

Lidl GB

Modern Slavery Statement

2021/2022

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 ending 28 February 2022.



CONTENTS

Introduction	3
Organisation structure and supply chains	4
International	4
Great Britain	4
Supply chains	4
Food	4
Food promotions	4
Non-food	4
Procurement	4
Human rights and ethical trade	5
Governance	6
Policies in relation to slavery and human trafficking	7
For our business	7
For our supply chains	7
Due diligence process	9
Modern slavery strategy	10
Supply chain transparency	10
Third-party certification schemes	10
Social compliance programme	11
Human Rights Impact Assessments (HRIAs)	11
Risk assessment and management	12
In our business	12
Responsible recruitment	12
Recruitment fees	13
Grievance mechanisms	13
In our supply chains	13
Risk assessments and audits	13
Grievance mechanisms	14
UK agriculture	14
Prevention of child labour	15
Gender equality	15
Training on modern slavery and trafficking	16
RDCs	16
Buying	16
Property & construction	16
Measuring progress	17
Our plans for 2022	18

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 actual and potential risks of modern slavery in their organisations and supply chains.

As with the wider industry, local and global economic, political and social challenges have continued to play a role in the operations of our retail business and throughout our indirect global supply chains.

Within this statement we recognise the ongoing challenge of labour shortages facing the wider industry. This necessitates a temporary or seasonal workforce, which in turn adds to the potential for risks occurring in our business and/ or supply chains. As part of our human rights due diligence process we continue to develop our understanding, adapt our processes and actions, and respond to this ever evolving landscape.

Our sixth modern slavery statement acts as a continuation of our previous statements and outlines the key steps we have taken. This statement covers Lidl's financial reporting period from 1st March 2021 to 28th February 2022.

Our key focus areas during this period were:

- Training our colleagues on the topic of modern slavery, including the development of new business-wide 'Modern Slavery Awareness' e-learning.
- Further disclosure through our long-term commitment to supply chain transparency.
- Development and publication of new supply chain policies, including Lidl's first Gender in the Supply Chain policy.
- Piloting effective grievance mechanisms in identified high risk supply chains.
- Publication of further Human Rights Impact Assessments (HRIAs) in-line with our commitment to publish three HRIAs a year until 2025.

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 12,000 retail stores in 31 countries globally, including across Europe and the United States, with headquarters based in Neckarsulm, Germany.

Great Britain

Since arriving in Great Britain in 1994, Lidl GB has experienced continuous growth and today employs over 28,000 people across more than 930 stores and 13 distribution centres in England, Scotland and Wales. In FY21, we increased our market share to 6.2% (52 weeks ending 20.02.22) with a revenue of £8 billion.

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 40 countries and 1,624 suppliers.¹ However, as a British business we are committed to supporting, championing and investing in British food, farming and production and are proud to source more than two thirds of our core product range 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 sells 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 1,855 suppliers, across 15 countries.² 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 400 suppliers, with 40% based in Great Britain.

Our specialist sustainability consultant within the Procurement team ensures both environmental and ethical compliance is adhered to within these supply chains. In the last year we have embedded a sustainability analysis into all national tenders, alongside introducing a pre-tender questionnaire, focused on understanding our suppliers' sustainable practices before initiating contractual business partnerships.

¹ List available to download [online](#) containing Lidl International and Lidl GB national food and fruit & veg suppliers

² 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 linked to our supply chains, including plastics and packaging, sustainable agriculture, sustainable raw materials and human rights.

In line with our CSR vision, we have developed a human rights strategy, outlining clear human rights focus areas for the business. To develop this strategy, we considered the key risks facing workers across our business operations 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:

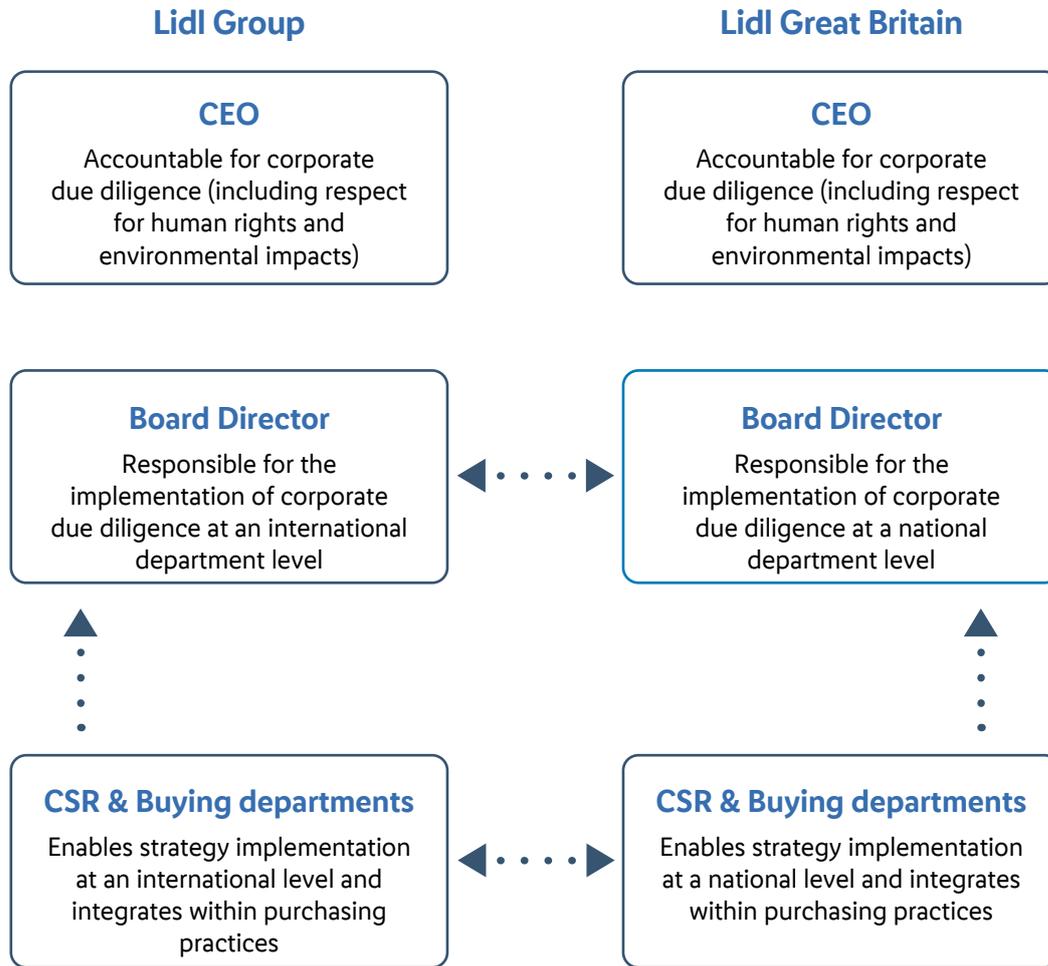
- **Understand our impact, e.g.:**
 - o Identify high-risk categories and review opportunities for due diligence
 - o Implement due diligence processes, including social compliance and Human Rights Impact Assessments (HRIAs)
- **Enforce our standards, e.g.:**
 - o Conduct modern slavery risk assessments, 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

More detail on our business human rights strategy is outlined in our [Buying Policy for Human Rights in the Supply Chain](#).

Governance

The accountability for upholding human rights due diligence, including tackling modern day slavery, sits with the CEO of Lidl GB. The below governance structure is mirrored throughout our International business.

3



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:

- Business-wide modern slavery awareness e-learning: October 2021
- Supply chain transparency: December 2021
- Human rights and modern slavery strategy: February 2022

³ 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 internal operations and wider 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 a wellbeing strategy called “Feel Good Five” 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 through our dedicated Employee Assistance Programme. This is available to colleagues on a 24/7 basis.

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 (UNGPs)**
- **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 partner relationships. It follows internationally recognised guidelines and principles on both social and environmental criteria. This CoC forms the basis of all commercial agreements with direct suppliers. We require all our suppliers to uphold these clauses within their own operations and support Lidl to embed the requirements within our CoC throughout the entire supply chain. The CoC 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 Lidl’s process to mitigating, addressing and tackling some of the most systemic global challenges connected to our operations, based on the UNGPs. 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.

In the last year the Lidl Group has published two new policies outlining our business responsibility and commitments to addressing the most salient human rights and labour risks throughout our global supply chains.

