

Lidl Great Britain

Human Rights and Environmental Due Diligence Policy

For the responsible sourcing of
products

Version 2: December 2020



“ We recognise the fundamental obligation of governments, businesses and individuals to respect human rights and protect the natural environment. As part of our approach we are committed to regularly reviewing and developing this policy, understanding that corporate due diligence is a dynamically evolving process. ”

Christian Härtnagel
CEO, Lidl GB Ltd

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1. Foreword

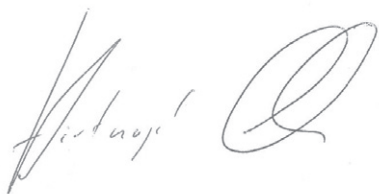
At Lidl Great Britain our vision for Corporate Social Responsibility (CSR) is to ‘make good food accessible to everyone.’ For us, this means embedding ambitious, measurable goals and focused programmes into our company to help us build a better business and respond to the pressing issues facing our society. Respecting human rights and protecting the environment in the supply chains of the products we buy and sell are founding aspects of our CSR strategy, and we are committed to rigorously implementing a due diligence process across our entire value chain.

We recognise the fundamental importance of transparency; communicating openly about the lessons we learn as we implement due diligence, as well as the progress we are making towards our commitments. Through our CSR reports and corporate website we are committed to providing even greater transparency over the coming years. We will also further develop our risk assessment processes, ensuring that we continue to develop our understanding of the ever-evolving global landscape, enabling us to refine and better understand the issues facing our supply chain and implement measures accordingly.

We actively engage in dialogue with our stakeholders, including our suppliers, subject-matter experts, civil society organisations and Trade Unions. This engagement helps us to increase internal knowledge and understanding of salient human rights issues and material environmental concerns. To effectively develop these insights, we continue to strengthen relationships with our suppliers, develop partnerships and critical friendships and to enter into new collaborations and multi-stakeholder initiatives.

Through our commitment to human rights and environmental due diligence we continue to work hard every day to address the impacts of our operations, securing our business for the future and ensuring we have a positive impact on the planet and the lives of the people that we interact with.

This ‘Human Rights and Environmental Due Diligence Policy’ has been approved by the Board of Directors of Lidl Great Britain.



Christian Härtnagel
Chief Executive Officer (CEO)
Lidl Great Britain Limited



Ryan McDonnell
Chief Commercial Officer (CCO)
Lidl Great Britain Limited

www.lidl.co.uk/sustainability

2. Our Understanding

We face many global challenges; environmentally we are living far beyond the planet's boundaries and more than two in three people who live in extreme poverty reside in rural areas, and are often associated with global food supply chains.

Due to the complex nature of food supply chains, the most salient human rights risks and environmental challenges are typically found upstream, in sectors and geographies far removed from our day to day operations. Challenges associated with upholding human rights are complex and systemic, meaning they can often impact entire sectors. Salient human rights issues such as occupational health and safety hazards, lack of freedom of association, discrimination, inadequate remuneration, child labour or forced labour can often be most effectively addressed through systemic solutions, and in collaboration with governments, suppliers, other companies within the industry and civil society organisations. We recognise that labour abuses often occur when governments fail to protect workers rights and when workers are unable to effectively organise and represent themselves.

The production of food is also highly resource intensive from an environmental perspective. In order to increase yields to feed our growing global population it is important that we cultivate, harvest and process more food in a way that protects the health of our soils, demonstrates sound water stewardship and promotes biodiversity. We therefore understand the need to align our resource consumption with planetary boundaries and make an active contribution to the preservation of ecosystems.

As one of the world's largest retailers, Lidl is committed to sourcing its products in a sustainable way. In order to define sustainability at Lidl, we have undergone a strategic analysis to determine our vision, mission, focus areas and concrete goals. To develop our strategy we have consulted carefully, taking into account customer expectations, NGO priorities, legislative and scientific developments. Taking this approach we have considered the current and future challenges facing our business, as well our leverage within our supply chains, recognising that our business practices have a direct impact on our supply chain.

Following this process, we identified the following strategic focus areas within sustainable sourcing: climate change, water, circular economy, human rights, raw materials, biodiversity and sourcing responsible products.

In this policy we outline our approach to due diligence as aligned with our strategic focus areas. We report on the steps we are currently taking, as well as outlining our future commitments, ensuring we continue learning and adapting our approach as an organisation.



Policy position, standards and guidelines

At a group level, Lidl is committed to upholding human rights and protecting the environment. Due diligence is founded upon our commitment to upholding all internationally recognised frameworks, as well as signing up to the specific principles, listed below:

- **UN Sustainable Development Goals**
- **UN Universal Declaration of Human Rights**
- **UN Convention on the Rights of the Child**
- **UN Convention on the Elimination of All Forms of Discrimination Against Women**
- **UN Guiding Principles on Business and Human Rights**
- **UN Women's Empowerment Principles**
- **ILO Conventions and Core Labour Standards**
- **OECD Guidelines for Multinational Enterprises**
- **Dhaka Principles for Migration with Dignity**

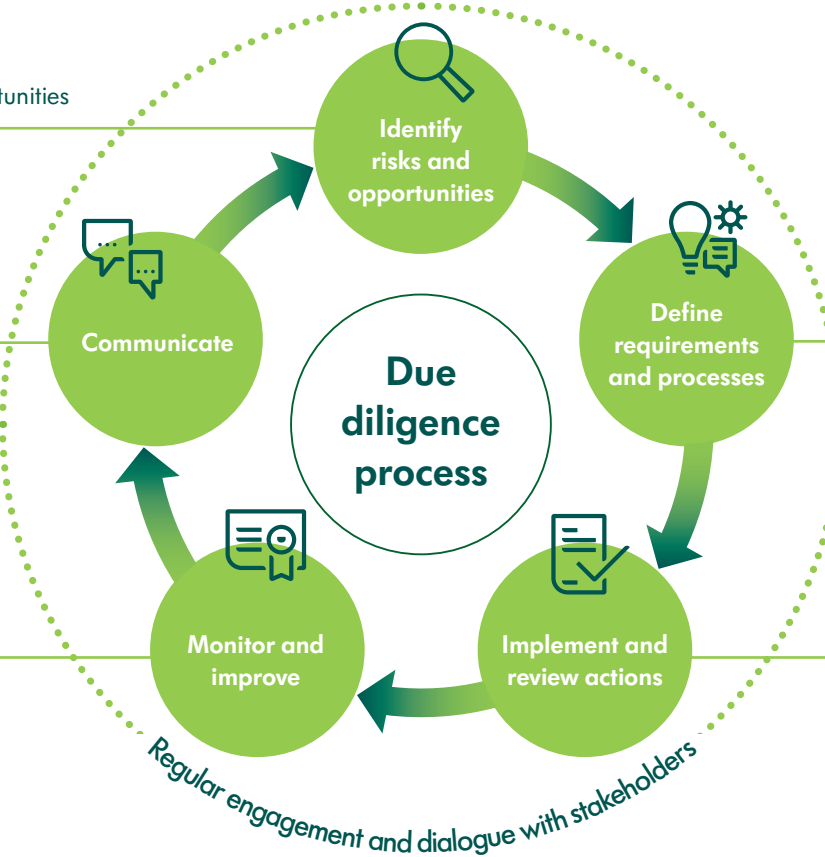
Our *Supplier Code of Conduct*, which was published in 2006, outlines our specific positions on social and environmental standards and forms the basis of our commercial relationships with our direct suppliers. We require our direct suppliers to uphold the clauses from our Code of Conduct within their own supply chains as part of our commercial agreements. Lidl takes a zero-tolerance approach towards inaction on forced and child labour and works proactively to tackle these issues as part of its due diligence process.

