

Sustainability update 2018

Our progress on healthy eating, plastic and soy.



Making good food accessible for everyone.

Our vision is to ‘make good food accessible for everyone’ and over the past few years we’ve built our ambitious sustainability strategy, which sets out our plans to achieve this vision.

Behind everything, our strategy, our plans, our goals and our vision, is a strong desire to run a responsible business that acts with transparency and accountability, every day.

In 2017, we published our first sustainability report, which gave a detailed account of our CSR performance. Now we want to share updates on three important areas that we’ve been working closely on and that we know are important to our stakeholders - healthy eating, plastic and soy.

Each of these issues requires a journey. From fully understanding the challenge, to setting the right commitments and action points, to taking appropriate and effective action for the long term. We’re at different stages of the journey for each challenge and while there are varying levels of public awareness, each is equally important to us.

Outside of these three issues, we’re continuing to work on a number of important areas as we deliver our strategy, which we will detail next year in our second full sustainability report.



Page 3



Page 8



Page 15



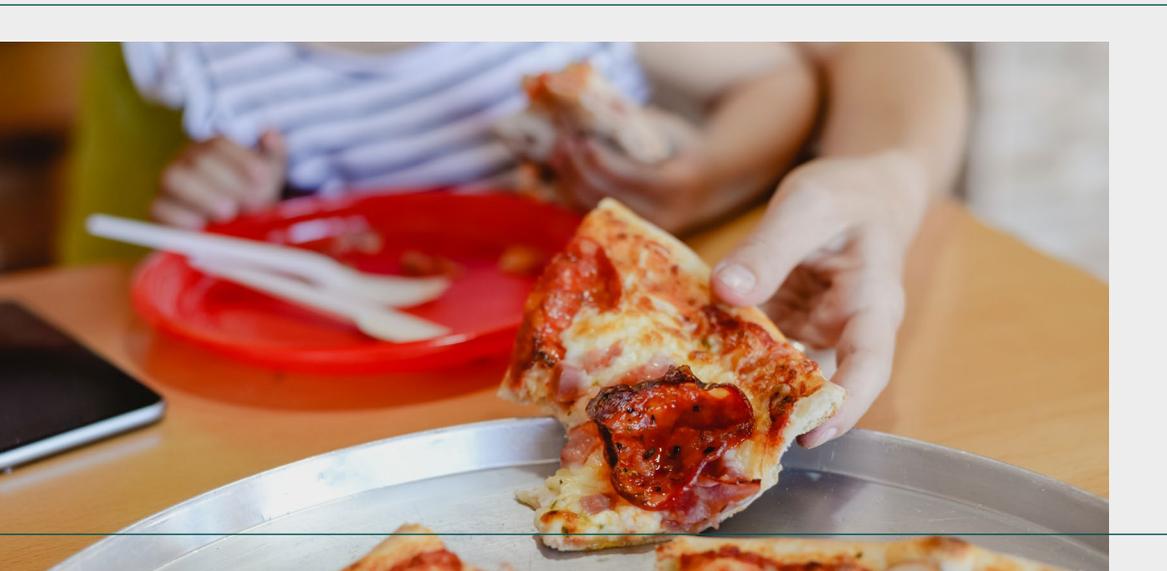
Healthy Eating

An urgent obesity crisis.

As a country, we're facing an urgent obesity crisis. It's the greatest health challenge we face - 10% of children start school obese, rising to 20% by year six. There's a clear and proven link between obesity and deprivation. Children growing up in low-income households are more than twice as likely to be obese than those in higher income households. This inequality gap has been steadily rising over the last decade and, worryingly, the trend is set to continue.

To achieve our vision of 'making good food accessible to everyone' we are helping families eat more healthily. Our approach in tackling this challenge is to focus on those that need the support the most, low-income households. Evidence suggests that low-income households need specific support to overcome the barriers to healthy eating.

