

# Lidl GB

# Modern Slavery Statement

2020/2021

This statement is made by Lidl GB Ltd (Lidl GB) pursuant to section 54 of the Modern Slavery Act 2015 (the 'Act') and constitutes our slavery and human trafficking statement for the financial year ended 28 February 2021.



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# Introduction

The 2015 Modern Slavery Act sets out a range of measures aimed to combat slavery, servitude and forced or compulsory labour and human trafficking. As part of this leading legislation, UK companies with a global annual turnover of over £36 million have a responsibility to report on the activities undertaken to identify, mitigate and remediate risks of modern slavery in their organisations and supply chains.

The last year has seen a seismic shift in the way we live our lives. The COVID-19 pandemic has impacted every business sector, global economy and individual in diverse and unforeseen ways. From panic buying, which led to stressed food supply chains and labour shortages, which impacted our farmers and growers, to the multitude of health and safety measures put in place to protect customers, store and warehouse colleagues; many factors have made this an unprecedented year.

The reporting of modern slavery incidences have also been impacted as a consequence of the COVID-19 pandemic. For the first time since its inception in 2016, The Modern Slavery Helpline 2020 Annual Assessment reported that contact to the Helpline had dropped through every available channel, presumed to be a direct impact of national lockdowns, industry closures and the changes these have had to our way of living. The number of individuals submitted to the National Referral Mechanism (NRM) plateaued<sup>1</sup> and although labour exploitation remains the most prevalent form of modern slavery identified, this also saw a significant decline in reported cases this year.<sup>2</sup>

While there were fewer reports of modern slavery in 2020, it is believed that the exploitation of individuals has continued to be driven further under the radar during this period.<sup>3</sup> This data suggests that an already hidden crime has been further under-reported over the last 12 months due to the consequences of the pandemic. It is now more important than ever to proactively prevent and tackle modern slavery risks and support identified victims.

Our fifth modern slavery statement acts as a continuation of our previous statements and outlines the key steps we have taken to further develop our understanding and actions as part of our wider commitment to human rights due diligence. This statement covers Lidl's financial reporting period from 1st March 2020 to 28th February 2021.

Our key focus areas during this period were:

- Updating our human rights and subsequent modern slavery strategy
- Introducing new forms of due diligence, including Human Rights Impact Assessments (HRIAs)
- Refreshing internal business modern slavery requirements and training
- Continuing collaboration with specialist stakeholders, helping to address systemic issues

<sup>1</sup> National Referral Mechanism Annual Report 2020

<sup>2</sup> Modern Slavery Helpline Annual Assessment 2020

<sup>3</sup> Modern Slavery Helpline Annual Assessment 2020

# Organisation structure and supply chains

## International

Lidl forms part of the Schwarz retail group, one of Europe's leading organisations in the food retail industry. Lidl operates over 11,200 retail stores in 32 countries across both Europe and the United States, with headquarters based in Neckarsulm, Germany.

## Great Britain

Since arriving in Great Britain in 1994, Lidl has experienced continuous growth and today employs over 26,000 people across more than 860 stores and 13 distribution centres in England, Scotland and Wales. In FY20, our market share was 5.9% (52 weeks ending 21.02.21).

## Supply chains

To remain true to our promise of providing the best quality products at the most affordable prices, we not only source locally, but we also utilise our network of international markets to consistently provide for our growing and loyal customer base.

Our products are negotiated by buying teams based in our Lidl GB head office, at our international office in Germany and throughout our network of Lidl markets in Europe, working across the categories of food, food promotions and non-food. We continue to increase the amount of long-term supplier partnerships as part of our buying strategy to support the growth of the business as a whole.

### Food

To offer the diverse array of food and fresh produce that our customers expect and enjoy, we source nationally and internationally from 37 countries and 1,489 suppliers.<sup>4</sup> However, as a British business committed to continued investment in the British economy, we source over two thirds of our core products from British suppliers, including fresh meat, fish, poultry and a wide variety of locally produced fruit and vegetables. Over 85% of our products are own brand, which form the primary focus for our modern slavery strategy and human rights due diligence.

### Food promotions

Lidl sell limited offer food and drink products from a variety of countries, through themed weeks in our stores throughout the year. Although these products are not permanently listed in our stores, they are bought by our national and international buying teams and are expected to meet the same ethical and responsible sourcing requirements as our permanent food lines.