We share the responsibility of addressing risks in our supply chains with our direct suppliers and work actively together to ensure risks are effectively managed and identified issues are effectively remediated.

3. Management Approach for the Implementation of Due Diligence

Through our management approach to the implementation of due diligence, we systematically monitor and assess the potential and actual risk of human rights violations and environmental impacts in our supply chains. Potential and actual risks identified through this process are prevented and mitigated. This is done through the development of concrete actions, which are implemented within our business practices, buying policies and programmes. By implementing these steps we take accountability for the adverse impacts of our business and identify wider opportunities.

- Risk assess supply chain
- Identify risks and opportunities
- Assess impacts and organisational opportunities



- Report transparently on progress and learnings to internal and external stakeholders

- Monitor and improve requirements and processes
- Eliminate, reduce and avoid negative impacts
- Provide access to effective grievance mechanisms and access to remedy

- Define clear requirements, goals and objectives
- Establish auditable processes
- Allocate roles and responsibilities

- Implement activities and interventions in the supply chain
- Audit, assess and develop the supply chain
- Engage with stakeholders

3.1 Identify Risks and Opportunities

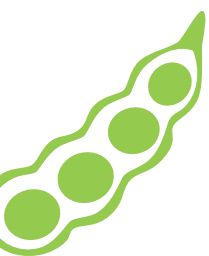
In order to systematically assess risks and opportunities we regularly monitor measurable human rights, environmental and economic indicators and use these insights as a foundation for developing appropriate measures. We recognise the interconnected nature of these issues, for example that environmental risks such as water pollution and greenhouse gas emissions also have indirect impacts on human rights.

In order to assess risk we use indices such as the International Trade Union Confederation (ITUC) Global Rights Index and the Global Slavery Index (GSI) together with environmental data from the United Nations Food and Agriculture Organisation (FAO) and the Environmental Performance Index. We also engage regularly with external stakeholders, including civil society organisations, NGOs, expert partners and Trade Unions using their insights and expertise to feed in to our risk assessment. Together with these stakeholders, we will better understand and take measures to overcome the barriers facing workers from exercising freedom of association and their right to collective bargaining. Our risk assessment considers all stages of the value chain, from raw material extraction through to the final packing, production and distribution processes.

In order to assess risks in a quantitative way, we have defined specific assessment factors within each of our focus areas. These factors enable us to measure our risks in a comparable way. Climate change impacts, for example, are assessed through a factor related to greenhouse gas emissions.

By combining our quantitative and qualitative risk factors with our purchasing volumes, we conducted a high-level risk assessment at a group level of our supply chains to understand our focus areas, as well as the connected salient human rights issues facing workers including smallholder farmers and women. This is a process we are committed to regularly reviewing and refining, as outlined in [our commitments](#).

The key findings of our risk assessment, which covers all our own-label product supply chains, is presented on the following page.





Bananas

Human Rights Risks

- Child labour: Brazil, Ecuador, Philippines
- Forced labour: Angola, India, Indonesia
- Workers Rights: Brazil, China, Philippines
- Discrimination: India, Indonesia

Environmental Risks:

- Biodiversity: Angola, Ecuador, India
- Climate vulnerability: India, Philippines
- Land use and deforestation: Brazil, Ecuador, Indonesia
- Water: Brazil, India



Fish

Human Rights Risks

- Child labour: Philippines, Thailand, Vietnam
- Forced labour: China, Thailand, Vietnam
- Workers Rights: Indonesia, Thailand, Vietnam
- Discrimination: Morocco, Mexico, Indonesia

Environmental Risks:

- Biodiversity: China, India, USA
- Climate vulnerability: India, USA
- Land use and deforestation: Brazil, Malaysia, Vietnam
- Water: Chile, China, India



Cocoa

Human Rights Risks

- Child labour: Ivory Coast, Ghana, Nigeria
- Forced labour: Ivory Coast, Ghana, Indonesia
- Workers Rights: Brazil, Ivory Coast, Indonesia
- Discrimination: Ivory Coast, Ghana, Indonesia

Environmental Risks:

- Biodiversity: Ivory Coast, Ghana, Indonesia
- Climate vulnerability: Dominican Republic, Nigeria
- Land use and deforestation: Brazil, Ecuador, Ivory Coast, Ghana
- Water: Brazil, Ghana, Nigeria



Rice

Human Rights Risks

- Child labour: Bangladesh, India, Vietnam
- Forced labour: India, Thailand, Vietnam
- Workers Rights: China, Thailand, Vietnam
- Discrimination: India, Indonesia, Myanmar

Environmental Risks:

- Biodiversity: China, India, Vietnam
- Climate vulnerability: India, Myanmar, Vietnam
- Land use and deforestation: China, India, Vietnam
- Water: China, India, Vietnam



Tea

Human Rights Risks

- Child labour: India, Kenya, Sri Lanka
- Forced labour: China, India, Sri Lanka
- Workers Rights: China, India, Kenya
- Discrimination: India, Kenya, Turkey

Environmental Risks:

- Biodiversity: China, India, Kenya
- Climate vulnerability: India, Kenya, Vietnam
- Land use and deforestation: China, India, Indonesia
- Water: China, India, Vietnam



Cotton

Human Rights Risks

- Child labour: India, Turkmenistan, Uzbekistan
- Forced labour: India, Pakistan, Uzbekistan
- Workers Rights: India, Pakistan, Uzbekistan
- Discrimination: India, Pakistan

Environmental Risks:

- Biodiversity: India, Turkey, USA
- Climate vulnerability: India, Pakistan, USA
- Land use and deforestation: Brazil, China, India
- Water: China, India, USA



Hazelnuts

Human Rights Risks

- Child labour: Azerbaijan, Georgia, Turkey
- Forced labour: China, Jordan
- Workers Rights: China, Iran, Turkey
- Discrimination: Azerbaijan, Iran

Environmental Risks:

- Biodiversity: Jordan, Turkey, USA
- Climate vulnerability: USA
- Land use and deforestation: Azerbaijan, China, Jordan
- Water: Azerbaijan, China, Iran



Palm Oil

Human Rights Risks

- Child labour: Ivory Coast, Nigeria
- Forced labour: Indonesia, Malaysia, Thailand
- Workers Rights: Indonesia, Colombia, Malaysia
- Discrimination: Guatemala, Indonesia, Papua New Guinea

Environmental Risks:

- Biodiversity: Ecuador, Indonesia, Papua New Guinea
- Climate vulnerability: Indonesia, Malaysia, Thailand
- Land use and deforestation: Indonesia, Malaysia, Thailand
- Water: Indonesia, Nigeria, Thailand



Soy

Human Rights Risks

- Child labour: India, Nigeria, Paraguay
- Forced labour: China, India, Ukraine
- Workers Rights: Brazil, India, Ukraine
- Discrimination: Bolivia, India

Environmental Risks:

- Biodiversity: Argentina, China, India
- Climate vulnerability: India, Canada, USA
- Land use and deforestation: Bolivia, Brazil, Paraguay
- Water: Brazil, China, India



Wood

Human Rights Risks

- Child labour: China, Indonesia, Russia
- Forced labour: China, Indonesia, Russia
- Workers Rights: Brazil, China, Indonesia
- Discrimination: Brazil, Indonesia

Environmental Risks:

- Biodiversity: Indonesia, Canada, Russia
- Climate vulnerability: Japan, Canada, USA
- Land use and deforestation: Brazil, China, Indonesia
- Water: Brazil, China, USA



Plants & Flowers

Human Rights Risks

- Child labour: Ethiopia, Kenya
- Forced labour: Ethiopia, Kenya, Thailand
- Workers Rights: Ethiopia, China Malaysia
- Discrimination: Ethiopia, Kenya

Environmental Risks:

- Biodiversity: Ethiopia, Ecuador, Kenya
- Climate vulnerability: Kenya, Thailand
- Land use and deforestation: Ecuador, Colombia, Malaysia
- Water: Ethiopia, China, Kenya



Coffee

Human Rights Risks

- Child labour: Ethiopia, Colombia
- Forced labour: Ethiopia, Indonesia, Colombia
- Workers Rights: Brazil, Guatemala, Indonesia
- Discrimination: Ethiopia, Honduras, India

Environmental Risks:

- Biodiversity: Indonesia, Honduras, Vietnam
- Climate vulnerability: Brazil, India, Vietnam
- Land use and deforestation: Brazil, Indonesia, Colombia
- Water: Brazil, Indonesia, Vietnam

This map shows the key raw material supply chains of the Lidl group. Through the process outlined on page 8, we have assessed the human rights and environmental risks in the respective sourcing countries. Further information on the salient risks are shared on page 10.

Human Rights Risks

Child Labour: work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.

Forced Labour: situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities.

Workers Rights: insufficient wages and incomes, excessive working hours, health and safety issues, restrictions on freedom of association, harassment or abuse.

Discrimination: any distinction, exclusion or preference made on the basis of race, colour, gender, religion (among other characteristics), "which has the effect of nullifying or impairing equality of opportunity and treatment in employment or occupation".

Environmental Risks

Loss of Biodiversity: the loss of ecosystem services and biodiversity (the totality of genes, species and ecosystems in a defined area).

Climate Vulnerability: the degree to which people or the things they value are susceptible to, or are unable to cope with, the adverse impacts of climate change.

Land Conversion and Deforestation: the clearing of natural forest land or land with high biodiversity value to meet other land needs such as plantations, agriculture, pasture-land and mining.

Water Risks: insufficient water to meet basic needs (water scarcity), lack of access to water and/or water pollution.

3.2 Define Requirements and Processes

The integration of CSR requirements and processes within our wider business practices is a key factor in the successful implementation of due diligence. The Lidl buying and CSR team work closely with direct suppliers, relevant stakeholders and NGOs to better understand the identified risks. Lidl recognises the importance of active dialogue with NGOs and Trade Unions to understand the barriers facing workers within its supply chain and specifically incorporates this exchange within its due diligence.

As a result of this consultation process, clear and binding sourcing policies are developed, published and integrated within our tender processes and purchasing practices, which our buyers are required to implement across their product categories as part of their roles.

These policies, which contain defined sourcing commitments, outline the measures being taken by Lidl to mitigate the respective salient human rights and environmental risks associated with our raw material supply chains. The policies are regularly monitored and developed to ensure identified risks are managed and emerging risks are included as necessary.

Update: We are constantly developing our buyers' understanding of social and environmental issues. Buying teams are trained internally by CSR specialists on an annual basis as part of their range review cycles to ensure they are aware of the key human rights and environmental risks associated with their categories. Buyers receive a 'Responsible Sourcing Handbook', which explains sustainability topics and commitments relevant to Lidl - from tackling climate change to protecting human rights - and outlines clear buying requirements down to product ingredient level, which must be implemented through their buying roles.

As part of our management approach, we are continuously developing our responsible sourcing requirements and training materials, implementing a robust monitoring system to ensure responsible purchasing practices.

Within the raw material supply chains that Lidl GB has identified as having the highest potential human rights and environmental risks, Lidl has committed to the following binding goals, which can be read in more detail on our [website](#).



