

Human Rights and Environmental Protection Due Diligence System **for the sourcing of Commercial Goods**

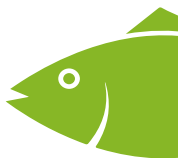


“As a socially responsible company, it is our entrepreneurial duty to respect, safeguard and promote human rights and protect the environment. Our due diligence business system for respecting human rights and the environment in our sourcing policies is an ever-evolving, dynamic process that we are committed to developing and reviewing on a continual basis.”



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1. Introduction

Environmental protection and respect for human rights are at the heart of Lidl's business and are therefore strategic cornerstones of our work, especially when it comes to sourcing our goods. Looking ahead with determination, we are committed to implementing social and environmental due diligence along the entire value chain.

Ensuring transparency is crucial in this respect. We therefore provide regular updates on our results and the progress of our measures in our Sustainability Report. We have implemented a periodic risk analysis to continually assess risks. This enables us to identify risks within our supply chain more accurately, including future risks, and to react accordingly. On this basis, we continually review our measures and develop them as a result, taking into account the ever-changing social and environmental issues at play in the area of buying.

Dialogue with our stakeholders also helps us. Our stakeholders include our suppliers, experts, civil society organisations and trade unions. Lidl will be organising regular training courses with our collaborators and business partners to raise awareness of social and environmental concerns. We also strive to build on existing partnerships and initiatives and establish new collaborations.

We aim to continue successfully improving the living conditions of our partners along the supply chain through our measures and management approach.

This Position Paper has been approved by the Board of Directors of Lidl Malta.

Eduardo Tursi

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2. Our approach

As a retailer operating worldwide, Lidl is at the cutting edge when it comes to sustainability, which is crucial also for securing future business. The world is facing huge challenges: the environment and human rights can only be protected successfully on a global level. From an ecological perspective, mankind is currently living beyond its means. And two out of three people living in conditions of extreme poverty still rely on agricultural work to survive. Lidl intends to play an active role in overcoming these challenges, and others, through sustainable improvements and long-term solutions that we hope will make our product range more sustainable, fairer and healthier.

To define what “sustainability” means for Lidl, we have developed a vision, a mission, key points and concrete measures as part of a strategic analysis, and have made them binding. When developing this strategy, we not only discussed it carefully internally, but we also took into account the expectations of our customers and the society, NGO priorities, regulatory developments and progress in scientific knowledge. On selecting the measures, we also took into account our potential impact when planning and influencing supply chains.

In doing so, we identified the key areas, which are important for our business, where current and future challenges arise. The focus areas at the heart of Lidl’s sustainable sourcing strategy are: climate change, water, circular economy, human rights, raw materials, biodiversity and responsible products.

The major human rights and environmental challenges facing today’s retailers stem from increasingly globalised supply chains. This is a result of the very structure of the retail industry’s value chain and of the intrinsic characteristics of production.

Risks arising from the abuse of human rights often have complex causes and can affect entire industrial sectors. For this reason, social risks concerning workplace health and safety, working hours, wages, freedom of association and of assembly, discrimination, child labour or forced labour can only be counteracted by adopting systemic solutions across the whole sector. Lidl therefore also collaborates with governments, other companies, suppliers and civil society organisations and plays an active role in creating a future of value and dignity.

At the same time, food production is highly resource-intensive. For this reason, faced with a constantly growing global population, responsible growing, harvesting and processing methods need to strike the perfect balance between increased yield on the one hand and protection of the soil, air, water resources and biodiversity on the other. That is why we intend to bring our consumption increasingly into line with planetary boundaries and make an active contribution to the conservation of ecosystems.



This summary document outlines our approaches, in order to minimise risks in our focus areas, including both our commitments and the concrete measures we are implementing.