As a discounter, we have removed many of the cost barriers to healthy eating, offering fresh nutritious food at great value. However, our plan is to continue to find ways to make the healthy choice the cheapest choice, helping parents to make better choices for their families. For us, it's about making healthy eating simple and accessible. We know our stores can play a big role, but before we can design the right solutions, we need to really understand the barriers faced by families on a budget. That's why our focus so far has been to work with partners on producing a rigorous piece of academic research, to gain a deep and thorough understanding of the issue.



There's a strong relationship between deprivation and obesity.

In England, 3 in every 10 children living in the most deprived areas are obese:



Compared to 1 in 10 children living in the least deprived:



And the deprivation gap is growing.

The difference between obesity rates among the least and most deprived children has increased by over 50% in the past decade.



The barriers on a budget.

Evidence clearly suggests that there's a social gradient to vegetable consumption. On average families in the 20% lowest income bracket eat half a portion less veg than families in the highest 20% bracket.

We wanted to understand why, so working with Brighton University and Brighton and Hove Council we created a 'Veg on a Budget' project group to run a series of five focus groups with 29 parents. The aim was to explore how and why families who shop on a budget in an area of multiple deprivation in the South East of England eat the veg they do - and to shed light on the possible opportunities for change.

This new research was designed to unpack the reasons why veg consumption tends to be lower in this income group, by exploring the complex relationships between the various conscious and subconscious factors that are at play when buying veg.

We purposely avoided comparing their intake of veg to recommended levels, and instead simply asked, in an interactive format, what veg they ate, why they ate it, and what made it easier or more difficult for them to eat more.



Making a pledge for more veg

We've been part of the 'Peas Please' campaign since 2017. It's allowed us to collaborate, learn and work together with other organisations that share our aims to find the right solutions. As a result of the campaign we've pledged to help our customers eat more veg in a number of ways.

- We've increased the frequency of our advertising of veg
- We've regularly promoted veg through our recipes and social media channels
- We introduced new fun-sized products in packaging specifically designed to encourage children to eat veg
- We moved fruit and veg to the front of the store to make it more prominent



Our findings: The challenge is complex.

We found out that the parents we spoke to try hard to follow the '5 fruit and veg a day' rule and recognise that veg is an important part of their children's diet. But there's a complex interplay between the different factors, which operate consciously and subconsciously when parents are buying veg. Primary factors led by retailers such as price, promotion and placement play a important role in driving buying patterns.

However, our research has established a range of wider influences that are especially important to parents decisions when buying veg. These factors have been clustered into four main themes, all of which were added up to determine how much money parents were prepared to spend on veg and how much they were prepared to risk it being wasted - what we call 'Veg-shop bandwidth'.

Attributes of vegetables



We found that there's a common group of 'core veg', which parents buy regularly. Core veg is preferred, as parents know that they are versatile and that their children will eat them - so the risk of waste is reduced.

Several key characteristics of these core veg emerged: they are 'dual use' as most can be eaten cooked or raw; multipurpose - used in salads, sandwiches, lunchboxes, snacks or meals; easy to prepare; and were seen as 'safe' because children will eat them. Parents also spoke of core veg being used daily and having a high 'turn around'.

Core Veg: carrots, tomatoes, cucumber, peppers, onion, broccoli and tinned sweetcorn.

Influence of the retailer



Interestingly, it was assumed that the range of veg on offer would be a main determinant affecting families veg consumption in the retailers control but this in fact was not the case.

Pack size can be a key barrier for some, particularly in smaller households or when the food wasn't eaten by the whole family and had a short shelf life at home. This was specifically relevant for bags of salad and green leafy veg.



Family food dynamics

Families of these demographics that took part in the research, invested in the Sunday roast as an important family moment - typically serving at least two veg along with non-core veg like swede, parsnip and cauliflower. However these non-core veg tended not to be used for any other meal and so were more likely to be wasted.

Attributes of parents

According to the parents we spoke to, shopping for veg is heavily driven by routine. Parents shop quickly, based on what they know will get eaten. They have a mental veg list and pay little attention to offers and promotions 'off list'.

'Veg literacy' was limiting for some, especially younger families, that have less time to develop cooking skills or had minimal exposure to veg diversity in their own childhood. And because they are shopping on a budget, they don't have the financial scope to experiment.