### Non-food

The Lidl group is a major buyer and retailer of non-food products, including clothing, accessories, home textiles and hard goods. Within this category Lidl sources from 1,818 suppliers, across 17 countries.<sup>5</sup> Within these supply chains, Lidl understands its responsibility to improve living and working conditions in manufacturing regions and takes proactive steps to protect against the risk of modern day slavery. The majority of the non-food products sold within Lidl GB stores are bought through our international business who manage the non-food ethical trading programme in sourcing countries, such as Bangladesh and China.

### Procurement

The Lidl GB Procurement department manages the wide range of goods and services for use in the everyday running of our business, including store, office and regional distribution centre (RDC) equipment, such as desks, computers, store fittings and appliances. Across all these product categories, our Procurement team manage the external supplier relationships, working with over 300 suppliers, with 40% based in Great Britain.

In the last year, we have introduced a specialist sustainability consultant to formalise the approach to addressing environmental and ethical supplier compliance within these supply chains, including introducing human rights and sustainability criteria into supplier tender processes.

<sup>4</sup> List available to download [online](#) containing Lidl International and Lidl GB national food suppliers

<sup>5</sup> List available to download [online](#) containing Lidl International and Lidl GB national non-food suppliers

## Human rights and ethical trade

Our CSR vision is to 'make good food accessible to everyone', ensuring our food is produced and sold in a way that is good for people, good for producers and good for the planet. In order to deliver our CSR strategy, sustainability specialists are embedded within the relevant departments in the business. Our internal Responsible Sourcing team works from within the Lidl GB Buying department and supports the delivery of the key topics material to our supply chains, including plastics and packaging, sustainable agriculture, sustainable raw materials and human rights.

Over the last 12 months we have developed our human rights strategy, determining human rights focus areas for the business. To develop this strategy, we considered the key risks facing workers in our business and global supply chains through comprehensive risk assessments, as well as engaging closely with our key stakeholders. The four strategic pillars of our human rights strategy are:

- **Understand our impact, e.g.:**
  - o Identify high-risk categories and review opportunities for due diligence
  - o Implement due diligence processes, including social compliance and Human Rights Impact Assessments (HRIAs)
- **Enforce our standards, e.g.:**
  - o Conduct modern slavery risk assessments, capacity building and training
  - o Implement our Code of Conduct and social compliance programme
- **Promote fair supply chains, e.g.:**
  - o Work collaboratively to close wage gaps in prioritised supply chains
- **Drive systemic change, e.g.:**
  - o Engage in multi-stakeholder initiatives and support pre-competitive collaboration

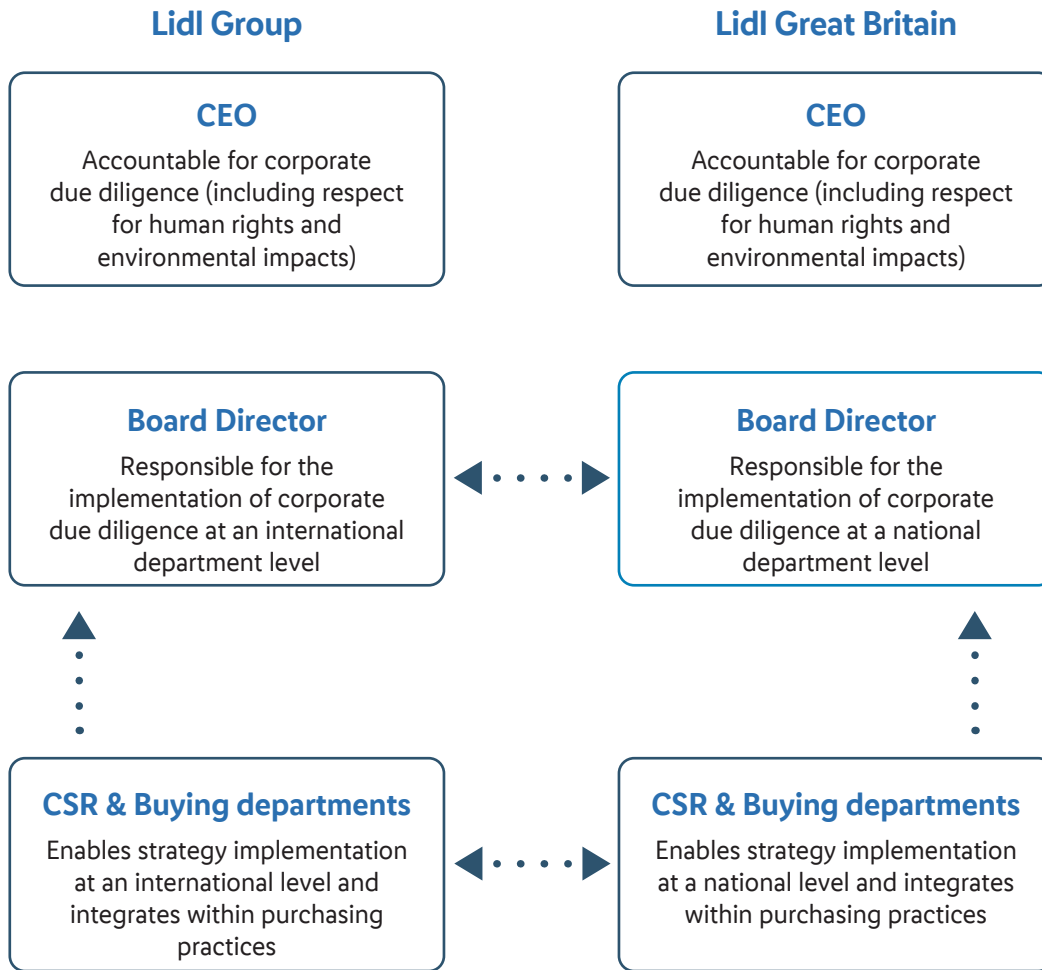
The topics we have identified to focus on within our human rights agenda, include:

- **Promoting gender equality,**
- **Working towards living wages,**
- **Tackling modern slavery,**
- **Adopting more ethical business practices.**

## Governance

The accountability for upholding human rights due diligence, including tackling modern day slavery, sits with the CEO of Lidl GB.

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The board of Lidl GB is formally engaged on a regular basis in key topics relating to human rights and modern day slavery issues. Topics discussed during this reporting period included:

- Human Rights Impact Assessments (HRIAs): October 2020
- Supplier selection requirements: November 2020
- Raw material certification requirements: January 2021
- Human rights and modern slavery strategy: February 2021

<sup>6</sup> Further information on our governance structure is available within our [Human Rights and Environmental Due Diligence Policy](#)

# Policies in relation to slavery and human trafficking

Our policies act as a means to outline our business expectations and long-term commitments to safeguarding individuals within our business and supply chains. By implementing policies, we ensure that all partners and colleagues are familiar with our processes and ambitions to tackle labour exploitation and all forms of modern day slavery. We have identified policies as a key part of our [due diligence approach](#).

## For our business

We have established an array of policies to protect and enhance the wellbeing of the colleagues we employ, both directly and indirectly. These policies include our Anti-Harassment Policy; Grievance Procedure; Eligibility to Work Procedure; Working Time Regulations Policy; Breaks Procedure and Equal Opportunities Policy.

Since 2018, we have had an employee assistance programme focusing on the five 'powers' of social wellbeing, physical and nutritional health, mental health, learning and financial health. A range of free and confidential services are available for all employees, including counselling, cognitive behavioural therapy, and a confidential helpline.

## For our supply chains

At a group level, Lidl is committed to upholding human rights and protecting workers throughout our business and global supply chains. Due diligence at Lidl 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](#)
- [ILO General Principles and Operational Guidelines on Fair Recruitment](#)
- [ILO Declaration on Fundamental Principles and Rights at Work](#)
- [OECD Guidelines for Multinational Enterprises](#)

Our [Schwarz Group, Business Partners Code of Conduct](#) (CoC), which was first published in 2006 and updated in October 2020, outlines Lidl's minimum standards for business relationships. It follows internationally recognised guidelines and principles on both social and environmental criteria. Our Code of Conduct forms the basis of all commercial agreements with direct suppliers, and we also require our suppliers to uphold these clauses within their supply chains. The Code of Conduct outlines Lidl's zero tolerance approach to forced labour, involuntary prison labour and child labour.

The Lidl Group's [Human Rights and Environmental Due Diligence Policy](#) shares the business's approach to identifying, addressing and tackling some of the most systemic global challenges connected to our operations. Within this policy, we outline Lidl's commitment to human rights due diligence, report on the steps we are currently taking, as well as outlining our future commitments, ensuring we continue to learn and adapt our approach as our business and global challenges evolve.

Specialist [policies](#) for identified high-risk supply chains have been developed to deliver our commitments to responsible and sustainable sourcing, covering vital environmental and human rights criteria. These policies are developed with expert insights from Lidl GB strategic suppliers and are shared with all relevant external partners as part of commercial contractual agreements. All supplier guidance is made available online for full transparency and is regularly updated to reflect emerging risks and activities.