Declarations, standards and guidelines

As a leading company in the retail sector, we believe it is our responsibility to respect human rights, protect the environment and prevent potential risks. Lidl's social and environmental diligence is based on internationally recognised guidelines, including:

- **Universal Declaration of Human Rights**
- **United Nations Guiding Principles on Business and Human Rights (UNGPR)**
- **United Nations Sustainable Development Goals (SDG)**
- **UN Convention on the Rights of the Child**
- **UN Convention on the Elimination of all Forms of Discrimination Against Women**
- **Women's Empowerment Principles (WEP)**
- **International Labour Organisation (ILO) conventions, core labour standards and recommendations on social and labour standards**
- **OECD Guidelines for Multinational Enterprises**
- **Dhaka Principles for migration with dignity**

Moreover, since 2006, our Code of Conduct has formed the basis and been an essential part of contractual relationships with our suppliers, which undertake to comply with its requirements within their own supply chains, too. Lidl takes a zero-tolerance approach towards inaction in the event of forced and/or child labour and, as a result, towards any violations of its due diligence.

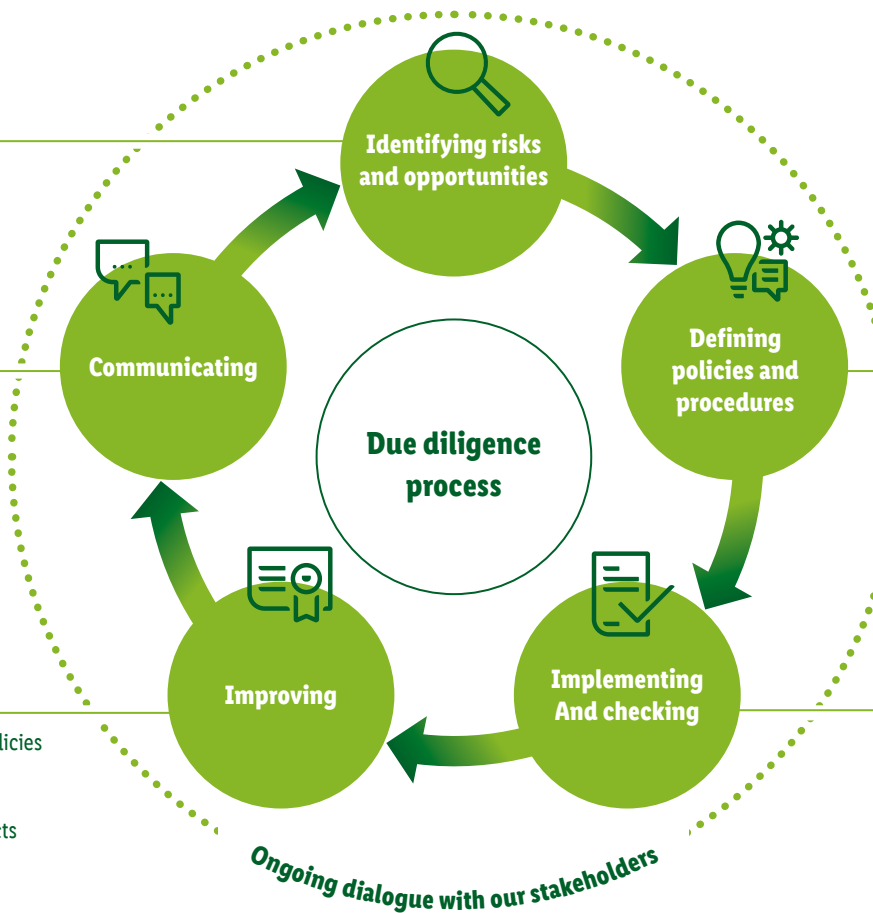
3. Management approach for the implementation of social and environmental due diligence

Through our management approach, we guarantee that the CSR (Corporate Social Responsibility) strategy is implemented in a structured way and respected. We systematically analyse the potential risks of human rights violations and environmental impacts in our corporate processes and in the production of our own-brand products. We use the findings to establish concrete, effective measures that can combat, avoid and mitigate the impacts of our actions.