For many participants, the pace and complexity of their lives also meant that they didn't have the interest and/or capacity to devote time to incorporating more veg. In our research we have termed this as 'veg interest and investment capacity' (VIIC).

Overall the risk of waste was strongly influenced by parents' veg literacy, their VIIC to spend time and energy on extra veg and how they responded to the fussiness of their children.

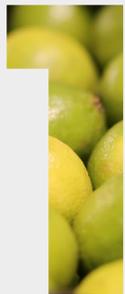


Building ambitious plans: Practically helping our customers to make healthy choices.

How do we translate this into real action? Our plans are ambitious and evidence based. Not patronising or based on assumptions. We'll use this research to shape an approach that not only helps parents make healthy choices but actively make baskets healthier. This means helping families consume more fresh nutritious food but also experience a greater range by taking advantage of seasonal availability and special offers.

For us, this is part of a journey. We don't have all the answers yet and we haven't set out all the changes we want to make, but we're keen to test and learn. What is clear is that the impact of our changes must be measurable, for us to learn, share and adapt. Our research has told us that to create real impact it's crucial that we work in partnership with real people, our customers, those that are relatable and identifiable and informed by real-life experiences.

Building on our research, we know we need to focus on:



Making strong commitments

to drive meaningful and long-lasting change. Leveraging our position as a discount retailers to continue to remove cost barriers and focus our promotion of healthy foods.



Inspiring

those on a budget to prepare and cook healthy food. We will use a range of communication channels that best reach our customers to bring new ideas and inspiration.



Using our stores

to make healthy food more accessible and to better inform our customers to help them switch to healthier choices. We will explore changes to positioning of healthy foods and improving nutritional transparency in our stores to encourage healthy eating behaviours. We will also focus on those wider factors that influence parents buying decisions, such as pester power.



Plastic

The plastics challenge.

Over the last year we've seen unprecedented public reaction to the damage caused by single-use plastics. So much so 'single-use' has become the number 1 word of 2018. And since then the debate around the role of plastic, specifically in food retail, has rapidly become polarised with many factions quick to demonise its use.

The destructive impact plastic pollution is having on the environment is well documented. **Plastic accumulating in our oceans and on our beaches has become a global crisis** and evidence of the devastating effect of plastic on marine life is mounting. The facts are there: more than 8 million tonnes of plastic enter our oceans every year and only 14% of plastic packaging is collected for recycling globally. It's clear that urgent action is needed.

However, we believe plastics are important. We need them but only when it is necessary.

The benefits of plastics are evident. They're durable, flexible, waterproof, lightweight and low cost. Plastic packaging has a much lower carbon impact than many alternative materials like paper and cardboard and has played a huge role in driving down food waste by keeping produce fresher for longer. It takes a huge amount of energy and water to grow, produce and transport the food we eat. On average there are ten times more resources invested in producing food, compared to what is required to produce their packaging, so protecting and not wasting food is crucially important. The reason some of our fruit and veg is packaged in plastic for example, is because it increases shelf life, helping ensure it stays fresh in our stores and gets eaten at home.

It is clear that we must act fast to eliminate all unnecessary plastic from packaging and products. However, simply eradicating plastics entirely is not the right answer. Instead we need to harness their benefits through effective recovery and recycling without attracting the unintended consequences. Being careful we don't turn back the clock on efforts to reduce food waste or weaken the fight against climate change.

This is the challenge and we don't have all the answers. We do however, recognise urgent action is required now to strike the right balance and create a major shift in the way that packaging and plastics are used. That way we can collectively reduce the overall environmental impact.



“We recognise urgent action is required now to strike the right balance.”

This is our strategy, 'Circular Motion'.

We're acting now to make the necessary changes to achieve this, starting by taking a full and transparent audit of our current plastic footprint and working with the recycling industry to get a firm grasp of the most important issues and most effective solutions.

For us, we must do four things:



Calculating our plastic footprint.

We've made a huge effort to really get to grips with the extent of the challenge and to better understand our plastics impact.

