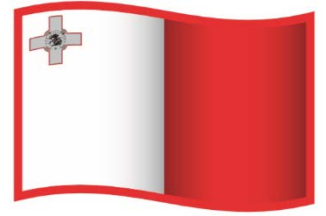


Position Paper on the Responsible Sourcing of Tea and Coffee





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1. Our Vision

Tea and Coffee



“Our everyday actions are shaped by a sense of responsibility from an economic, social and environmental viewpoint.”

With this corporate principle, Lidl Italia expresses its own responsibility toward man and nature.

Tea and coffee are without a doubt two of the most important commodities in the world. Coffee is grown predominantly in Central and South America, while tea is grown in Asia; they constitute the main source of income for millions of families in producing countries.

Given this widespread distribution, there are some critical points to be considered. For example, cultivation may involve the use of pesticides to stop plants from being destroyed by disease or infestation, but they may damage the surrounding area and, in some cases, even the health of the workers themselves. Or it may happen that local growers replace the rich variety of tropical forest species with tea or coffee monocultures. Or again, unfortunately, along the various stages of the supply chain, fair conditions might not always be guaranteed for workers in the chain, even though they are in line with local legal requirements.

In light of this and through this *Position Paper on the Responsible Sourcing of Tea and Coffee*, Lidl Italia intends to support increasingly sustainable farming from a social and environmental perspective. The main advantages of this are:

1 *The focus on natural resources, the climate, the environment and biodiversity*

Sustainable farming focuses on procedures and methods that make land use more efficient at complying with environmental criteria, such as reducing the harmful effects on water, air, soil, climate and biodiversity, and aims to minimize impact on the natural environment.

2. The focus on social factors

Sustainable farming can promote employment, fair income, good quality of life and better working conditions for all who work in the agricultural supply chain.

3. The focus on food safety Sustainable farming facilitates the transition to cultivation systems that are more respectful of natural resources, thereby ensuring a diet that meets the nutritional requirements of the local population and guarantees ample availability of agricultural products for the current generation and for those to come.

These principles fall within Lidl Italia's long-term vision, summarized by the motto "A better tomorrow." Under this motto, the company supports the principles of sustainability, which is understood as protecting today's resources for a brighter tomorrow.

2. Our Position

Lidl Italia's mission is to offer its customers high-quality products at an affordable price. Within the concept of quality, the company also focuses on increasingly sustainable production methods. Lidl Italia considers that good agricultural practices, the responsible use of resources and biodiversity conservation are fundamental for the future.

For this reason, Lidl Italia actively promotes aspects of sustainability that go beyond statutory requirements. For example, as well as asking its suppliers to sign an agreement to implement a Code of Conduct, Lidl Italia makes sure that suppliers also have independent certification that guarantees even more sustainable standards than those required by law.

Lidl Italia intends to exercise its influence to promote responsible sourcing of tea and coffee, thereby contributing to a definite change in the market.

As a mass-market retail leader, Lidl Italia, through this position paper which sets out the foundations for the responsible sourcing of tea and coffee, is committed to playing its part in sustainable land management from an environmental and social perspective, promoting current and future sustainable agricultural practices, and thereby responding to the demands of consumers who are calling for ever-higher standards in this area.

2.1 The Pillars on which Lidl's Responsible Assortment is Based

A Responsible Structure for our Assortment

Lidl would like to offer its customers own-brand products that are increasingly sustainable, for example, products certified by Fairtrade and UTZ/Rainforest Alliance or certified as organic. We are also committed to supporting these organizations in their efforts to improve.

Origin, Transparency and Traceability

By providing clear information that is easy to read and understand, Lidl supports its customers in their selection of products, with the aim of creating ever-greater transparency and traceability along the supply chain.

Responsible Farming

Protection of the environment and concrete efforts to ensure decent working conditions are important factors, especially in countries where commodities like tea and coffee come from. Lidl not only chooses to put its trust in independent certification organizations, but it actively supports them in their projects. For example, the Lidl Group has supported numerous Fairtrade initiatives to help coffee growers, aimed at both promoting greater awareness of the need to produce a sustainable product and tackling the problems caused by climate change.

Protecting the environment

The effects of farming on the environment, such as the excessive use of pesticides, must be reduced to a minimum. Lidl dissociates itself from illegal logging and/or from slash-and-burn practices to obtain new agricultural land. By choosing certified products, we can count on the training that these organizations provide to growers to improve agricultural practices, in turn reducing impact on the environment to a minimum.



Furthermore, the Lidl Group is a member of the Business Social Compliance Initiative (BSCI) and, on this basis, it has developed its own Code of Conduct which aims to raise minimum social standards among its business partners in several countries. As a fundamental principle, Lidl rejects any kind of child labor abuses or violations of human rights in the process of producing its products. It actively promotes and supports aspects that go beyond regulatory requirements, for example, for its own-brand products, it prefers raw materials sourced from cultivation that is certified as sustainable by third-party organizations.