- Materiality assessment based on product range
- Identifying related risks and opportunities
- Identifying and assessing impacts and implementation methods

- Reporting transparently on progress and setbacks to internal and external stakeholders

- Reviewing and improving policies and procedures
- Preventing, removing and mitigating any negative effects
- Access to effective reporting mechanisms
- Interventions in the event of any violations



- Defining commitments CSR, goals and KPIs
- Establishing audit processes
- Guaranteeing measurability
- Defining roles and responsibilities

- Requesting and monitoring implementation in the supply chain
- Auditing, assessing and developing supply chains and players

3.1 Identifying risks and opportunities

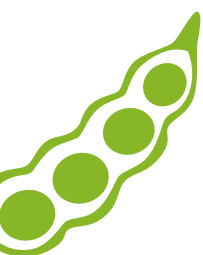
We continually examine the current or potential risks involved in the production of our products in our strategic focus areas. Our aim is to make the economic, environmental and social risks measurable, so that we can assess not only direct risks to our business activities, but also risks within our supply chain, and take appropriate measures.

We assess the potential risks for our own-brand products through a systematic process based on indices such as the ITUC Global Rights Index or the Global Slavery Index, combined with data from the United Nations Food and Agriculture Organisation and the Environmental Performance Index. The company also engages in ongoing dialogue with external stakeholders and benefits from their experience. For example, we learn from the experience of civil society organisations, trade unions and other specialists. We work with these experts to identify any difficulties in respecting human rights, including freedom of association.

We also aim to systematically identify potential risks within our supply chain. In this regard, we conduct an additional risk assessment on our product range. We examine the direct negative effects that our company could have, taking into account both human rights and environmental risks, such as water pollution or greenhouse gas emissions, which, in turn, can have a negative impact on human rights. Our analysis obviously considers all stages of the value chain, from raw material extraction through to final production.

We have decided on criteria and indicators for all focus areas in order to quantify existing risks or potential impacts. These factors enable us to measure risks in a comparable manner: climate-related risks, for example, are measured by the amount of greenhouse gases emitted throughout the entire supply chain; the risk of biodiversity loss is measured against the likelihood of species becoming extinct as a result of the production of products. Based on the factors and our buying volumes, we are able to identify which supply chains are high-risk, what level of the value chain poses the highest risks for labourers and smallholders and where we have the greatest impact.

In the overall risk assessment of our product range, we have identified the following specific social and environmental risks for certain raw materials:



Lidl risk analysis – Raw materials, Risks and Countries



BANANAS

Social risks

- Child labour: Brazil, Ecuador, Philippines
- Forced labour: India, Indonesia
- Workers' rights: Brazil, China, Philippines
- Discrimination: India, Indonesia

Environmental risks

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



COTTON

Social risks

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

Environmental risks

- Biodiversity: India, Turkey, United States of America
- Climate: India, Pakistan, United States
- Land use and deforestation: Brazil, China, India
- Water: China, India, United States of America



FLOWERS & PLANTS

Social risks

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

Environmental risks

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



FISH

Social risks

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

Environmental risks

- Biodiversity: China, India, United States of America
- Climate: India, United States
- Land use and deforestation: Brazil, Malaysia, Vietnam
- Water risk: Chile, China, India



HAZELNUTS

Social risks

- Child labour: Azerbaijan, Georgia, Turkey
- Forced labour: China, Georgia
- Workers' rights: China, Iran, Turkey
- Discrimination: Azerbaijan, Iran

Environmental risks

- Biodiversity: Georgia, Turkey, United States of America
- Climate: United States of America
- Land use and deforestation: Azerbaijan, China, Georgia
- Water: Azerbaijan, China, Iran