# Due diligence processes

As part of our due diligence process, we structure our human rights and modern slavery work on a risk-based approach, ensuring we systematically address the most adverse, actual and potential risks within our business and supply chains as a priority. This is done through the development of tangible actions, which are implemented within our business practices, buying policies and external program partnerships, as outlined in the diagram below.

By applying these steps, we take accountability for the adverse impacts of our business and continually review further opportunities. This systematic process is guided by the UN Guiding Principles on Business and Human Rights.

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- 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

<sup>7</sup> Further information on our due diligence approach, is available in the [Human Rights and Environmental Due Diligence Policy](#)



## Modern slavery strategy

In the recent update of our modern slavery strategy, we identified five focus areas, aligned to our due diligence process, to develop our actions in addressing modern slavery in our business and supply chains. These include:

- **Training and capacity building**  
The continuation of training and capacity building to ensure priority departments and suppliers are aware of the modern slavery risks specific to their sectors and continue to embed due diligence processes to prevent and mitigate potential instances of labour exploitation.
- **Collaboration**  
Partnering with expert organisations and working collaboratively across the sector to implement due diligence remains critical to addressing systemic modern slavery risks in food retail supply chains.
- **Supply chain programmes**  
Introducing programmes with selected partners to identify and address modern slavery risks in prioritised supply chains.
- **Effective grievance mechanisms**  
Enabling access to effective grievance mechanisms and access to remedy (as defined by the UNGP's) in all identified high-risk supply chains.
- **Support remediation**  
Ensuring appropriate remedy for issues raised through grievance mechanisms and exploring opportunities to partner with organisations that support the remediation of modern slavery victims in the UK.

## Supply chain transparency

Supply chain transparency remains a crucial foundation to our human rights strategy. Through increasing the transparency of our supply chains and further disclosure of the complex nature of our product sourcing, we continue to hold ourselves accountable for the impacts within global food supply chains.

In January 2020, we were one of the first UK retailers to disclose our fruit and vegetable tier one supplier list.<sup>8</sup> This is in addition to our tier one food, non-food and hardware supplier lists that we have disclosed on our website and updated annually since 2017.

We are continually evolving our approach to supply chain transparency, helping us better understand the complex journey that our products take to reach our shelves. As a development of this process, we are committed to publishing information 'beyond tier one' and disclosing the supply chain actors that we work with indirectly, starting with high-risk product categories, including bananas, tea and seafood.

<sup>8</sup> List available to download [online](#) containing Lidl International and Lidl GB national fruit and veg suppliers

## Third-party certification schemes

We continue to recognise third-party certification schemes as a robust part of our due diligence processes. Lidl has committed to sourcing 100% of its high-risk raw materials from third-party certified sustainable sources by 2025. Within our food supply chains the schemes we accept include: Fairtrade, Rainforest Alliance, Global GAP, RSPO and MSC, among others. These requirements are also enforced for raw materials used as ingredients within our products. In our non-food supply chains we are committed to sourcing 100% of cotton from sustainable sources including organic and Cotton Made in Africa standards by 2025. Further details on our responsible sourcing policies are available on our [website](#).

In 2020, requirements for our fruit & veg and plants & flowers growers were updated to include a revised commitment to source 100% of fresh produce from sources certified with both environmental and social standards by the end of 2021. The new update, which is applied to 100% of Lidl growers, both in the UK and internally, establishes Global GAP GRASP (or equivalent 3rd party social schemes) as the minimum ethical requirement.

The GRASP module is currently being revised and strengthened by the Global GAP Technical Committee, of which Lidl remain members, with new processes due to launch in 2022.

A full overview of progress against our raw material certification goals will be included in our FY19/20 sustainability report.

## Social compliance requirements

Our social compliance programme enables regular review and insight into the ethical status of the many suppliers we work with who grow, manufacture and package our food and non-food products. Our social compliance requirements are outlined in our [Supplier Social Compliance Guidance](#) document which is included as part of all Lidl GB national buying contracts and includes requirements to join Sedex, complete the Self-Assessment Questionnaire (SAQ) and conduct an ethical audit on request.

Within the non-food supply chain, Lidl regularly tracks and monitors supplier's compliance against amfori BSCI standards, as well as implementing specific policies to tackle the root causes of forced labour, including child labour and responsible recruitment, all of which are supported with corresponding management systems.