Cocoa

- 100% of the cocoa used within the products sold by Lidl GB is sourced from either Fairtrade, Rainforest Alliance, UTZ or Organic certified sources

Fish

- 100% of Lidl GB's permanently listed fresh and frozen wild caught seafood is sourced from Marine Stewardship Council (MSC) certified fisheries
- 100% of Lidl GB's permanently listed fresh and frozen farmed seafood (aquaculture) is sourced from Aquaculture Stewardship Council (ASC), Global GAP or Best Aquaculture Practices (BAP) certified sources



Palm oil

- 100% of the palm oil used within Lidl GB own-brand food products has been sourced, and will continue to be sourced, from Roundtable on Sustainable Palm Oil (RSPO) certified sustainable sources
- 100% of the palm oil used within Lidl GB own-brand non-food products has been sourced, and will continue to be sourced, from RSPO certified sustainable sources



Soy

- 100% of the soy used as animal feed is sourced from Roundtable for Responsible Soy (RTRS) sustainable, deforestation free sources

Tea

- 100% of the green, black and rooibos tea sold by Lidl GB is sourced from either Fairtrade, Rainforest Alliance, UTZ or Organic certified sources



Coffee

- By 2020, 100% of the roast and ground coffee sold by Lidl GB will be sourced from third party certified sustainable sources (subject to certified sources being available at origin)

Plants & Flowers

- By 2020, 100% of the plants and flowers sold by Lidl GB will be sourced from farms certified to third party social and environmental standards (e.g. Fairtrade, Global GAP, Global GAP GRASP)

Fruit & Vegetables

- By 2020, 100% of the fruit and vegetables sold by Lidl GB will be sourced from farms certified to third party social and environmental standards (e.g. Fairtrade, Global GAP, Global GAP GRASP)

Textiles

- By 2020, we have committed to remove all toxic chemicals from our textile production as part of the Greenpeace Detox campaign.

Timber

- By 2020, 100% of the timber and wood based products used by Lidl GB will be from either recycled or Forest Stewardship Council (FSC) / Programme for the Endorsement of Forest Certification (PEFC) / PEFC sources



Cotton

- By the end of 2025, 100% of our cotton will be sourced from sustainable sources including either Fairtrade, Cotton Made in Africa, Organic and the Global Organic Textile Standard (GOTS)

3.3 Implement and Review

Having identified our risks and defined our requirements and processes, we rigorously undertake a range of actions to implement and monitor our due diligence. Our current focus for addressing human rights and environmental risks is in the supply chains of our own-brand products, which represent the majority (over 85%) of the products sold in our stores. This is where we have the greatest material influence in our supply chain.

We incorporate human rights and environmental requirements into our buying processes and monitor compliance through the implementation of independent controls, such as third-party certification schemes (as outlined in section 3.2) and social audits. Although we recognise the limitations of audits in their ability to effectively improve working conditions or detect violations that are often hidden, such as forced labour, we feel they play an important role in our due diligence to gather supply chain information at a point in time. Through these independent assessments we gather information to support our wider risk analysis.

Within our food supply chains we work with Sedex to conduct risk-based SMETA audits to understand the effectiveness of social management systems within high risk supply chains, including areas such as health and safety protection, working hours, wages and employee rights. By monitoring the action plans of these audits we are able to drive continuous improvements in our supply chains. In our fruit and vegetable supply chains we work with Global GAP GRASP. This social risk assessment enables us to understand and evaluate the baseline performance of our growers around the world.

Within our non-food supply chains we have an ongoing social compliance programme to monitor the standards of all own label suppliers outside of Europe. This includes a requirement to conduct annual amfori-BSCI social audits, the results of which form part of our buying decisions. We also outline clear expectations with regards to policies on preventing child labour, forced labour and responsible recruitment.

When it comes to labour violations within the supply chain, Lidl endeavours to work closely with suppliers and partners to remediate the issue in the best interest of the affected individual. Lidl would only ever terminate a business relationship on the grounds of human rights issues when all other possible solutions had been thoroughly explored. For example, to support the development of social management systems within our supply chains we provide our direct suppliers with a range of direct training sessions, collaboration opportunities and guidance documents. These are delivered by third-party experts and in recent years has included Stronger Together, Save the Children, CARE, Fairtrade, Sedex and the Food Network for Ethical Trade (FNET).

The UN Women's Empowerment Principles

In 2019 Lidl Great Britain signed the UN Women's Empowerment Principles (WEPs). The WEPs are a collaborative initiative between UN Women and the UN Global Compact. It is the first global initiative which aims to promote women's empowerment and gender equality within businesses and their supply chains. By signing up to the following seven principles businesses commit to using these principles as guideposts to integrate broader commitments on the topic of women's empowerment into their own company policies:

1. Establish high-level corporate leadership for gender equality
2. Treat all women and men fairly at work – respect and support human rights and non-discrimination
3. Ensure the health, safety and well-being of all women and men workers
4. Promote education, training and professional development for women
5. Implement enterprise development, supply chain and marketing practices that empower women
6. Promote equality through community initiatives and advocacy
7. Measure and publicly report on progress to achieve gender equality

In addition to our compliance approach, we take an active role in driving a more sustainable supply chain and encourage ethical production methods, focusing on rights-holders. We recognise that, despite the fact that women and smallholder farmers play a vital role within many of our agricultural and textile supply chains, they often experience country or sector specific challenges that can lead to greater vulnerability to human rights violations. We are also committed to supporting rights-holders to increase their resilience and prosperity.

To develop these approaches we are committed to engaging with external stakeholders and partners on a regular basis. Our external stakeholders include civil society organisations, NGOs and trade unions. Our programmes in high risk supply chains are developed and implemented in close collaboration with expert partners such as Fairtrade, CARE, UTZ, RTRS and GIZ (the German Development Agency).

Within Guatemala, for example, we have engaged in a programme to promote women within the coffee supply chain. In Bolivia, we have been working specifically with smallholder coffee producers to strengthen their resilience within their cooperatives. In the Ivory Coast we are supporting smallholder farmers to develop sustainable production methods. As part of the Lidl Soy Initiative, we are also supporting smallholder farmers in the Cerrado region of Brazil to cultivate sustainable soy production.

Within our non-food supply chains we have also been engaged in various projects and programmes to respond to identified risks, including low labour standards, low environmental standards and a high consumption of raw materials, chemicals, energy and water.