COFFEE

Social risks

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

Environmental risks

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



COCOA

Social risks

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

Environmental risks

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



PALM OIL

Social risks

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

Environmental risks

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



RICE

Social risks

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

Environmental risks

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



SOYA

Social risks

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

Environmental risks

- Biodiversity: Argentina, China, India
- Climate: India, Canada, United States of America
- Land use and deforestation: Bolivia, Brazil, Paraguay
- Water: Brazil, China, India



TEA

Social risks

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

Environmental risks

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



CELLULOSE

Social risks

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

Environmental risks

- Biodiversity: Indonesia, Canada, Russia
- Climate: Japan, Canada, United States of America
- Land use and deforestation: Brazil, China, Indonesia
- Water: Brazil, China, United States of America

The map shows the raw materials that are strategically significant for Lidl in terms of buying volumes. The major social and environmental risks in relation to the potential countries of origin are modelled on the basis of international risk indices.

Identified risks to man and the environment

We have identified the following key risks to man and the environment as an integral part of our management approach. We have therefore prepared effective measures to further mitigate these risks and regularly report on the results.

Social risks

Child labour: the employment of school-age children in dangerous working conditions

Forced labour: human trafficking, coercion, threats, retention of wages (or a part thereof) at the source or financial pressure, such as through high agency commission for labour contracts

Workers' rights: wages below the living wage, damaged health due to lack of workplace safety, restrictions on freedom of association, inhumane working hours, discrimination, workplace harassment or abuse

Discrimination: abuse or unequal treatment on the grounds of gender, sexual orientation, ethnic/national origin or religion, resulting in unequal treatment or damage

Environmental risks

Biodiversity: loss of ecosystem services and biodiversity

Climate: vulnerability due to the adverse impacts of climate change

Land use and deforestation: the clearing of forest areas for other land use purposes, loss of habitats

Water risks: water scarcity, lack of access to the water supply system, water pollution.

3.2 Defining policies and procedures


The incorporation of CSR requirements and processes into business processes is a key factor of corporate due diligence. It is the only way to ensure that the desired progress is achieved.

When specific risks relating to raw materials have been identified and assessed, these are discussed with the Buying Departments in the various countries in the Lidl Group, as well as with key suppliers and the NGOs involved. This consultation process results in binding position papers that can be read on our website.

The position papers are continually updated and set out the goals and measures that Lidl intends to use to avoid and mitigate the specific risks for each raw material.

The position papers are an integral part of our buying practices as a binding requirement. Our buyers are also systematically trained on the sustainability goals relating to raw materials, so that they take them into consideration in their decision-making.

Lidl regularly checks to make sure that its buyers are adopting these requirements. The company also promotes active dialogue with the NGOs and trade unions with a view to improving working conditions along our supply chain and ensuring respect for human rights.



2020

FLOWERS AND PLANTS

- **from 2020** on, our plants and flowers are certified to, **GLOBALG.A.P. and GLOBALG.A.P. GRASP** environmental and social standards

FRUIT AND VEGETABLES

- all our fruit and vegetables are certified to environmental and social standards, such as **GLOBALG.A.P. and GLOBALG.A.P. GRASP**. Some are also certified to **Fairtrade** standards



COFFEE

- **From 2021 on, 50%** of our own-brand and permanent-range coffee products will be certified, subject to a certification standard existing in the country of origin and those goods being available

FISH

- **From 2021 on**, a large part of the permanent own-brand assortment of fish and shellfish (fresh, frozen and canned fish) offered by Lidl Malta will be **certified and sustainably caught** (e.g. MSC / ASC / Friend of the Sea, etc.).