## Human Rights Impact Assessments (HRIAs)

Lidl has selected HRIAs as an advanced form of human rights due diligence, with the fundamental purpose to understand the impact that our business operations have on the workers within high-risk supply chains and to address key indicators that are not typically identified through other forms of due diligence, such as audits.

In 2020, Lidl published reports on two HRIAs: Kenyan tea and Spanish (Huelva) berries. For each HRIA a timebound mitigation plan has been developed to address both the positive and negative impacts identified and aims to guide the next phase of our due diligence. HRIAs support key objectives within in our modern slavery strategy and overarching human rights objectives.

The [Kenyan tea HRIA](#) followed an established methodology involving baseline industry research, in-country stakeholder engagement and impact analysis. This HRIA showed that the most adverse human rights impacts were concentrated upstream within the tea supply chain, at farms and factories indirectly linked to Lidl, with findings ranging from workers receiving piece rate payment – enabling longer working hours; to challenges with sexual harassment and gender segregation of roles. No specific examples of labour exploitation or modern slavery were identified through this assessment; however Lidl recognises that, by working towards improvements across all identified impacted rights issues (e.g. working conditions and discrimination), this may enable extra protection against potential exploitation by improving employment stability, decent pay and protection from violence.

The [Spanish berries HRIA](#) focussed within the key sourcing province of Huelva. The methodology included a desk-based baseline analysis of human rights impacts, interviews and surveys with both internal and external stakeholders and mapping of human rights impacts identified. As this HRIA was implemented during the first wave of the COVID-19 pandemic, an in-country field visit was not possible at the time of this assessment.

Findings from this HRIA highlight conditions in the Huelva berry sector into four adverse impacts that are the primary areas to address within the mitigation plan, including:

- Weak enforcement of labour and social standards
- Dependency on potentially vulnerable workers (migrant workers, women, low-income)
- Uncertainty for workers and producers
- Tension between seasonal worker wellbeing and profit

Lidl is committed to conducting and publishing three HRIs a year until 2025, following internationally recognised methodologies and will continue to share reports and mitigation plans to address the findings identified.

## Risk assessment and management

In addition to our proactive due diligence process, we also investigate risks and potential instances of labour exploitation made available to us through various channels including our internal grievance mechanism, industry partnerships, specialist organisations as well as through media or NGO exposés.

### In our business

We are acutely aware of the significant obligation we have as a responsible employer to ensure that all the individuals that work within our direct operations, have access to safe and secure employment.

We are committed to paying our employees industry-leading wage rates and believe that good pay can also reduce the need for employees to seek out extra, often more precarious, work. In 2015, we were proud to become the first supermarket in the UK to pay the voluntary living wage as recommended by the Living Wage Foundation, which is something we have continued to honour. In 2020, when we raised salaries in line with the new living wage rates it was the sixth year we had committed to increasing salaries, benefitting over 20,000 employees. This represented an investment of over £8 million to over 80% of Lidl GB colleagues.

As part of our modern slavery strategy we have identified a number of priority internal departments to focus our work. These include:

- **RDCs:** Focusing on safe and responsible employment practices for those who work as part of warehouse operations, with priority on the most vulnerable individuals, typically migrant, temporary or agency colleagues.
- **Property & construction:** Formalising internal training and due diligence procedures as part of our ongoing store construction programme.
- **HR:** Working with our HR teams throughout the UK to monitor external labour providers and ensure ongoing responsible practices and internal due diligence is upheld.
- **Buying:** Continued emphasis on monitoring supplier ethical requirements and upskilling teams working with multiple external supply chain partners.

Over the coming years we will continue to work with these key departments to develop our training on the topic of modern slavery and continue to strengthen due diligence processes to ensure they are equipped to identify risks and carry out mitigation procedures as part of their day-to-day roles.

## Responsible recruitment

Poor recruitment practices are often identified as a driver of modern slavery, particularly in instances where vulnerable workers, especially those migrating abroad for work, are desperate for employment. Without effective policies and procedures, unscrupulous labour providers can profit from this behaviour by exploiting workers for their personal gain.

As a responsible retailer, we believe in the principles of responsible recruitment within our business and welcome schemes such as Clearview, a global social compliance scheme for labour providers. Clearview's objective is to drive responsible recruitment practices in supply chains by demonstrating due diligence through certification. We also endorse the Responsible Recruitment Toolkit (RRT), an online tool that, through self-assessment against third-party standards, enables labour providers, employers and brands to raise the standard of their recruitment practices.