Between 2009 and 2019 we have financed and implemented training for around 200 suppliers in Bangladesh and China in partnership with GIZ. Through these sessions we communicated and trained our suppliers on environmental and health and safety standards, as well as on awareness of workers rights. Through these sessions we were able to meet the goals of the Greenpeace Detox Campaign, which we signed in 2014. Within Bangladesh specifically Lidl has signed the Bangladesh Accord on Fire and Building Safety, a legally binding agreement between brands and trade unions to work towards a safe and healthy garment and textile industry in Bangladesh through factory inspections, supporting remediation and delivering safety training. Lidl has also developed a 'Cradle to Cradle' textile range, a biological production system that ensures all raw materials are fully degradable, continuously reused or recycled.

These projects aim to increase productivity and resilience for farmers and workers in our supply chains, ultimately supporting a route to higher incomes and greater protection against climate change. These initiatives are all shared in more detail on our [website](#).

Through ongoing engagement and collaboration with civil society organisations, experts and other companies, we are able to drive systemic change within our supply chains. For this reason, we see multi-stakeholder initiatives (MSIs) playing a vital role in leveraging supply chain action to drive change. Lidl actively engages in multi-stakeholder initiatives to advocate for progress. For example, we are a board member of the RTRS, an active member of the World Banana Forum, a founding board member of the Sustainable Cocoa Forum, sit on the technical advisory committee of Global GAP GRASP, a governance group member of the Spanish Ethical Trade Forum and a member of working groups within the Bangladesh Accord, ACT and Rspo. We commit to becoming active in one more multi-stakeholder initiative relevant for workers' rights by April 2021.

Our Partners

Product certifications



Multi-Stakeholder Initiatives



Partners



In order to better understand the issues being faced by workers in our supply chains, and to complement our approach to audits, programmes and multi-stakeholder initiatives, we are *committed* to conducting human rights impact assessments in our supply chains.

In the following pages we have included a selection of specific case-study examples of actions we have taken in identified supply chains and in response to salient risks.



3.3.1 Working Towards Living Wages and Living Incomes

Salient risks: *Discrimination, low wages*

Lidl recognises that under The Universal Declaration of Human Rights, everyone who works has the right to just and favourable remuneration ensuring for themselves and their family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.

A living income or living wage should provide for food, water, housing, education, healthcare, transportation as well as offer the opportunity to save in case of unexpected events.

In Great Britain, Lidl is committed to paying its staff industry-leading wage rates and since 2015 has voluntarily paid its staff the living wage rate as recommended by the Living Wage Foundation. Lidl recognises that its workforce is the backbone of the business and that by investing directly in its staff through living wages it is able to offer greater job security and improved livelihoods for employees.

In global supply chains, however, where Lidl does not have a direct ability to set wages, the challenge is far greater. People who do not receive living wages often become vulnerable to further rights violations, such as forced labour or child labour. Within agricultural supply chains, particularly within developing countries, legal minimum wages are often insufficient, below what is needed to achieve the Sustainable Development Goals and too low to ensure the basic needs of farmers and employees are met. Since 2006 Lidl has been committed to working towards living wages in its global supply chains, as communicated through its Supplier Code of Conduct.

A key priority in effectively tackling this issue is understanding how we can work together with supply chain actors to provide living wages and living incomes. Working collaboratively with initiatives such as the Global Living Wage Coalition, we are able to establish living wage benchmarks in global supply chains and understand how to drive change. Lidl has also collaborated with other companies in Germany to agree to an action-focused approach to achieving living wages within our supply chains. Through the approach and commitments outlined below, we will engage with governments, local authorities, civil society and other stakeholders.

- **Seek internal buy-in**

Through our *governance structure* and internal training sessions we will promote a common understanding of the relevance and urgency of achieving living incomes and living wages among relevant internal stakeholders.

- **Embed into our sustainability policies**

Through our *Supplier Code of Conduct* we will embed the implementation of living income and living wages into our global supply chains as a long-term objective of our sustainability policies.

- **Increase supply chain transparency**

Through *increasing the transparency of our supply chains* we will be able to more accurately assess existing wage levels and incomes.

- **Identify hot spots**

Through our ongoing *risk assessments* we will increase our understanding of hotspots for low incomes and wages within our supply chains (including raw materials, sourcing countries and supply chain structures).





- **Measure wage gaps**

We will support the assessment of income and wage gaps at farm level in our global supply chains. For the gap analysis, we will use existing benchmarks and proxy methods, as well as involving local stakeholders to gain a direct understanding of their needs.

As part of our membership of the 'Fruit Juice Platform' we are supporting a living wage study in the Brazilian orange supply chain to understand the current gaps between actual wages/incomes and living wages/incomes.

Update: By the end of 2020, the study conducted through this collaboration: "Living Wage Report - Brazil: Non-metropolitan areas of the state of São Paulo with a focus on orange production in the citrus belt", will be published on the Global Living Wage Coalition website. Through this study we have determined the wage gap between existing actual local wages and living wages. We are now working closely with the 'Orange Working Group' to develop a step-wise approach to increasing wages for workers in the orange supply chain within the São Paulo region, towards a living wage.

- **Support responsible sourcing**

Together with all relevant actors in our global supply chains, we will explore opportunities and challenges for reducing income and wage gaps, working closely with our buyers and suppliers we will place a major focus on the topic of responsible purchasing practices.

In our non-food business we have taken an important step towards promoting living wages, specifically within our own label textile supply chain. Within this supply chain the challenge is vast; on average workers earn 42-55% of what is understood to be the living wage benchmark. To tackle this issue in a systematic and collaborative way, we became the first discount food supermarket to join the Action Collaboration Transformation Initiative (ACT). This initiative is the first global agreement between global brands, retailers and trade unions to achieve living wages for workers through collective bargaining at industry level, connected to purchasing practices. As a member of ACT we have committed to establishing and upholding industry-wide collective bargaining agreements agreed between employers, trade unions and governments, thereby contributing towards living wages. Together with other global brands and retailers, we are committed to integrating wage levels agreed through the collective bargaining process into our buying contracts, starting initially in the key sourcing countries of Cambodia, Myanmar, Bangladesh and Turkey.

Update: We are currently developing a strategy to achieve the central goal of this initiative - to concretely deliver responsible purchasing practices. We aim to create mechanisms alongside our supply chain partners, to implement gradual increase in wages for textile workers.

The textile industry is currently struggling with the consequences of the COVID-19 pandemic. The temporary closure of retail stores worldwide has dramatically reduced orders in producing countries, which in turn has affected global apparel supply chain jobs and salaries. As part of our membership of ACT we are committed to supporting the continued employment of workers in the textile sector and have committed to maintaining all pre-existing orders going forward.