PALM OIL

- **From 2021 on**, in our permanent own-brand food products, we will be using **only RSPO-certified palm oil following the Segregated supply chain model**
- in non-food products, on the other hand (e.g. health and beauty), we will use **only RSPO-certified palm oil following the Mass Balance supply chain model**

CELLULOSE

- **From 2021 on**, we intend to switch all our non-food products, such as textiles, footwear, garden/camping, furniture, toys, decorative items, electronics, stationery and DIY items containing cellulose parts, to **recycled** material (e.g. Blauer Engel-certified) or **FSC- or PEFC-certified** virgin fibre

TEXTILES

- **Since 2014**, we have endeavoured to remove all dangerous chemicals from our textile products as part of the Greenpeace Detox campaign



TEA

- **From 2023 on** our own-brand and permanent-range teas will be Fairtrade, Rainforest Alliance, Organic or UTZ-certified, as follows:
 - **50%** of infusions (fruit and herbal)
 - **100%** of teas (green, black, rooibos)subject to a certification standard existing in the country of origin and those goods being available



COTTON

- **By the end of 2025**, we will be using 100% cotton from sustainable sources for non-food products (**Cotton Made in Africa, Organic, Global Organic Textile Standard or Fairtrade**)

CELLULOSE

- By the end of 2025, all food and health and beauty items containing cellulose (including in their packaging) will be switched to **recycled or FSC or PEFC**-certified virgin fibre



3.3 Implementing and checking

For Lidl, applying due diligence is a dynamic process that is continually reviewed and updated with the help of external stakeholders and partners (e.g. civil society organisations and trade unions).

Our approach involves an initial focus on mitigating and avoiding social and environmental risks in the production of our own-brand products, not only because they account for most of our product range, but also because we are directly responsible for them. We incorporate the know-how from our supply chain analysis into our internal processes and sourcing policies. At the same time, we also provide our business partners with guidelines that specify how management systems must be set up to support a due diligence approach along the entire supply chain. We also contribute towards more sustainable supply chain planning in the trade of branded products. And we expect the industry to listen to our recommendations, too.

In order to successfully reduce potential negative impacts and ensure respect for human rights within our supply chain, all the players involved must be actively engaged in meeting the goal. To this end, we have taken steps to build awareness among collaborators and relevant business partners in relation to the focus areas defined by Lidl, for example by offering specific training courses. The CSR managers regularly organise internal seminars for all buyers, in addition to the specific training courses provided by Lidl for our suppliers, promoted by organisations like Save the Children, GIZ (the German agency for international cooperation for development), CARE and Fairtrade.

As an integral part of our management approach, we require our partners to consistently implement all the mandatory measures. This also includes directly controlling and evaluating our suppliers in accordance with CSR criteria and organising audits by independent third-party bodies.

In addition to gaining certifications in the food sector, we also actively campaign for a more sustainable production of raw materials: we support a number of projects that address issues at the origin of our supply chains. In particular, Lidl promotes the training of smallholders on sustainable growing practices.

We are conscious of the fact that there are many women working within our supply chains and that they are at particular risk from the potential abuse of human rights, for various reasons, some of which are country- or sector-specific. That is why Lidl Malta has signed the United Nations Women's Empowerment Principles.

The United Nations Women's Empowerment Principles

Main risks: discrimination

Lidl signed the United Nations (UN) Women's Empowerment Principles (WEP) in April 2020. The WEP is a joint initiative of UN Women and UN Global Compact. It is the first global initiative to specifically tackle the theme of women's empowerment and promotion within supply chains and companies.

It addresses companies and includes the following seven principles to promote the role of women in the world of work:

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.

We wholeheartedly welcome the fact that the theme of non-discrimination and gender equality, of great importance to us, are becoming more and more prominent.

We also aim to support women's empowerment within the supply chain. A project in Guatemala, for instance, focuses on strengthening the role of women in coffee production. Meanwhile in Bolivia, the spotlight is on promoting coffee growing for smallholders within cooperatives. Yet another project, in the Ivory Coast, is dedicated to using sustainable growing methods in cocoa production. We reached 18,000 smallholders with this single campaign (see also 3.3.2 Sustainable cocoa supply chain).

All these projects aim to bolster raw material producers and expand their know-how and skills so that they can generate higher incomes and adapt in time for the effects of climate change. Lidl is supported by recognised partners, like Fairtrade, CARE, UTZ, RTRS and GIZ (the German agency for international cooperation for development).

