsibility and resource, establishment of timeframes and monitoring processes, among others.

Recommendations have been grouped into areas of action. Each recommendation includes key steps, rationale and a suggested timeframe. Timeframes are classified as short term (up to 6 months); medium term (1-2 years); and long term (2 years+). Recommendations are framed around an understanding of the current policies and practices of Lidl, and include actions that Lidl can take unilaterally, as well as collaborative actions over issues where its influence as a single retailer is limited.

Communication

Recommendation	Key steps	Timeframe	Rationale
Communicate HRIA findings and recommendations to stakeholders, suppliers and relevant partners	Share HRIA report with stakeholders engaged for the project – giving selected stakeholders an opportunity to provide feedback on the HRAP. Share HRIA findings and recommendations with key agent, and later country of origin (COO) suppliers, to explore possible collaboration on the HRAP. Share HRIA report findings with SWR members and its human and labour rights working group – use this as an opportunity	Short-term	Meeting expectations of stakeholders engaged and building relationships for alignment and future collaborations on HRAP. Lidl GB was a founding member of the SWR which will be defining its work on human and labour rights in 2023. Nordic monopolies, some of which are also SWR founding members, are very active in the SA

	to engage in dialogue with members and identify opportunities for collaboration.		wine sector and can be valuable partners to learn from. Suppliers report frustration about varying and overlapping agendas among retailers – collaboration, where possible, is key to avoid duplication.

Purchasing practices

Recommendation	**Key steps**	**Timeframe**	**Rationale**
Take measures to ensure fair pricing	Continue to maintain long-term commercial relationships with select suppliers (incl. cellars) – and to the extent possible, farms, in COO. Explore possible adjustments to contract negotiation process to ensure suppliers' increases in costs of production are accounted for. Ensure full transparency regarding expectations of marketing and advertising costs – and that additional costs are factored into fair pricing. Commission a third-party study to ascertain fair pricing brackets for common South African wine varieties purchased by Lidl - with prices that allow suppliers to pay Living Wages (at cellar and farm level) and invest in sustainable practices. Use fair pricing findings as a basis for contract negotiations and supplier monitoring going forward.	Ongoing Medium-term Medium-long term	There is broad consensus among a range of stakeholders that there is currently not enough money in the SA wine supply chain for producers to pay above legal minimum wage – which is below the most recent calculation of living wage. Over a third of wine producers are loss-making currently and are unlikely to have the resources to pay higher wages without charging higher prices. There is significant goodwill and interest in the supply chain for improving conditions and investing in social initiatives – however, current pricing does not allow for further investment in existing initiatives by suppliers. Sustainability and decent social standards come at a price that is currently not being paid. They also report greater distance to and less understanding by Lidl's commercial teams as compared to other retailers.

	Develop process for Lidl buyers and CSR colleagues to regularly visit key suppliers to explore salient issues and build greater understanding of production context and identify areas for investment and collaboration on human rights challenges.	Long-term	Maintaining long-relationships down to farm level may be difficult owing to blends, climate change etc – but important to consider this where possible and continue to work closely with cellars.
Consider adjustments to negotiation and order timings	Explore how negotiations regarding order volume can take place sufficiently in advance of harvest season (Sept / Oct ahead of following Vintage). Ensure regular order timeframes are sufficient for suppliers to meet – suppliers report ideally 3 weeks is required to prepare wine for shipment.	Medium-term	Current negotiation timings do not provide suppliers with financial security ahead of the harvest – financial concerns and pressures can have negative impacts on working conditions. Current contract "flex" can also mean that suppliers have to keep aside large volumes of wine that Lidl has the right to purchase right ahead of the next vintage – which presents additional financial risk and pressure for suppliers. Occasional last-minute order timings put time pressures on cellars and cellar workers – contributing to last minute overtime for workers.
Increase purchasing of Fairtrade and promote Fairtrade among consumers	Discuss and set targets to incrementally increase purchase of Fairtrade-certified wines in GB and international Lidl markets. Strengthen consumer awareness raising efforts about the benefits of Fairtrade – with a focus on wine – and increased marketing lesser developed Lidl markets in order to build demand for Fairtrade wine.	Short-long term	Anecdotal evidence demonstrates positive impact of Fairtrade certification on living and working conditions of workers. Incentive is needed to encourage Fairtrade certification – given sales are currently limited by demand. Most producers are selling only 20-50% of product as Fairtrade.

			It is notable that not all grape varieties and blends may be able as Fairtrade, and this will need to be explored internally.
Increase purchasing of bottled wines	Set target to also increase purchase of locally bottled South African wines, opposed to bulk wine.	Short-long term	Bottling of wines in country means more value is added in South Africa, rather than Europe. Supporting light manufacturing, such as bottling, in South Africa would be a much-needed contribution to job creation in the sector and country more broadly.

Standards and monitoring

Recommendation	Key steps	Timeframe	Rationale
Strengthen internal human rights due diligence (HRDD) processes and supply chain transparency	Consider how the existing ethical trade supplier assessment tool can be used to: • Improve understanding of suppliers' and sub-suppliers HRDD • Increase transparency down to farm-level. • Gather key info on demographics of farm-level workforce as well as use and management of labour brokers. Explore how tool results can be used to prioritise purchasing from higher-performing suppliers and to encourage improvements.	Short-long term	Lidl does not currently request transparency in its supply chain past second tier suppliers – and therefore has no farm level transparency or insights on key issues. Current risk mitigation heavily relies on certification – which is not significantly robust. It is important to encourage culture of "beyond audit" HRDD down supply chain. It is important that increasing requirements on suppliers are reflected in pricing. Factoring HRDD performance into supplier selection encourages improvements among suppliers as well as acts as an additional mitigation measure. Important to consider how Lidl's key agent can support the strengthening of the HRDD process and

	Request additional risk reports on specific sourcing locations through WIETA, to establish priority risks to follow up on with suppliers. Consult agent and key sub-suppliers about the types of support and capacity building that Lidl can provide to support them to manage CSR topics down the supply chain.		implementation of the HRAP – especially given the reliance of Lidl on the agent for managing the relationship with key suppliers in COO. Furthermore, given that Lidl has strong, long-term commercial relationships with suppliers in COO– offering capacity building to these suppliers and their producers should also be a consideration (see below).