- **Monitor impact**

We will explore and test methods to effectively monitor and evaluate the effects of our action approach on income and wage levels.

In 2019, Lidl was the first global retailer to design and launch an own-label chocolate bar with the objective of supporting a business model and supply chain approach that directly supports workers, smallholder farmers and local communities by increasing wages for Ghanaian cocoa farmers and promoting diversification. In 2018, the average income of cocoa farmers in Ghana was 52% of the living wage benchmark.

Through our partnership with Fairtrade, the farming cooperative Kuapa Kokoo and the NGO Rikolto, Lidl pays an additional premium for every tonne of cocoa purchased from Ghana, that is used within the Way To Go! Chocolate bar, which is in addition to the standard Fairtrade premium. The project uses the 'Fairtrade Living Income reference price', which represents a raw material cocoa price that enables smallholder farmers or workers within the plantations to earn a living income or a living wage. This premium is invested in programmes that enable farmers to increase their incomes, such as diversifying into other crops (rice, yams and honey), or training farmers on better agricultural practices (pruning and environmentally friendly pesticide use). Through these programmes, crop yields can be increased, ensuring greater income levels. In the first year, our project will reach 440 farmers, a quarter of whom will be women.



3.3.2 Sustainable Cocoa Supply Chains

Salient risks: Child labour, forced labour, low wages, deforestation, climate change, loss of biodiversity

Cocoa is a key raw material within our product range. Our risk analysis demonstrated that the cocoa supply chain, particularly at farm level, is impacted by both human rights and environmental challenges.

90% of the world's cocoa harvest are grown by smallholder farmers. It is a global commodity crop with fluctuating prices, creating volatility throughout the supply chain. The main cocoa producing countries in West Africa are often connected to human rights violations such as child labour, forced labour and low wages (below living wage levels). At the same time the deforestation of tropical rainforests and further land use change are responsible for causing high levels of greenhouse gas emissions, threatening both the health of the ecosystem and livelihoods in the region. In West Africa, the acreage used for cocoa production has expanded by over 107% between 1961 and 2011, a key driver for loss of rainforest areas in the region.

In order to address impacts in our cocoa supply chains we firstly require our suppliers to adopt the Lidl Supplier Code of Conduct. At Lidl GB we also require 100% of the cocoa raw material used within our product range to be sourced from third party certified sources. Within our Deluxe chocolate ranges we are committed to sourcing all of our cocoa from Fairtrade supply chains ensuring, for example, that it is produced in line with Fairtrade principles; ensuring consistent cocoa prices for farmers that cover the cost of production, an additional premium to invest in community programmes and decent working conditions for people who work within plantation settings.

Between 2012 and 2019 Lidl financially supported the development of a cocoa training centre for cocoa farmers and smallholder farmers in partnership with the German Development Agency, 'GIZ'. The education programmes focused on sustainable, profitable farming methods and reached over 18,000 smallholder farmers. In addition to this and, in order to support women in the sector, who face specific barriers such as having limited access to land, resources and technology, the programme also taught methods of diversification to 4,000 female farmers. Through this, female farmers learnt how to cultivate alternative agricultural products alongside their cocoa production, an important strategy to increase their resilience against market fluctuations or weather-related impacts.

A central challenge still remains; how to sustainably increase incomes for smallholder farmers. In 2019 Lidl worked collaboratively with Fairtrade Africa, a producer organisation called Kuapa Cocoa, an NGO (Rikolto) and further partners to develop the 'Way to Go!' project. This project focused on the objective to improve incomes for smallholder cocoa farmers and employees within the supply chain, whilst also achieving full traceability by tracking the raw material flow of cocoa from a cooperative in Ghana, through to an end product, the tasty 'Way to Go!' chocolate bar, which could be actively promoted through our stores and marketing and enjoyed by our customers.

Within this supply chain we have incorporated the 'Fairtrade Living Income Reference Price' within our commercial agreements, which enables living wages and/or incomes for smallholder farmers within the 'Way to Go!' supply chain. In order to achieve this, Lidl pays, in addition to the usual Fairtrade minimum price and Fairtrade premium, an additional premium per tonne of cocoa used for 'Way to Go!' chocolate. This is invested purely in to diversification and productivity programmes that enable an increase in incomes.



3.3.2 Sustainable Cocoa Supply Chains

Salient risks: Child labour, forced labour, low wages, deforestation, climate change, loss of biodiversity

Update: Income diversification has been identified to help mitigate the risk of sharply fluctuating prices and close the wage gap. In order to support farmers to increase their incomes, the Lidl premium has supported a range of projects within the Konongo region of Ghana with the aim of improving income diversification.

One of these programmes has helped 87 (predominately female) farmers to develop entrepreneurial skills through establishing soap-making businesses. Through this programme participants were taught financial management planning, marketing, accounting and pricing skills. Each participant received 320 euros worth of start-up capital to support their businesses. In addition to this, Village Savings and Loans Associations (VSLAs) were developed to further support the growth of the farmers' businesses. Through the VSLAs members are able to keep their finances secure and access favourable interest rates on loans.

Lidl, along with its suppliers, has visited the Kuapa Kokoo cooperative to engage directly with farmers and workers and gain a true insight into their lives. This has helped Lidl to develop a direct understanding of the barriers faced by farmers in improving their incomes.

As part of our commitment to support this supply chain to work towards a living wage, all Lidl markets have committed to selling 'Way To Go' chocolate bars as part of their confectionery ranges by the end of the 2020 financial year.



3.3.3 Sustainable Fish Supply Chains

Salient risks: Forced labour, unsustainable use of resources, biodiversity loss

Safe guarding fish stocks and protecting vulnerable workers within the seafood sector have been highlighted in our risk analysis as salient issues for Lidl.

The oceans play a key role in regulating our climate and act as a habitat for many plants and animal species. Fish is also an important source of nutrition for millions of people. In many developing countries it acts as the source of protein. According to the Food and Agriculture Organisation of the United Nations (FAO) 33% of fisheries are over fished and it estimates that 60% of the world's fisheries are fully fished. Overfishing threatens not only the nutritional diets for millions of people, it also has a severe impact on ecological biodiversity. In the seafood industry, supply chains at land and sea are often complex, with multiple layers of activity. The vulnerability of both land and sea-based workers to exploitative labour practices highlights the need for transparency and action by all parts of the supply chain.