Our *Buying Policy on Human Rights in the Supply Chain* communicates our human rights strategy and pinpoints how key business activities and commitments sit within each strategic pillar. Key aspects of our human rights strategy are detailed within this statement, including: *supply chain transparency*, *social auditing* and *grievance mechanisms*. Within this human rights policy we also detail our timebound commitments to upholding supply chain labour standards including: no forced labour and no child labour, as well as our identified list of high risk raw material supply chains.

The Lidl Group *Buying Policy on Gender Equality in the Supply Chain* further explains the unique challenges that individuals may face because of their gender, gender identity or sexual orientation, which frequently occur in the upstream stages of food and textile supply chains. Through this policy we outline the intricacies of how key labour risks impact women differently and how Lidl plan to address these topics through a gender lens.

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. We review our progress against these principles on an annual basis.

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

Due diligence process

As part of our human rights due diligence process, we structure our modern slavery strategy 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 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.

4

- 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

⁴ Further information on our due diligence approach, is available in the *Human Rights and Environmental Due Diligence Policy*

Modern slavery strategy

The Lidl GB modern slavery strategy is structured into five focus areas, identified through our due diligence process, to address modern slavery risks in our business and supply chains. These include:

- **Training and capacity building**
Training of priority departments and suppliers on the modern slavery risks specific to their sectors and embedding due diligence processes to mitigate and prevent 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 UNGPs) 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 Lidl's human rights strategy. Through increasing transparency and further disclosure of the complex nature of our global sourcing, we continue to hold ourselves accountable for the impacts within these food and non-food supply chains.

Since 2017, we have annually updated our tier one non-food and hardware supplier lists on our website. We have since expanded this disclosure to our tier one food supplier list, and in January 2020 we were one of the first UK retailers to disclose our fruit and vegetable tier one supplier [list](#).

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. Thus in 2021, we began publishing information 'beyond tier one' and disclosing the supply chain actors that we work with indirectly, starting with recognised high-risk product categories: bananas, tea and strawberries. For all these supply chains Lidl have also conducted and published a [Human Rights Impact Assessment](#).

We also recognise fish and seafood as a high risk critical raw material for labour rights and modern slavery indicators and we plan to expand our approach to human rights due diligence in this category in the coming year. On a national level Lidl GB have disclosed our fish and seafood supply chain, including fish feed suppliers. This is an extension of our long term commitment to the [Ocean Disclosure Project](#) where we share both our farmed and wild-caught supply chains on an annual basis.

Third-party certification schemes

We continue to recognise third-party certification schemes as an initial step in our human rights due diligence process. Lidl has committed to sourcing identified critical raw materials more sustainably by the end of 2025. Within our food supply chains the third-party certification 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 e.g. cocoa.

Lidl is committed to sourcing 100% of fresh produce (including fruit & veg and plants & flowers) from sources certified with both environmental and social standards. This commitment applies to growers, both in the UK and internationally, and establishes Global GAP GRASP or equivalent 3rd party social scheme (see [F&V and P&F responsible sourcing policies](#)) as the minimum ethical requirement.

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](#).

A full overview of progress against our raw material certification goals is included in our [FY19/20 sustainability report](#).

Fairtrade

Since 2006, Lidl has partnered with Fairtrade as a leading certification programme to address key challenges in raw material supply chains including living wages and freedom of association. Through our growing selection of Fairtrade certified products, Lidl ensures more security for farmers through long-term contracts, social standards and reliable income, independent from fluctuating global market prices.

In 2021, Lidl GB represented 28% of the UK market for Fairtrade cocoa. During this period, Lidl GB also generated more Premium for cocoa farmers than any other UK retailer, totalling over £1.2 million which is invested into local cooperatives and communities.

In 2021, Lidl also became the first UK retailer to convert its cotton store uniforms to Fairtrade. The uniform range is being rolled out across all UK stores, with a commitment to purchase 330,000 shirts, trousers, polo tops and chinos. This equates to a volume of 175 metric tonnes of Fairtrade certified cotton, benefitting farmers in India.

Social compliance programme

Our social compliance programme enables insight into the many suppliers we work with who grow, manufacture and package our food and non-food products. Our supplier ethical requirements are outlined in our [Supplier Social Compliance Guidance](#) document which is included as part of all Lidl GB national buying contracts and shares requirements to join Sedex, complete the Sedex Self-Assessment Questionnaire (SAQ) and conduct an ethical audit on request. Currently 88% of our direct food suppliers are fully compliant to these requirements.