We believe that effective, long-term improvements in the supply chain can only be achieved by working with civil society organisations, experts and other companies. That is why Lidl collaborates with important players, forms multi-stakeholder partnerships and joins multi-stakeholder initiatives. For example, Lidl is an RTRS board member, an active member of the World Banana Forum and an active founding board member of the Sustainable Cocoa Forum. It also sits on the GLOBALG.A.P. GRASP technical advisory committee and is part of task forces within the Bangladesh Accord, ACT Initiative and RSPO.

Our partners

product certifications:	multi-stakeholder initiatives:	Partners:
 	 	
 		
		
 	  	

Another essential aspect of our management approach lies in checks performed through independent audits, for example as part of our certifications or in relation to social audits. We realise that these instruments are of limited value when it comes to improving working conditions or detecting hidden violations, such as the prohibition of forced labour. However, audits by independent institutions are an important way of identifying potential risk indicators and verifying the situation within the supply chain in a targeted manner. For example, SEDEX risk-based social audits are conducted within the supply chain of our food segment, to verify working conditions and continually improve them accordingly. During the audits, some of which last several days, independent inspectors attend the site to assess compliance with rules on health protection, working hours and workers' rights and to verify whether other requirements are being met.

We work with GLOBALG.A.P. GRASP in our fruit and vegetable supply chains. The analysis by external auditors enables us to evaluate all our farmers according to specific social indicators.

We also regularly review human rights standards for the buying of non-food products, through annual independent amfori BSCI-conducted social audits at all manufacturers of our own-brand non-food products in countries outside Europe. We systematically evaluate the findings of these audits and take them into consideration in our decision-making processes.

We naturally also inform our suppliers of our expectations in this business area: among other things, we ask them to take proactive steps to avoid child labour and forced labour (for example in the Responsible recruitment policy).

We also take part in various support projects and initiatives in the non-food sector to tackle environmental and social challenges, especially in textile production, such as insufficient labour and environmental standards and the high consumption of raw materials, chemicals, energy and water.

Between 2009 and 2019, together with our partner, GIZ, the German agency for international cooperation for development, we created funding projects for approximately 200 suppliers in Bangladesh and China, through which we divulged environmental, labour and safety standards. This enabled us to meet some of the goals of the Greenpeace Detox campaign, which Lidl signed up to in 2014. Lidl has signed the international Bangladesh Accord on Fire and Building Safety with a view to achieving better fire protection and safety standards in the long-term for textile producers in Bangladesh.

Lidl endeavours to cooperate with its business partners to intervene in the event of labour law violations within the supply chain. A business relationship will only ever be interrupted on the grounds of abuse of human rights after considering all the options available. Besides the social audits, we also conduct three Human Rights Impact Assessments a year, to gain a better understanding of the effects of human rights violations within our supply chain. These assessments are then published.

A selection of specific case studies are presented by way of an example on the following pages, together with a presentation of the measures taken in the affected supply chains in response to the risks identified.



3.3.1 Living wages and incomes

Main risks: discrimination, low wages

Lidl is aware that earning an income enabling a basic level of subsistence is a fundamental human right. This is the only way that workers can achieve a decent standard of living for themselves and their families. However, hundreds of millions of people worldwide still live in poverty. These people often receive wages or incomes way below the minimum subsistence level. Farmers in emerging economies and developing countries, in particular, struggle to earn a sufficient income, despite contributing significantly to global added value.

A living wage (or income) should cover food, water, housing, education, healthcare, transportation, clothing and other basic needs. It should give the opportunity to put savings aside for unexpected events.

Lidl was clearly committed to working towards the living wage in as far back as 2006, with its Code of Conduct. Ever since, it has campaigned for equal wages, as in the case of Fairtrade-certified products.