As part of its management approach to maintaining sustainable fish supply chains Lidl has implemented a policy for the sustainable sourcing of fish and seafood. Internationally, Lidl audits all strategic fish suppliers in Europe and, in Great Britain, 100% of the seafood sold by Lidl is sourced from third party certified sources. Wild caught seafood is sourced to MSC chain of custody standards and farmed seafood is sourced to ASC, Global GAP and BAP standards.

Through the MSC standard we can guarantee that fish-stocks are maintained at healthy levels in the fisheries where we source our wild caught seafood from. This includes ensuring that fishing gear is used responsibly, that by-catch is minimised and that other marine creatures are protected. The MSC standard also ensures that all MSC certificate holders implement policies on forced labour and child labour. The ASC, Global GAP and BAP standards ensure that seafood farms are managed responsibly, with a minimal impact on humans and the environment. Lidl GB requires all national suppliers of seafood to attend training on 'how to tackle modern slavery within global supply chains' facilitated by an expert partner, Stronger Together.

As well as promoting these sustainable options through our product range, Lidl actively advocates for the continuous improvement of third party schemes and standards through its engagement in initiatives such as the Sustainable Seafood Coalition. We, therefore, welcomed MSC's move to introduce the requirement of social audits (SMETA, BSCI or SA8000) in high risk supply chains from 2020.

Lidl is opposed to Illegal, Unreported and Unregulated Fishing (IUU), which is the term used to describe any unauthorised fishing activities conducted in breach of regional, national or international rules or obligations. IUU fishing contributes to overexploitation of fish stocks and is a hindrance to the recovery of fish populations and ecosystems. It damages the marine environment, distorts competition and puts those fishers who operate legally at a disadvantage. IUU fishing also creates a lack of transparency within the supply chain, which can also enable exploitative labour practices. In order to proactively tackle this issue, Lidl Great Britain is committed to the transparency of its seafood supply chains and has been a member of the Ocean Disclosure Project since 2018.



3.3.4 Fairtrade Bananas

Salient Risks: Insufficient wages, discrimination, workers rights, climate change, water use

Bananas are one of our most popular products, grown and produced in countries on the equator and shipped into the UK every day. Bananas and plantains are produced in more than 123 countries worldwide and are one of the top ten crops globally in terms of yield produced, area occupied and calories provided. The Cavendish variety, which is the type of banana most commonly sold in Europe, comes from warm climates with limited winds such as Colombia, Costa Rica and Ecuador. Export revenues from bananas contribute significantly to the local economies of these regions and, as a whole, the sector provides employment for thousands of people.

Our analysis and engagement with stakeholders has identified multiple potential risks associated with the production of bananas. These include the loss of biodiversity in sourcing locations and the restriction of workers' rights such as low wages for plantation workers. We are taking a number of steps to mitigate these risks within our banana supply chains collaborating with key stakeholders.

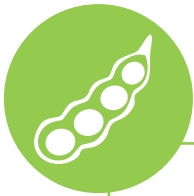
We are working closely with our suppliers to increase supply chain transparency. This includes closely checking every box of bananas as it moves from farms, through packhouses, onto ships and into our stores. Every box of bananas in our stores clearly states the country of origin and we use this knowledge to help support our sustainability initiatives. On our website we have published the countries and regions of all the Fairtrade bananas sourced through our key supplier in our stores during 2019, as well as worker numbers and gender splits.

We are committed to sourcing 100% of our bananas from either Fairtrade or Rainforest Alliance certified sources. By ensuring that all the bananas are independently certified we are working hard to support sustainable production methods which conserve natural resources and promotes community development. In order to understand the impact of these schemes our key banana supplier, Fyffes, is undertaking a Fairtrade impact study within sourcing regions in Colombia and the Dominican Republic. This study, which engaged 26 producer organisations, 32 worker focus groups and conducted over 800 worker surveys, has helped us to understand the impact of the Fairtrade system on incomes for smallholder producers and workers. We will use the findings of the Fairtrade impact study to enhance the ongoing impact of Fairtrade for the workers and farmers in our supply chain.

As part of our supplier business relationships we are also collaborating to review and identify the salient human rights risks within our banana supply chains, including Colombia, Costa Rica, the Dominican Republic and Belize. Through our close engagement with Fyffes, who is conducting an independent human rights impact assessment (HRIA) in line with the UNGPs across its entire company, we have increased our knowledge on the potential human rights risks in specific banana supply chains affecting rights-holders. These include risks such as gender discrimination and access to grievance mechanisms in smallholder farms and plantations. We will collaborate with Fyffes in the management and mitigation of identified human rights risks in our supply chains through the development of time-bound action plans.

As well as the measures we are taking within our own supply chains, we recognise the need to work with a wider group of stakeholders to effectively advocate for progress in the banana industry. In 2016 we became the first discount retailer to become a member of the World Banana Forum (WBF) multi-stakeholder initiative. Through this forum we are advocating for sector-level environmental and social improvements. This includes supporting the sector to achieve living wages, where in collaboration with WBF, the Global Living Wage Coalition and Fairtrade we have supported living wage benchmarks and promoted the strategic use of Fairtrade premiums.

Further information on our approach in the banana supply chain can be found on our [website](#).



3.3.5 Sustainable Soy Supply Chains

Salient Risks: Discrimination, deforestation, loss of biodiversity

The soybean can be thought of as the 'king of beans'. It contains 38% protein, which is around three times the amount of protein found in eggs, and 12 times the amount of protein found in milk.

In the European Union, around 90% of soy is used to feed livestock, a vital raw material in the production of our meat, poultry, dairy and eggs. It is also estimated that on average, each European consumer eats 87kg of meat and 250 eggs per year. To produce these volumes 400 m² of land is required for soy production as feed.

Through rapid population growth, and the emerging middle class in the developing world, the demand and ultimately, consumption of animal protein is on the rise. This has placed significant strain on some of the world's precious resources as millions of hectares of forest, grassland and savannah have been converted to enable soy production.

According to work commissioned by WWF, the UK sources soy from countries such as Argentina, Brazil and Paraguay where pressures on these landscapes is high, driven in part by the expansion of soy production. Social and environmental impacts are very closely integrated within the soy supply chain. Environmental impacts of soy in these regions include soil erosion and degraded pastureland, biodiversity loss and carbon emissions. The production of soy has also been connected to several human rights impacts, including land grabbing connected to deforestation, the displacement of local populations for industrial scale production and health risks from water contamination.