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 where and how specific business and supply chain activities have the potential to impact internationally recognised human rights. Through these assessments we are able to recognise root causes and address key indicators that are not typically identified through other forms of due diligence, such as social audits. HRIAs support key objectives within in our modern slavery strategy and overarching human rights objectives.

In 2021 Lidl conducted and published [three HRIAs](#), based on the following supply chains: Kenyan tea, Spanish (Huelva) berries and Colombian bananas. The methodology applied to these assessments ensures that indicators of forced labour and child labour are reviewed as part of both desk-based analysis and stakeholder engagement, and potential links to business operations are identified. From the three HRIAs conducted, direct links to Lidl business operations are primarily focussed across impacted labour rights (e.g. occupational health and safety, freedom of association and non-discrimination) as well as economic and social rights (e.g. right to adequate standard of living and right to health). Typically, the majority of impacts identified are at the cultivation or plantation tier of the supply chain. For each HRIA a timebound mitigation plan is developed to address the identified positive and negative impacts and guides the next phase of Lidl's human rights due diligence in each of these supply chains.

Lidl is committed to conducting and publishing three HRIAs a year until 2025, following internationally recognised methodologies and will continue to publicly disclose reports and mitigation plans.

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 2022, we made our biggest ever investment into colleague wages, representing a pay rise of over 6% for some colleagues and directly benefiting over 21,000 Lidl colleagues and over 80% of our workforce across Great Britain. Over the last five years, Lidl GB has invested over £50 million into hourly wage increases. As part of our modern slavery strategy we have identified a number of priority internal departments to focus our modern slavery due diligence. 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 buyers working with multiple external supply chain partners.

Over the coming years we will continue to work with these key departments through the development of sector specific modern slavery training and continue to strengthen due diligence processes to ensure departments are equipped to identify risks and carry out mitigation procedures.

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.

Across our business operations, there are instances where we require the use of labour agencies to manage business needs, such as peaks in labour demand, particularly for warehouse operative workers in our RDCs, which has been a key industry risk in the last year. To mitigate this, we require 100% of the labour providers we work with to be certified by the Gangmasters and Labour Abuse Authority (GLAA). In the last year Lidl GB has participated in working groups to enhance the GLAA's risk assessment and monitoring practices. We will continue to use our leverage to recommend continuous improvements as part of this multi-stakeholder group.

We recognise that workers may be more vulnerable to exploitation if they lack employment stability and decent pay, making them more likely to seek employment opportunities. We therefore 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 that 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. This is an area we want to progress by working with our head office and regional HR teams as well as industry specialists.

Recruitment fees

As members of the BRC's 'Better Retail Better World' initiative, Lidl GB is 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 supports 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, 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 or indicators of exploitation, as well as identified breaches of our policies and procedures. Over the last 12 months, 273 whistleblowing reports were logged, with two allegations relating specifically to modern slavery indicators. Where appropriate, we take collaborative action in response to allegations, to ensure an efficient, victim-centred approach.

In the last year our internal protocol ensured a vulnerable colleague in one of our RDC's was able to access specialist guidance and support after raising serious concerns in a 'return to work' meeting with their team manager. This case was immediately escalated while assurances were made that the colleague had access to a place of safety. The colleague and their manager were put in contact with a specialist organisation to guide them through addressing the situation safely. Support, further guidance, and regular check-ins were provided to ensure this situation was remediated in an appropriate and timely manner.

In our supply chains

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

Where potential instances of labour exploitation or modern slavery are identified, we continue to adopt BRC's 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.

Risk assessments and audits

Through the Sedex platform, Lidl GB risk assesses tier one, own-brand 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. 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. 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. In the last year, 52 Lidl GB direct suppliers have been identified as high-risk on the Sedex platform. In this same period, our supply base conducted 215 ethical audits.

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 CoC.

Grievance mechanisms

Access to an effective grievance mechanism for employees in global supply chains is an essential part of corporate due diligence, in order to uncover human rights risks and potential rights violations. In practice this often poses a challenge, as employees with varying circumstances e.g. language skills, access to technology, cultural differences, should all have equal access to an effective grievance mechanism.