To this day, the greatest challenge remains the following: how can we collaborate with other players to help more and more people in our supply chains earn a wage or income that allows them to have a decent standard of living? To this end, Lidl and other companies have voluntarily committed to ensuring living wages for workers. We work together in the following key activities and train our partners and buyers to facilitate implementation:

- **Raising awareness at company level**
We make sure that everyone involved in the company understands how crucial it is to be able to receive a living wage
- **An integral part of the sustainability guidelines**
The aim of our guidelines is to guarantee living incomes and wages in our global supply chains, as expressly stated in our Code of Conduct, which came into effect in 2006.
- **Increasing transparency in the supply chains**
We aim to create greater transparency, to allow better assessment of the impact our own-brand products have on wages and incomes. For more information on our concrete plans for greater transparency, see 3.5 Communicating (our commitments).





- **Identifying risks**

We will further improve our analysis aimed at identifying which raw materials and regions and facilities in the supply chain carry a particularly high risk for incomes and wages.

As a member of the [Fruit Juice Platform](#), we are currently supporting a study in Brazil that aims to pinpoint gaps in income and wages in orange-growing.

- **Identifying and reducing income and wage gaps**

We analyse the income/wage differences for producers in our high-risk global supply chains.

With the development of WayToGo chocolate, created in 2019, Lidl has a direct impact on increasing the incomes of cocoa growers in Ghana. In 2018, the income of cocoa growers in Ghana was only around 52% of what is considered a basic income. As part of the partnership with Fairtrade, the Kuapa Kokoo farmers' cooperative and the NGO Rikolto, Lidl pays a premium for every tonne of cocoa used in WayToGo chocolate, on top of the Fairtrade premium. This money will be fed into projects that will further improve the income of smallholders in a sustainable way. The project is able to reach 440 smallholders in the first year, a quarter of whom are women.

- **Promoting responsible sourcing practices**

We analyse the consequences of income/salary gaps in the supply chains at risk. Using the findings, we will then work closely with our buyers and suppliers to develop responsible sourcing practices and corresponding implementation strategies.

Lidl is now a member of the "Action Collaboration Transformation" (ACT) initiative. ACT is the first global agreement aspiring to the implementation of collective bargaining agreements for the textile industry in producer countries. Wages established in this context are supported by the responsible sourcing practices of the member companies. ACT has also developed a mechanism to assess the effects of the initiative: textile producers and trade unions evaluate how effective companies are at fulfilling their obligations and thereby enabling higher wages. The initial focus countries of ACT are Cambodia, Myanmar, Bangladesh and Turkey.

- **Assessing the effect**

We identify and test methods that can be used to effectively analyse and assess the impacts of our approach on producers' income and wages.



3.3.2 Sustainable cocoa supply chain

Main risks: child labour, forced labour, low wages, climate change, biodiversity loss, deforestation

Cocoa is an important raw material for our product range. Our risk analysis showed that there are both human rights and environmental risks in the supply chain, especially in the growing phase. In the main countries in West Africa, cocoa production is often linked to human rights violations, such as child labour, forced labour and remuneration below the minimum living wage. Fluctuating prices also jeopardise the incomes of smallholders, who produce 90% of the global cocoa harvest. The environmental risks lie in the deforestation of tropical rainforests and in other changes in land use: in West Africa, the area of land used for cocoa growing increased by more than 107% between 1961 and 2011 and is one of the main reasons behind the loss of rainforest areas in this region. Deforestation results in high greenhouse gas emissions and threatens not only the functioning of the ecosystems, but also the livelihoods of the local population.

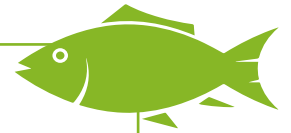
To counteract these effects in the cocoa supply chain, we firstly require all our suppliers to comply with the Lidl Code of Conduct. We also rely on cocoa sourcing from certified growers, for example in line with Fairtrade principles. These principles guarantee better prices for the families of smallholders and decent working conditions for plantation labourers in developing countries and emerging economies. At the same time, they also help protect forests and ecosystems. By the end of 2020, Lidl Malta will source 100% of the cocoa in its permanent own-brand products from certified growers.