For us, this means we first need to understand our packaging in detail - exactly how much we handle in volume but also the type of polymer. **To do this, we worked with suppliers to get accurate data for our entire product range and build a comprehensive picture of our plastic footprint.**

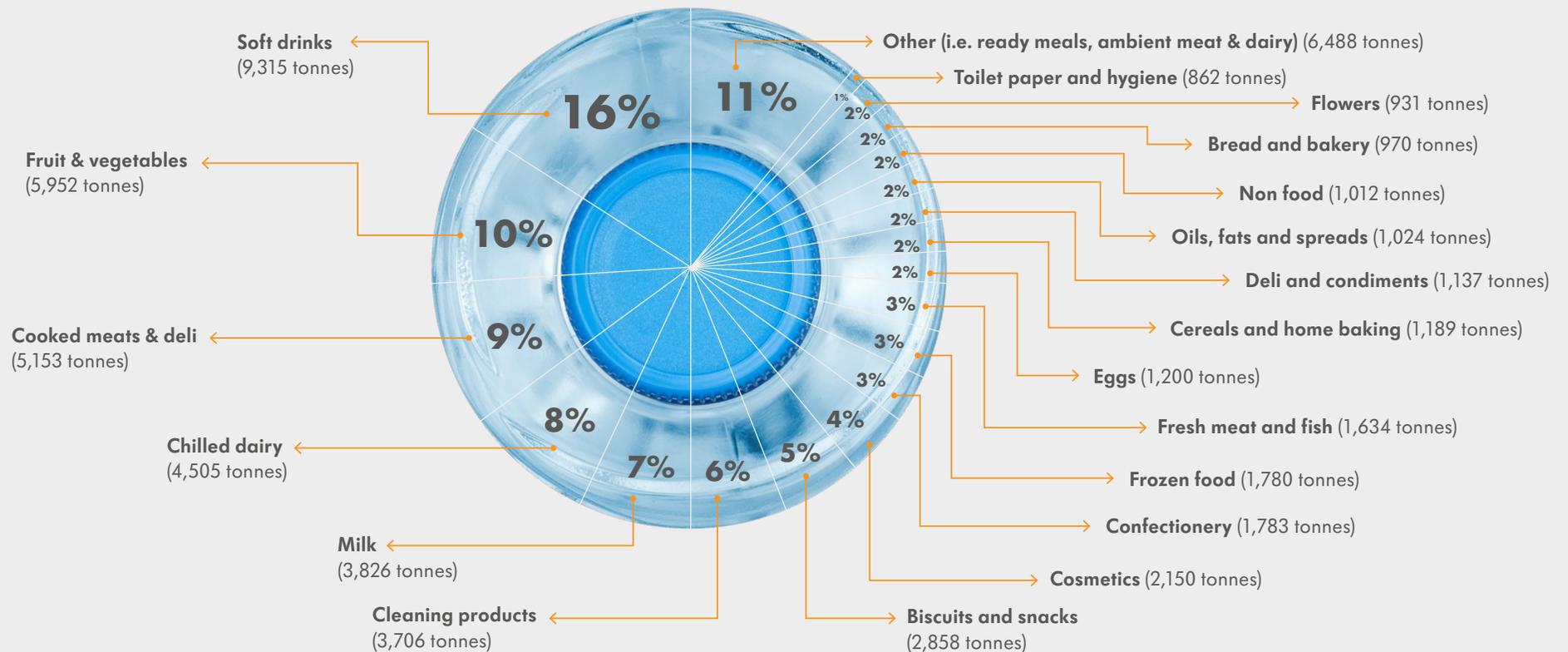
Our 2017 footprint (tonnes)

Primary packaging:
57,474

Secondary packaging:
2,540

Tertiary packaging:
2,140

PET	19,108
PE bags / film	7,409
HDPE Rigid	7,325
PP film	6,563
PP rigids	5,824
Polystyrene	1,406
PVC	242
Other plastics	5,280
Unknown plastics	4,317
Total	57,474



Acting now.

It will take time to find the best solutions for the long term. But after analysing our plastic footprint and collaborating with suppliers and the recycling industry, we've moved in a quick and agile way to make simple but impactful changes.