Supporting suppliers

Recommendation	Key steps	Timeframe	Rationale
Support suppliers to mitigate risks of labour outsourcing	Engage with suppliers, local organisations (e.g., WIETA and Stronger Together) and other MSIs or retailers sourcing from SA (e.g., through SWR) with the view to collaborate on and fund long-term and wide-reaching measure to address outsourcing risks, including: • Capacity building for wine producers on effective labour contractor management – (e.g., trainings, tools, resources) • Awareness-raising on rights among workers, including the most vulnerable (women, migrants etc). • Scaling up certification of labour brokers and related capacity building for brokers. Joining the Stronger Together SA Programme would be a logical first step.	Short-medium term Medium-long term	Labour outsourcing is one of the most significant drivers of negative human rights impacts in the supply chain – particularly affecting the most vulnerable workers. This trend is also set to continue and needs much greater regulation. While certification of labour brokers provides some basic assurance, there is a shortage of certified labour brokers. For this, and given the prevalence of risks, there is also a need for farmers to not rely solely on WIETA / SIZA certification of labour brokers, but to also develop capacity to effectively monitor labour brokers themselves.

	Develop and introduce requirements on labour broker management in the supply chain, introducing a preference for direct contracting of workers and a minimum requirement that labour brokers used are certified.		
Support suppliers to address gender discrimination in the supply chain	Identify sites (including key cellars and farms in the supply chain) to fund gender diagnostics and capacity building – seeking to identify and remedy ways in which women are facing discrimination or being disproportionately affected by working conditions impacts on site (e.g., short-term contracts, OHS etc). Explore implementation of a project to empower and train women in the supply chain to take on higher-paid, technical roles (e.g., machine operators, tractor drivers, supervisors).	Medium-long term Long-term	Women are disproportionately impacted by many of the most salient human rights impacts identified. Women are not being provided equal opportunities to access higher-paid technical roles, despite interest. This will have increasingly significant consequences as mechanisation in the sector increases and women are left with increasingly less opportunities. An initiative to support women into these roles would provide valuable opportunities and examples to inspire others and challenge cultural perceptions.

Collaboration

Recommendation	Key steps	Timeframe	Rationale
Take measures to strengthen worker voice in the supply chain	Engage with relevant certifiers (e.g., WIETA and Fairtrade) to understand current measures and possibilities to further strengthen participation of the most vulnerable workers in audits – with a focus on languages, gender and accessibility of migrants. Engage in discussions with WIETA to explore ways in which grievance mechanism (GM) requirements can be strengthened	Short-term	Site visits suggest certification audits may not be sufficiently engaging with the most vulnerable workers – particularly owing to language barriers. Migrant workers are not confident in expressing themselves fully in Afrikaans and English, and translation support can be limited. This can have significant implications for the effective participation

	at farm level – ensuring that access for temporary, migrant workers is essential. Consider supporting existing initiatives in this area (e.g., WIETA training on GM and social dialogue or Emerging Leaders to support personal development workers).	Medium-long term	of vulnerable workers and consequences for the accuracy of information gathered. Grievance mechanisms are weak at the bottom of supply chain – especially among temporary migrant workers, who are the most vulnerable.
Explore possibility of living wage initiative	Discuss with relevant potential partners, such as those in the SWR, the interest in and feasibility of a living wage initiative in the sector. Use information from fair pricing study (above) to inform these discussions.	Medium-term	Supports existing Lidl commitment to living wage and incomes. Existing tools such as IDH salary matrix and GLWC living wage estimates for Western Cape provide a useful basis from which to explore the idea. Current gaps between real wages and living wage is limited in some cases so such an initiative can present the opportunity to address a “low-hanging fruit”.
Explore opportunities to strengthen freedom of association (FoA)	Engage with IUF, as part of existing dialogue, to discuss findings and explore ways in which Lidl can engage with relevant local trade unions and strengthen freedom of association and collective bargaining in the supply chain. Discuss trade union engagement with Nordic monopolies with a view to learn from their experience. Meet with and consult local trade unions as part of Lidl visits to COO.	Short-term Long-term	FoA challenges are historical in South Africa. It would be logical for Lidl to work through its existing relationship with IUF to navigate these challenges and define possible next steps.
Explore possibilities to support existing local initiatives	Map existing projects and consider supporting local initiatives to address some of the pertinent, structural issues present,	Short-long term	There are many significant structural issues that are root causes of many of the human rights impacts in the supply chain. These are deep-rooted societal challenges and require local expertise and multi-

to address endemic social issues	including GBVH, health and addiction, OSH, social dialogue and worker awareness of rights. Gather support among other commercial actors (e.g., SWR) to increase potential support and financing of initiatives.		stakeholder investment to begin to bring about change. Given that local organisations are already working on these issues on a small-scale – it is important to not duplicate but to invest and support in scaling up – ideally with contributions from other major international buyers – for alignment and impact.

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