Across our business operations, there are instances whereby we require the use of labour agencies to manage business needs, such as peaks in labour demand, particularly for the warehouse operative workers in our RDCs. We require 100% of the labour providers we work with to be certified by the GLAA. We recognise that workers may be more vulnerable to exploitation if they lack employment stability and decent pay, making them more likely to seek precarious employment. Therefore we ensure, where possible, that people employed by Lidl are recruited on permanent contracts and temporary workers are only used for periods of high demand, or as a temporary measure until permanent workers can be recruited.

We continue to develop our processes to ensure the labour providers we work with at our RDCs meet our ethical and responsible recruitment requirements and have access to industry-leading modern slavery training. We understand this is an area we want to progress throughout 2021 to strengthen our internal due diligence, working with our head office and regional HR teams as well as industry specialists.

As members of BRC's 'Better Retail Better World' initiative, Lidl GB are working towards collective action in the retail industry to address some of the biggest global challenges. As part of this agenda, we are working towards addressing the challenge of recruitment fees, whereby workers pay to secure employment.

At a group level, Lidl support the Employer Pays Principle, which states that, 'No worker should pay for a job – the costs of recruitment should be borne not by the worker but the employer'. Through addressing this topic, we aim to prevent workers within our business and supply chains, falling into a situation of debt bondage, which could lead to further exploitation or forced labour.

## Grievance mechanisms

In order to support the remediation of instances of modern slavery (both in our business and our supply chains), we operate a confidential Lidl Whistleblowing Hotline and online reporting system which can be used by members of the public, colleagues, suppliers and business partners to report allegations of modern slavery or identified breaches of our policies and procedures. Over the last 12 months, 215 whistleblowing reports were logged, with 4 alleged relating specifically to modern slavery indicators, including allegations of subcontracting within our business operations and employment law concerns. Where appropriate, we take a collaborative approach to responding to allegations, to ensure an efficient, victim-centred approach.

In our UK supply chain, we were informed of multiple cases of poor labour practices at one of our spring onion suppliers. Intelligence of this case was shared with our Buying department who alerted the ethical trade team. A modern slavery risk assessment was carried out at the supplier facility, which led to a discussion between buying, ethical trade and the supplier to address the issues identified. A contractual mitigation plan was established to support resolution of the key risks identified, including: re-establishing a system to accurately record and monitor working hours and ensure the correct payment of wages. We continue to monitor the situation closely and maintain ongoing dialogue with the supplier.

Where potential instances of labour exploitation or modern slavery are identified, we continue to adopt the Retailer Protocol for Handling Reported Modern Slavery in the UK Supply Chain (Retailer Protocol). The aim of the protocol is to ensure that reported instances of forced labour, human trafficking and other forms of modern slavery are handled in a streamlined and sensitive manner. The protocol promotes collaboration between retailers, suppliers and partners such as Stronger Together, the BRC, and the GLAA, ensuring that potential victims are identified and remediated as quickly and effectively as possible pooling all resources and knowledge together.

## In our supply chains

Where we become aware of potential cases of labour exploitation or any breach of the Schwarz Group Business Partners Code of Conduct, we work with our supply chain partners to address and mitigate the risks identified. In instances where we have worked to amend practices and remain unable to confirm adequate protection of human rights, we will reserve the right to withdraw our business in a responsible manner.

### Social compliance risk assessments

Through the Sedex platform, Lidl GB monitor compliance and risk assess tier one, own-label food suppliers negotiated by our Lidl GB Buying team. Sedex enables Lidl to collect key profile information from across the supply base; such as the number, gender and nationality of our suppliers' employees, the percentage of seasonal workers, whether agency labour is used, the names of labour providers, and what systems are in place to monitor labour providers. Using information gathered through our risk assessment procedures, we require identified high-risk tier one sites to undertake an independent ethical audit, which is monitored by our ethical trading specialist to ensure that corrective actions are closed off in the agreed timescales.

Although we understand the limitations of ethical audits; particularly their ability to only capture results at a moment in time and their limited capability to address the most adverse instances of labour exploitation, such as modern slavery; we consider audits a useful tool to understand suppliers' management systems and underpin the expectations of our Code of Conduct.

Over the last year Sedex tools have been updated to help support the business risk assessment process. We utilise the Sedex platform Radar, to review inherent country and sector risks, alongside actual risks identified through our supplier SAQs and third-party audits.