Our progress is based on three key areas:

“Black plastic is one of the most problematic forms of plastic you can find on supermarket shelves and Lidl are doing the right thing by phasing it out as quickly as possible.”

Louise Edge, Senior Oceans Campaigner for Greenpeace UK



- **Black plastic** – We've removed all black plastic (which can't be widely recycled) from our fruit and veg packaging



- **Plastic trays** – We've replaced plastic trays across our premium tomato range with cardboard
- **Pizza bases** – We've replaced polystyrene pizza bases with cardboard
- **Sports caps** – We've made the sports caps on our water bottles easier to recycle
- **Cotton buds** – We've replaced plastic-stemmed cotton buds with biodegradable paper-based alternatives
- **Microbeads** – We've removed microbeads from all cosmetic and household products
- **Carrier bags** – We've eradicated all 5p single use carrier bags



- **Water bottles** – We now require selected plastic water bottles to contain a minimum of 25% recycled plastic

Helping customers to recycle at home

It can be hard for customers to understand what can and can't be recycled, with many differences between products, components and local authority collection systems

We know that on-pack labels are one of the best ways of clearing up the confusion so we've signed up to the On-Pack Recycling Label (OPRL), an industry-consistent on-pack labelling scheme.



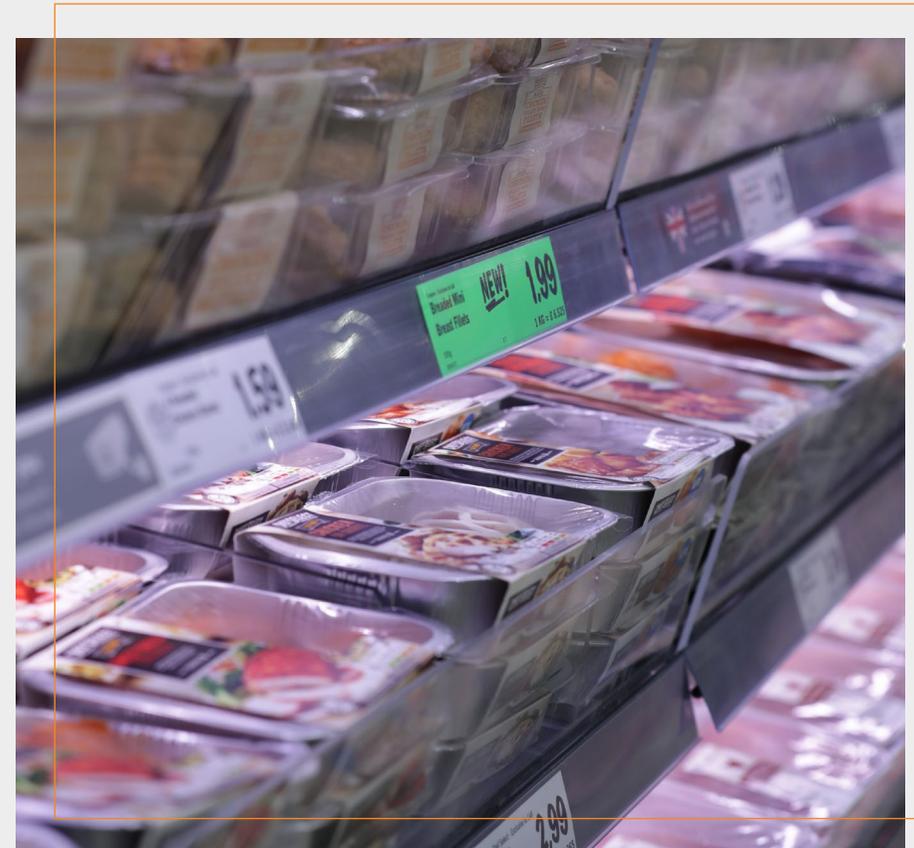
Global ghost gear initiative (GGGI)

We've signed up to the GGGI to help tackle the wider issue of ocean plastic. Ghost gear refers to any fishing equipment or fishing-related litter that has been abandoned or lost in the ocean. It contributes to around 10% of total ocean plastics. The GGGI is the first initiative dedicated to tackling the problem of ghost gear on a global scale.