Lidl recognises 'effective grievance mechanisms' as defined by the UNGPs, 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 CoC and we firmly believe that when these are implemented effectively, human rights violations can be better identified and remediated in a meaningful way. Lidl has therefore set itself the goal of piloting grievance mechanisms in high risk supply chains, in order to identify scalable and effective approaches. As a first step, we have started to pilot grievance mechanisms in the following three supply chains:

Berries, Spain

As part of this pilot project, we have worked with our partner Elevate on a new, effective grievance mechanism for workers in the berry sector in Huelva, Spain. The grievance mechanism will be piloted with selected producers as part of the 2021/2022 harvest season. This mechanism has multiple grievance channels, including a hotline operated by trained staff, as well as the ability to report complaints via Whatsapp. Complaints are accepted in any language and verbal exchange with the hotline employees is possible in Spanish, Arabic and English. All workers are trained in the use of the grievance mechanism. As the majority of the workers on site are women from North Africa and Eastern Europe, all hotline employees are women. We will evaluate this pilot after the end of the harvest season, and report on results and next steps.

Coconut milk, Vietnam

In Vietnam we are piloting a grievance mechanism which is provided by the service provider Ulula in cooperation with Amfori. This is a mechanism that is tested in both non-food and food sectors. Lidl is participating in this project with production facilities in both the textile and coconut milk sector. As part of this pilot, workers are provided with various channels to share their grievance. Grievances are investigated formally with the involvement of a third party and remedial measures are developed. The pilot will run until mid-2022 and next steps will be reviewed with all project stakeholders.

Palm oil

We are working with our suppliers to pilot an effective grievance mechanism in the palm oil sector. As part of the pilot, we will work with selected palm oil suppliers and their palm oil plantations to evaluate whether the grievance mechanism is suitable for a further roll-out in other regions or in relation to other product groups. The pilot is currently in the development phase and is expected to run until the end of 2022.

UK agriculture

We remain highly aware of labour and recruitment risks in UK agriculture supply chains, due to an ongoing prevalence of labour exploitation reports from farms⁵. These risks remain heightened by a variety of factors, including the ongoing reliance of temporary migrant labour in the fresh produce sector.

We require 100% of our British fresh meat, dairy and fruit and veg suppliers to be certified to Red Tractor standards. To enhance our human rights due diligence in these supply chains where we source from many growers or smallholders indirectly, Lidl GB has joined a working group to support development and implementation of a new Red Tractor ethical bolt-on module, to address the topic of worker welfare, encompassing ethical trade and health and safety topics.

Lidl GB has worked in collaboration with industry stakeholder group Food Network for Ethical Trade (FNET) and with representatives from the Seasonal Workers Scheme (SWS) operators, users and government (the Seasonal Workers Scheme Multi-Stakeholder Working Group) to develop a number of recommendations that form Good Practice Guidance for UK Seasonal Workers Scheme Users. These recommendations aim to create decent work opportunities for migrant workers through the SWS, encourage all Scheme Users to invest in their workforce and support Scheme Users to attract and retain workers. These recommendations were developed in response to the *FLEX (Focus on Labour Exploitation) report* which highlighted the potential for serious risks of forced labour through the SWS. The new guidance covers recommendations on identifying where workers may have paid recruitment fees, access to grievance channels and ensuring workers understand their rights in the UK. We will continue to address these risks alongside industry and supplier partners in the coming year.

⁵ Unseen Annual Assessment 2021

Prevention of child labour

For supply chains connected to countries stricken by poverty, children are sometimes required to work to support their families. This is due to a lack of educational opportunities that is often exacerbated by frequent relocation among migrant workers, as well as low wages and inadequate family incomes. It is Lidl's intention to prevent child labour and safeguard children throughout our agricultural supply chains. If violations of children's rights occur within the supply chain, Lidl strives to work closely with its suppliers to resolve the situation in the interests of the child concerned.

In collaboration with the NGO, Save The Children and the German Federal Ministry for Economic Cooperation and Development, Lidl established a project to protect children's rights in the hazelnut supply chain in Turkey in 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 has 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.

For further information on Lidl's policy and actions to combat child labour, please refer to our [Human Rights in the Supply Chain policy](#).

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.

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, 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. In the last year, since its inception, over 260 workers in Lidl's supply chain have completed this HERessentials training, which continues to be rolled out across Belize, Costa Rica and other sourcing locations in Latin America.