### COVID-19 supplier support

Due to the supply chain pressures that have emerged through the COVID-19 pandemic and the subsequent risks these have led to with regards to modern slavery, we have taken multiple steps to support our suppliers through this period.

In response to the COVID-19 pandemic, together with industry partners including FNET, Njage, ALP and other retailers, Lidl GB funded the COVID Response Project, aimed at supporting suppliers and growers throughout the pandemic, with practical tools and training webinars. Best practice guidance was distributed through fortnightly email newsletters and continually updated following Government guidelines. Training webinars, categorised for different supply chain tiers, were implemented, addressing practical business challenges and covering topics such as workplace employment and health and safety procedures. Overall, 384 attendees from the agriculture and horticulture sector and 716 food manufacturers participated in the training. All tools and guidance remain available online at the [FoodFarmHelp](#) website developed as part of this project.

The Spanish Ethical Trade Forums (SETF), a specialist multi-stakeholder organisation providing guidance, support and training for labour challenges in the Spanish fresh produce sector; adapted their programme in 2020 to cater for COVID-19 response capacity building. Training modules were developed, covering: worker protection measures, health and safety (adequate PPE, equipment etc), labour management and new labour legislation. These modules were presented via online webinars attended by over 500 growers and suppliers throughout Spain.

In our non-food supply chain, both during the initial outbreak of COVID-19 and throughout subsequent industry closures, Lidl remained committed to upholding all commercial arrangements with textiles and homeware suppliers and ensured the full payment for all goods produced during the outbreak, as well as goods that remained in production.

As members of ACT (Action Collaboration Transformation) an initiative working towards the promotion of living wages in the textile supply chain, we supported the platform's pivotal COVID-19 response and formation of an effective grievance mechanism, established for supply chain partners in priority countries.

In the early stages of the pandemic, due to newly introduced health and safety precautions and social distancing measures, many ethical audits were unable to go ahead as planned. External auditor interaction on-site and face-to-face worker interviews, which remain standard to in-person audits, had to be re-imagined. Sedex were proactive to trial and implement virtual audits as a replacement for sites that needed to continue their ethical auditing programme. While Lidl GB did not officially pause the ethical requirement to implement audits at high-risk sites, we worked alongside FNET to support suppliers with appropriate arrangements for their auditing schedules.

## Gender equality

Global supply chains are a major employer of women, yet many women face significant inequalities. Women throughout the world are disproportionately affected by modern slavery including forced labour and child labour. Women are also most likely to experience workplace discrimination or harassment, lower pay for equal work and most likely to be in lower status, casual or non-standard roles. These inequalities have been amplified during the COVID-19 pandemic.

In our banana supply chain, risks of gender discrimination and gender-based violence were identified through our strategic supplier, Fyffes', HRIA in 2020. Following these findings, and during the COVID-19 pandemic, Lidl GB and Fyffes launched the BSR HERessentials programme, a new digital gender programme aimed to support and train all workers on topics including sexual harassment, domestic violence, the use of grievance mechanisms and health and hygiene (with a particular focus on COVID-19). Through this programme we aim to train 10,000 workers within Lidl's supply chain by 2025.

In 2019 Lidl signed up to the Women's Empowerment Principles, which is the first global initiative aimed to promote women's empowerment and gender equality within businesses and their supply chains. We have committed to publishing our first group-wide gender policy for our supply chain in 2021, 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.

## Prevention of child labour

In collaboration with the NGO, Save The Children and the German Federal Ministry for Economic Cooperation and Development, Lidl are establishing a project to protect children's rights in the hazelnut supply chain in Turkey by the end of 2021. The aim of this project is to guarantee the protection of children's rights; create access to safe work and protection from dangerous activities for young workers and establish remedial action in cases where child labour is identified. For the first time, the entire supply chain – from growing the hazelnuts to harvesting and processing – will be assessed for compliance with children's rights. This pilot project has been developed to be scalable and transferable to other agricultural supply chains.

Since 2017, Lidl have also been running training courses in our non-food supply chain for suppliers on the prevention and remediation of child labour. Save The Children is training suppliers in Bangladesh, Turkey, Myanmar and China on behalf of Lidl. In 2020, this programme expanded to Pakistan and Vietnam.

## Training on modern slavery and trafficking

Training remains crucial to addressing the complex and hidden nature of modern slavery. Through raising awareness of this topic and highlighting potential risks and indicators to our internal departments and colleagues, we aim to continuously improve our approach to identifying and mitigating labour exploitation and risks of modern slavery within our business and supply chains. As part of our due diligence process, we have identified the *departments most at risk*.