Collaborating on a **positive future** for plastics.

We're one of the founding members of the WRAP Plastics Pact – a collaborative initiative that brings retailers and manufacturers together with the UK government and NGOs to set industry-wide targets and find shared solutions. We're working together with fellow members of the Plastics Pact to share ideas for reducing plastic, increasing recycling and driving the shift to a circular economy.



Circular Motion - our plan for plastics.

Our vision is to shift to a system that captures and retains the valuable resources in our packaging.

Transformative action is required to achieve this vision and we have a simple but challenging strategy to achieve it. Our strategy, called Circular Motion, will see plastic packaging reduced or recycled, leading to a truly circular system for the long term and is aligned with the wider groups 360° plastics reduction strategy towards sustainable plastic usage.

by 2019



- Eliminated black plastic from our fruit and veg packaging
- Increased the recycled content to at least 25% on select plastic water bottles
- Removed all single use carrier bags

by 2020



- Explored new reusable and renewable models
- Eliminated all black plastic from fresh meat and fish products

by 2022



- Reduced our own brand (primary) plastic packaging **by 20%**

by 2025



- Ensure 100% of own brand packaging is widely recyclable, reusable or refillable
- Increased the recycled content of own brand packaging to 50% by 2025



Soy

The soy challenge.

When most people hear the word “soy” they tend to think of soy milk or soy sauce. The truth is that anyone who eats meat, dairy or eggs consumes large amounts of soy indirectly - and contributes to the environmental and social impacts of its production. In the UK, our import footprint for soy is 45% higher than palm oil, yet it is a relatively unknown commodity in the consumer’s mind. The soy challenge isn’t as widely talked about or understood as healthy eating or plastics yet, but we believe it is just as important.

Because of the soybean’s high level of protein and the efficiency by which it can be produced, it’s widely used in the farming industry to feed livestock. Approximately 90 percent of soy imported into the EU is used for animal feed and as the consumption of meat, dairy and eggs continues to rise around the world, as does the production of soy. In fact, soy production has increased eightfold since the 1960s and has doubled since the year 2000.

The expansion of soy production has been strongly associated with deforestation and the destruction of natural habitats. This has had consequential impacts on biodiversity, carbon emissions, water systems and community wellbeing.

When we clear forests, all the carbon that was being stored by the trees is released back into the atmosphere, contributing to global warming. Between 10 and 20 percent of greenhouse gas emissions are said to come from deforestation.

That said, soy plays, and will continue to play, a vitally important role within our food system. In moderation, animal protein forms a critical part of a nutritious diet and soy is an efficient, productive crop that contributes significantly to the economies of countries such as Brazil, Paraguay and Argentina.



90% of soy imported into the EU is used for animal feed.



Meeting the demand for soy in the UK requires **1.68m** hectares of land.



77% of UK soy imports come from countries at high-risk from deforestation, like Argentina, Brazil and Paraguay.