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 *highest risk departments*.

In the last year, we have developed an internal 'Modern Slavery Awareness' e-learning, aimed to ensure that all our colleagues understand what modern slavery is, how to spot indicators of potential exploitation and where to report concerns. This training module was developed with insight and materials from our specialist partner organisation Stronger Together. Key information from this training, including details for specialist services e.g modern slavery hotlines, are permanently available on our internal Lidl intranet platform. The initial launch of this new e-learning was targeted at all desk based colleagues across head office and RDC departments. The next phase will ensure this training is rolled out to operational colleagues, within our stores and distribution centres.

RDCs

Within our RDCs, Regional Engagement Consultants (RECs) are dedicated welfare and colleague wellbeing champions for all employees, whose aim is to manage and develop employee retention, motivation, and satisfaction. As part of their role, they may act (where appropriate) as facilitators for the first stage of any arising issues. Our 14 RECs have attended modern slavery 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 is 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-based, tier one food suppliers, we require attendance of Stronger Together's 'Tackling Modern Slavery in UK Businesses' training. We also recommend this training workshop to our external labour providers and Procurement suppliers. In addition to this, following our Spanish Berries HRIA action plan, we have partnered with the Stronger Together Spain Programme, to ensure Lidl suppliers and growers (based in Spain) are trained to prevent and manage the risk of forced labour and other forms of hidden labour exploitation, specific to the Spanish agricultural sector. So far 16 Lidl suppliers in Spain have attended this training workshop.

Property & construction

In 2019 we made the commitment to address the risk of modern slavery as part of our ongoing construction of new stores and RDCs. In the last year, where 13% of all labour abuse cases reported were linked to the construction sector⁶, we initiated introductory training to our Property & Construction departments who maintain oversight of all building projects. As part of Lidl's 2021 National Construction Meeting which is attended by Senior Construction Consultants and regional Heads of Property, we invited Stronger Together's construction specialist to conduct a bespoke, practical training session addressing the risks of exploitation and modern slavery within the sector. The training was well received by participants who described the content as 'eye opening' and were able to relate their learnings to experiences working on construction sites.

The Property & Construction departments appoint and agree contracts with external building contractors, alongside project management responsibilities including regular site visits. In 2021, the team introduced the topic of modern slavery into the departments pre-qualification questionnaire for all new contractors to complete, before working with Lidl. Through introductory discussions with new partners, the Lidl team also highlights sector risks and recommended due diligence practices, to ensure that knowledge is shared and our direct business partners are aware of our expectations and requirements.

⁶ Unseen Annual Assessment 2021

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	Goal	FY20/21 (#)	FY21/22 (#)
UK tier one suppliers attending Stronger Together's 'Tackling Modern Slavery in UK Businesses' training	100%	469	551
Lidl GB buyers trained on human rights issues as part of the range review process	100%	39	40
Lidl GB property employees trained on modern slavery in the construction sector	100%	New KPI	47
Lidl GB employees trained through introductory modern slavery e-learning	100%	New KPI	2,669
Whistle-blowing reports alleged relating to modern slavery indicators	Full disclosure	4	2
Human Rights Impact Assessments underway or completed	15 by 2025	3	6

Our plans for 2022

Tackling modern day slavery forms a key pillar within our human rights strategy. This strategy will continue to 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 and challenges. 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.
- Implement mitigation measures in collaboration with key industry stakeholders to support the UK Seasonal Worker Scheme.
- Trial new approaches to ensure the clauses in our CoC are understood and implemented throughout the supply chain.
- Continue to review opportunities to partner with external, specialist organisations to support implementation of our modern slavery strategy.
- Publish three more HRIA's, based in identified high-risk supply chains, in-line with our commitment to publish three HRIAs a year until 2025.
- Further develop our commitment to enable access to effective grievance mechanisms and access to remedy across identified high-risk supply chains.
- Review opportunities to rollout the next phase of the 'Modern Slavery Awareness' e-learning to operational colleagues.
- Continue to build on our data collection and KPIs related to modern slavery risks, 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,

A handwritten signature in black ink, appearing to read 'R. McDonnell', is positioned above a faint, illegible stamp.

Ryan McDonnell, Chief Executive Officer (CEO), Lidl GB

Date: 22.08.2022