At Lidl GB, we are taking action to ensure that soy production is sustainable and deforestation-free for the long term. As part of one of Europe's leading organisations in the retail food industry, we recognise the need to accelerate progress towards a secure, resilient supply of sustainable soy. From September 2018 Lidl GB has purchased Roundtable for Sustainable Soy (RTRS) certificates on an annual basis through a 'Book and Claim Direct Trade' approach to cover 100% of our soy footprint (representing around 130,000 tonnes), creating a clear market signal for sustainable, zero-deforestation soy.

Through our partnership with the RTRS we have engaged directly with Brazilian producers and smallholder farmers in high risk regions Maranhao and Piaui on the importance of sustainable soy for the UK market, raising awareness and understanding. We have financially incentivised producers to produce sustainable soy, ensuring that this commitment is underpinned with commercial viability. As well as providing commercial security, we have invested in the following initiatives:

- At Fazenda Progresso in Sebastio Leal we have provided scholarships for five young farmers to study agriculture at university
- At Fazenda Serra Vermelha in Sambaiba we have supported a child development programme focusing on leveraging the benefits of performing arts
- At Fazenda Sol Nascente in Balsas, a smallholder farm with 12 employees, we have provided funding to enable technical support from crop to harvest, to improve quality and yields

To advocate for sustainable supply chains at a sector level we are involved in several sector-specific multi-stakeholder initiatives, including the UK Roundtable on Sustainable Soya, the Roundtable on Responsible Soya (where we are represented on the board), the Retail Soy Group (where we are working to map trade flows of physical soy into the UK), as well as being a founding signatory to the 'Statement of Support' for the Cerrado Manifesto (a call to halt deforestation and native vegetation loss in Brazil's Cerrado, a global biodiversity hotspot and critical carbon store).

3.4 Monitor and Improve

We recognise that our external landscape is ever-evolving. The issues facing workers in our supply chains and the impact of our business practices on the environment are often systemic in nature and are constantly changing. We are therefore careful to ensure that throughout all of our interventions, projects and programmes we continually assess the overall effectiveness of our approach and adapt accordingly taking into account feedback from stakeholders. In addition to continual internal capacity building and remediation processes, we maintain ongoing dialogue with expert partners. What we learn through this process is integrated within the wider aspects of our due diligence process.

Effective grievance mechanisms and corresponding action plans play an important role in remediating identified human rights violations for affected individuals. Lidl recognises 'effective grievance mechanisms' as defined by the UN Guiding Principles (UNGPs) on Business and Human Rights, meaning that they are legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning and based on engagement and dialogue. Grievance mechanisms form part of our Supplier Code of Conduct and we firmly believe that when these are implemented effectively, human rights violations can be clearly identified and affected individuals have access to remediation.

Lidl GB has implemented a grievance mechanism via an online platform, available [here](#), to enable any individual (whether they be connected to Lidl's direct operations or its supply chain), to report human rights, social and environmental violations. All grievances are independently processed by the organisation's compliance officer and the reporting system can be accessed via an internet-based application. The effectiveness of this mechanism is reviewed annually between the compliance and CSR departments.

Within identified high risk supply chains Lidl is *committed* to enabling access to effective grievance mechanisms. For example, Lidl is an active member of a working group of the Bangladesh Accord. The objective of the working group is to develop an effective grievance mechanism for workers in the textile supply chain in Bangladesh.



3.5 Communicate

Through our annual CSR report and corporate website we are committed to reporting transparently on our due diligence. This includes reporting on progress made with regards to upholding human rights and protecting the environment, as well as reporting transparently on the challenges we face and the lessons we are learning. We will also specifically ensure that internal and external stakeholder groups are updated and engaged on our approach. In addition to this, we are also making the following commitments:

● Since **2019** we have been committed to conducting and publishing regular risk assessments of our supply chain, the results of which we continue to learn from and refine. We are committed to reviewing the findings of our risk assessments with our external stakeholders, to gather further feedback.

● Since **January 2020** we have been committed to taking an action-orientated approach to working towards achieving living incomes and living wages within our global supply chains, thereby closing existing income and wage gaps. We will continue to focus our efforts in prioritised supply chains where we can directly support women, smallholder farmers and workers to increase their chances of earning living incomes and living wages. This will include supporting and publishing the development of living income/ wage benchmarks. We have already started working on this goal in the following supply chains:

- Orange supply chain in Brazil (through the CSR Juice Platform)
- Cocoa supply chain in Ghana (through the Way To Go! Project)
- Banana supply chain in Ecuador (through collaboration with Fairtrade)
- Textile supply chain in Cambodia, Myanmar, Bangladesh and Turkey (through participation in ACT)

● From **May 2020** we are committed to publishing the names and addresses of our tier one food and non-food supply chains online. Moving forward we will continue to provide further supply chain disclosure of our upstream supply chains.

● By **2021** we are committed to conducting and publishing three Human Rights Impact Assessments (HRIAs) in high risk supply chains, following internationally recognised methodologies. These will focus specifically on the impact of our business operations on the human rights issues facing women, smallholder farmers and workers. We will work closely with relevant stakeholders including civil society organisations, trade unions and local communities to engage with rights-holders throughout the process. We will also include gender analysis as part of our HRIA methodology to ensure we fully understand the barriers faced by women within these supply chains.

● With each impact assessment we will publish time-bound action plans. From 2021 we will publish three HRIAs a year (until 2025), where we will review the approach. Following our risk assessment, we have identified the following supply chains to begin our approach:

- Tea, Kenya
- Berries, Spain
- Bananas, South America

● By the end of **2021** we will enable access to effective grievance mechanisms and access to remedy (as defined by the UNGPs) in all identified high risk supply chains.

● By the end of **2021** we will publish a gender policy for our supply chain, through which we will develop our understanding on the root causes of issues facing women, reinforcing our commitment to the UN Women's Empowerment Principles.

4. Organisation and Governance

The accountability for upholding human rights and environmental responsibility ultimately sits with the CEO of Lidl GB. This reflects the governance structure at a group level. The buying department within Lidl GB is responsible for the implementation of due diligence within the supply chain. Across the Lidl network, there is regular collaboration between countries by subject-matter experts, who are also informed by external stakeholders to further advise, develop and evolve the organisation’s approach to due diligence.