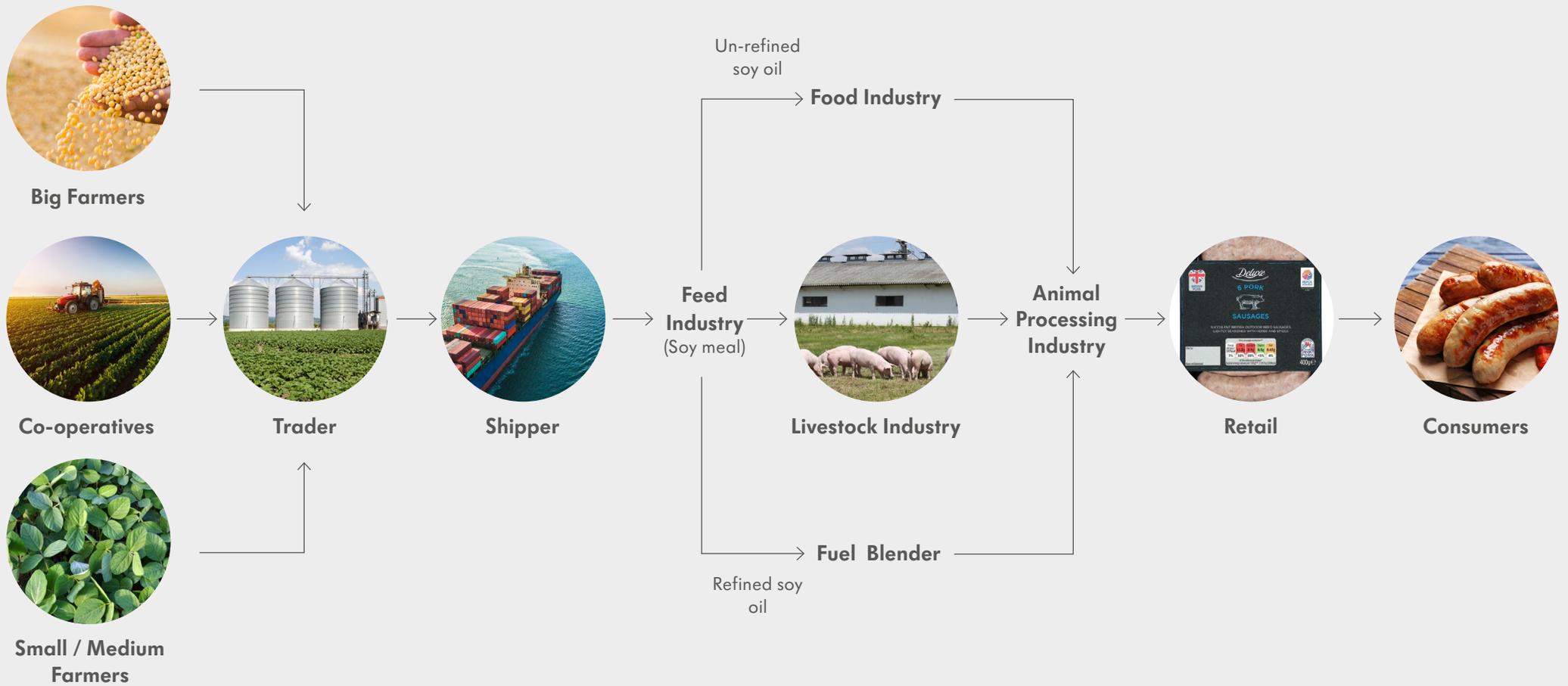
Many of the worlds endangered species live in forests.

1.6 billion people rely on forests for food, fresh water and clothing.

10-20% of greenhouse gas emissions come from deforestation.

A complex supply chain.

The soy supply chain is complex – with many different actors and power dynamics.



Our plan for soy.

As a leader in the retail food industry, we recognise the responsibility that we have to help accelerate progress towards a secure and resilient supply of sustainable soy. We've divided our strategy to achieve this into two phases:



PHASE 1 Act as a catalyst for change

We'll work directly with our own supply chain to incentivise the production of sustainable, zero deforestation soy.

OUR COMMITMENT:

From September 2018, Lidl will purchase Round Table on Responsible Soy (RTRS)* credits annually through a 'Book and Claim Direct Trade' approach, covering 100% of our soy footprint and sending a clear market signal for sustainable, zero deforestation soy.

*RTRS is a global platform founded by the WWF and others in 2006.



PHASE 2 Make sustainable soy the norm

We'll work with the industry to transform the market and create new supply chains for sustainable, zero deforestation soy in the UK.

OUR COMMITMENT:

Through being a signatory of support for the Cerrado Manifesto and an active member of the Roundtable on Responsible Soy we are committed to working with the supply chain on market mechanisms for sustainable soy.

Our work with the Round Table on Responsible Soy.

To help us tackle the soy challenge, and ensure we take direct action, we've started working with the RTRS to promote sustainable soy from production through to consumption by taking a collaborative approach.

The first step was to really understand the extent of the problem, so we used the RTRS soy calculator to create a comprehensive picture of our soy footprint. We calculated that approximately 130,000 tonnes of soy were used indirectly as feed in the production of our fresh and frozen products such as chicken, pork, cheese, beef and eggs.