In the coming year we have planned business-wide modern slavery e-learning, to ensure all our colleagues understand what it is, how to spot the signs of potential exploitation and how to report concerns.

## RDCs

Within our RDCs, Employee Relationship Consultants (ERCs) are dedicated welfare officers for all employees, whose aim is to manage and develop employee retention, motivation, and satisfaction. As part of their role they act as mediators for the first stage of any arising issues. On an annual basis our 14 ERCs attend modern slavery refresher training to ensure they are equipped to identify and address potential indicators of exploitation.

## Buying

Our Buying department interact with multiple external businesses and agree contracts with supplier partners on a daily basis. To ensure buyers understand the potential risks within their specialist food categories, the CSR team train the department as part of the annual range review cycle, sharing the known human rights challenges in product or raw material sourcing countries and sectors. This training encompasses the actions that Lidl are taking as a business to address these human rights risks with the intention for buyers to feel comfortable to discuss these topics with their suppliers and make informed buying decisions.

As part of our CSR-Buying requirements outlined for all our UK, tier one food suppliers, we require attendance of Stronger Together's 'Tackling Modern Slavery in UK Businesses' training. This training is also available to our external labour providers and Procurement suppliers.

## Property & construction

Data from the Modern Slavery Helpline Annual Assessment 2020 suggests that the construction industry remains consistently one of the most prevalent sectors for modern slavery to thrive, only placed below car washes and nail bars.

With this in mind, in 2019 we made the commitment to address the risk of modern slavery as part of our ongoing construction of new stores and RDCs. Following this commitment, in the last year we have initiated introductory training to our head office Property team who maintain oversight of all building projects throughout the year and attend site visits. This team also appoints and agrees contracts with external building contractors, who in turn are introduced to the risks of modern slavery in the construction sector via introductory meetings at the beginning of each new project.

## Measuring progress

Through setting clear action-orientated goals and Key Performance Indicators (KPIs), we are able to measure our progress and ensure we are on target to meet our commitments to tackling modern slavery in our business and supply chains.

We are committed to setting and disclosing further KPIs going forward, to ensure we are transparently reporting key areas of our due diligence process.

KPI	Status in FY20/21
UK tier one suppliers attending Stronger Together's 'Tackling Modern Slavery in UK Businesses' training	469
Lidl GB buyers trained on human rights issues as part of the range review process	39
Lidl GB property employees trained on modern slavery in the construction sector	New KPI
Lidl GB employees trained through introductory modern slavery e-learning	New KPI
Lidl GB procurement tenders including human rights criteria	New KPI
Whistle-blowing reports alleged relating to modern slavery indicators	4
Human Rights Impact Assessment's underway or completed	3

## Our plans for 2021

Tackling modern day slavery forms a key pillar within our recently updated human rights strategy. This strategy will drive our work throughout the next year and beyond.

The last 12 months have required us to remain adaptable and at the forefront of evolving risks. As part of our robust due diligence process, we will continue to identify, address, mitigate and remediate actual and potential instances of labour exploitation and forced labour within our business and supply chains. We cannot do this alone and are therefore committed to further collaboration with our industry counterparts and partners to tackle our shared challenges.

Modern slavery is an evolving topic and, as such, we will continue to develop our approach and report on our progress. In the year ahead, we will focus on the following priority areas:

- Continue to risk assess our business and establish action plans in prioritised departments to address identified risks and establish further due diligence procedures.
- Introduce our first group-wide gender policy to highlight key risks, business opportunities and our approach to protect women in our supply chains. We will use this policy to help engage suppliers in our gender equality program.
- Publish our third HRIA, based on our banana supply chain in South America, in-line with our commitment to publish three HRIsAs a year until 2025.
- Expand on our approach to modern slavery training to ensure our colleagues and our external business partners are well equipped in understanding risks within our business and the food retail sector as a whole.
- Set further collaborative objectives in high-risk supply chains through engagement with suppliers, multi-stakeholder initiatives and industry bodies.
- Meet our commitment to enable access to effective grievance mechanisms and access to remedy across identified high-risk supply chains.
- Explore partnership opportunities to support the remediation of modern slavery victims in the UK.
- Build on our data collection and modern slavery KPIs to ensure we are collecting and monitoring data to help inform our strategic next steps.

This statement was approved by the Board of Directors of Lidl GB.

Signed,



Christian Härtnagel, Chief Executive Officer (CEO), Lidl GB

Date: 25.08.2021