2.2 Scope

This position paper is transparent and is freely available to the public. It applies to all Lidl Italia's permanent Assortment of own-brand products, is periodically updated and is binding both within and outside the company. All suppliers that already trade with Lidl are required to comply with the guidelines it contains.

It is Lidl Italia's intention to continue developing this position paper, enhancing it with new goals. To this end, Lidl, together with its suppliers, will monitor progress achieved, developing and setting up, if necessary, new mandatory measures to be adopted. If we find we are moving away from our objectives, we will have to prescribe corrective actions.

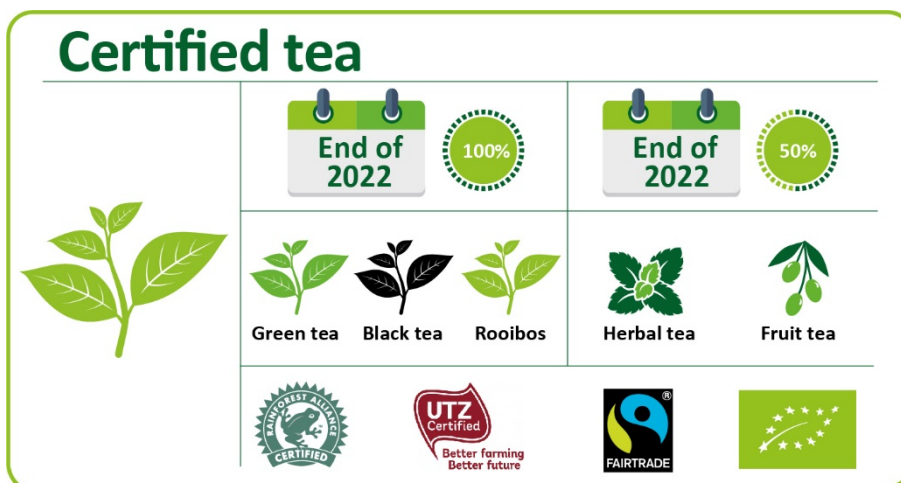
3. Our Goal

In light of the above, Lidl Italia, as a mass-market retail leader aware of its responsibilities, is committed to offering its customers:

- 50% of its coffee (measured by quantity of raw commodity) certified to UTZ/Rainforest Alliance or Fairtrade standards or sourced from organic farms by the end of 2022. By the end of 2020, 30% of its coffee will be certified.



- 100% of its green, black and Rooibos teas (measured by quantity of raw commodity) certified to UTZ/Rainforest Alliance or Fairtrade standards or sourced from organic farms by the end of 2022. 50% of its fruit and herbal teas (measured by quantity of raw commodity) certified to UTZ/Rainforest Alliance or Fairtrade standards or sourced from organic farms by the end of 2022.



The goal applies to our permanent assortment of own-brand products. It does not cover products containing tea or coffee as ingredients (for example, ice creams, sorbets, drinks, and tea/coffee formulas).

With regard to the implementation of this position paper, Lidl Italia seeks advice from specialist non-profit organizations and promotes the sustainability criteria of various certifications, including:

1. UTZ and the Rainforest Alliance: two organizations which, since January 2018, have joined forces to tackle some environmental challenges together, such as deforestation, climate change and poverty. The new organization is called the Rainforest Alliance. Its shared mission is to create a sustainable agricultural system which helps farmers, forest communities, workers and their families to receive a fair wage and to protect natural resources, the environment and wildlife. Some products in the Lidl assortment, of both tea and coffee, already boast the UTZ or Rainforest Alliance Certified™ logo. For more information: www.utz.org and www.rainforest-alliance.org



Joining forces
for a better future

2. Fairtrade: a global organization which, through a certification mark of the same name, aims to guarantee better living conditions for producers in developing countries. Its goal is to empower the most disadvantaged producers, giving them the means to break into the trading system under fair and transparent conditions, and thereby improving their living standards. For more information: www.fairtrade.net



3. Organic certification: certification given to organic food production that respects the environment and the planet's resources, renouncing the use of pesticides and artificial additives or genetically modified organisms in agriculture, and guaranteeing the welfare of animals on farms.

Through farming of this kind, we conserve biodiversity and safeguard the resources of tomorrow. Customers buying organic products enjoy natural flavors, knowing that they are helping to protect the environment.

The EU organic logo guarantees compliance with European Union standards in organic farming, thereby reducing impact on the environment and ensuring greater respect for nature and its species.



The logos representing said certification also appear on the packaging of Lidl-brand products to make them immediately recognizable for clients and thereby spreading the values on which they are based.

Furthermore, the Lidl Group has a preference for suppliers that are actively involved in initiatives such as the Ethical Tea Partnership (ETP), whose goal is to monitor and improve living and working conditions for growers on tea plantations.