Next, we became the first UK supermarket to purchase RTRS credits for our entire soy footprint, making us the largest buyer of credits in the UK. We use these RTRS credits to incentivise sustainable, zero deforestation soy production by offering a financial premium for producing soy to RTRS standards.



The RTRS Standards drive responsible practice around

- Legal compliance
- Good business practices
- Working conditions
- Community relations
- Environmental impacts
- Good agricultural practices
- Traceability
- Responsible pesticide use

The farmers we're supporting through RTRS credits.

By working with the RTRS 'book and claim direct trade' model, we have identified three farms in Brazil that we have committed to purchasing our RTRS certificates from and directing our premiums towards. This is essentially off-setting our soy footprint. As there is not currently a viable, mass market solution for a physically traceable flow of sustainable soy into the UK, we feel that this sourcing method is the best way to directly support soy producers through a long-term commitment and financial incentive.

We hope to see this agenda evolve, so that more sustainable soy is available in the market. Through Lidl's support, investments in local social and environmental projects have directly supported over 1000 people in the region to date. Here are the three soy farms in Brazil that we are buying RTRS credits from.



Fazenda Progresso

City: Sebastiao Leal

Total area (hectares): 66,557

Total employees: 267

Female employees: 41

Programmes implemented:

- Scholarships for five young farmers to study agriculture at university
- Constructing a school, canteen and playground in the local municipality of Sebastião Leal



Fazenda Serra Vermelha

City: Sambaiba

Total area (hectares): 22,950

Total employees: 144

Female employees: 11

Programmes implemented:

- Child development programme focused on leveraging the benefits of performance arts



Fazenda Sol Nascente

City: Balsas

Total area (hectares): 112

Total employees: 12

Female employees: 2

Programmes implemented:

- Agricultural training to over 240 young farmers
- Technical support from crop to harvest to improve quality

Having an impact.

We have communicated directly with Brazilian producers in Maranhão and Piauí on the importance of sustainable soy for the UK market, raising awareness and understanding. We have financially incentivised producers to produce sustainable soy, ensuring our commitment to sustainable production is underpinned with commercial viability.



Engaging with Brazilian soy producers on Lidl's commitment to sustainable soy, October 2018

“Lidl not only recognises the need to support sustainable soy. It's shown its commitment by investing in the project, allowing us to protect our industry for the future and help our communities to prosper.”

Cornelio Sanders, Fazenda Progresso

As Lidl has been raising awareness and working with partners to promote sustainable soy, we have seen an increase in the availability of sustainable soy in Maranhão and Piauí, drawing a parallel between growing demand and growing supply.

**RTRS Certified farms
in 2016 (380,000
Ton/Credits)**

**RTRS Certified farms
in 2017 (940,000
Ton/Credits)**



We have also worked hard to raise awareness of sustainable soy production with policy makers in the United Kingdom.

“This is very welcome news and illustrates how the UK food and feed industry, with the support of the UK Roundtable on Sustainable Soya, can show global leadership on sustainable commodity sourcing, supporting developmental livelihoods whilst also protecting the environment.”

George Eustice, Minister of State at the Department for Environment, Food and Rural Affairs (DEFRA)

Sustainability at Lidl.

For this update we've focused on healthy eating, plastics and soy, but we're continuing to work on all of the areas below to deliver our sustainability strategy and achieve our vision of 'making good food accessible to everyone'. A full update will be given in our second sustainability report.

Our sustainability support areas:



Sourcing for the future

- Sustainable commodities
- Plastics and packaging
- Animal welfare



Securing our supply chain

- Buying British
- Human rights and working conditions
- Strengthening supply relationships



Championing a healthy society

- Encouraging healthy eating
- Getting kids active
- Supporting good causes



Supporting our colleagues

- Engagement and wellbeing
- Diversity and inclusion
- Paying a living wage



Protecting the environment

- Tackling climate change
- Efficient logistics
- Cutting food waste





You can find out more and read our full 2017 sustainability report at

 [lidl.co.uk/Sustainability](https://www.lidl.co.uk/Sustainability)