Lidl also sells organic cocoa. This helps protect the climate and the surrounding ecosystems. Many organic farming standards also include social criteria.

Between 2012 and 2019, Lidl funded the creation of a training centre for cocoa growers and smallholder cocoa farmers in the Ivory Coast, in collaboration with GIZ (the German agency for international cooperation for development), to actively support responsible growing on an environmental and social level. The training and refresher courses on sustainable and profitable growing methods reached around 18,000 farmers.

The situation of the smallholders' incomes remains a key challenge. In 2019, Lidl was the first retailer in the world to launch, under its own label, the WayToGo chocolate, to have a direct impact on increasing the income of cocoa growers in Ghana. To do this, Lidl worked in partnership with Fairtrade, the Kuapa Kokoo cooperative and the NGO Rikolto. The project aims to improve the situation of cocoa growers' wages in Ghana: Lidl pays an additional fair-trade premium to increase growers' revenues. What is more, the origin of the cocoa can be individually traced back to the growing cooperatives that produced it in Ghana. We have visited these cooperatives with our business partners and experienced an insight into their work. WayToGo chocolate has already been introduced in Belgium and the Netherlands. It will be available in the future in all European countries where Lidl operates. Our commitment to fair trade is highlighted once again through this project.

See the related [Cocoa Position Paper](#) for more information on our actions in the cocoa supply chain.



3.3.3 Sustainable fish supply chain

Main risks: forced labour, wastage of resources, biodiversity loss

Our risk analysis showed that safeguarding fish stocks and supporting vulnerable workers are vitally important in the fish sector. The seas regulate the climate and act as a habitat for many animal and plant species. Fish is an important foodstuff for millions of people. And it is even the most important source of protein in many developing countries. However, according to the United Nations Food and Agriculture Organisation (FAO), 33% of fish stocks used commercially are overexploited and 60% are fully exploited (data from July 2018). Overfishing not only threatens the basic food source of millions of people, but it endangers biodiversity, too.

Lidl actively strives to act more responsibly in the seafood and fish supply chain. We therefore place great emphasis on conserving and protecting the world's marine ecosystems. We have also set a binding target to protect people and safeguard their rights during the production of these products.

The MSC label guarantees that fish stocks remain at a sustainable level. The criteria for applying this fishing label include the responsible use of fishing gear, minimisation of by-catch and, as a result, the long-term conservation of the habitat of fish and other marine animals.

The MSC standard also guarantees that all suppliers have been checked with respect to their forced labour and child labour policies.

The ASC label, on the other hand, identifies fish and seafood from aquaculture establishments using responsible farming practices to minimise the impact on man and the environment.

Lidl promotes these organisations, but asks them to continue developing with its support. We therefore particularly welcome the fact that MSC has made social audits (SMETA, BSCI or SA8000) mandatory from 2020 for all MSC-certified producers in high-risk countries.

Lidl avoids illegal, unregulated and unreported fishing (IUU fishing) completely, as well as illegal fishing methods. Lidl requires its fish suppliers to ensure that the products can be traced back along the entire supply chain. It is therefore necessary to rely on low-risk process and avoid using raw materials from IUU fishing.

See the related [Fish Position Paper](#) for more information.

3.4 Improving

We check the effectiveness of our measures continually and adjust them accordingly, including through ongoing dialogue with our stakeholders and thanks to the experience of our partners, suppliers and NGOs. The relevant office in the Buying department also conducts monitoring and reporting activities alongside this process. The knowledge gained is incorporated into the implementation of our corporate due diligence.

Effective grievance mechanisms and corrective measures play a key role in the implementation of our approach: anyone observing or impacted by any human rights violations must have access to a dedicated contact point. We believe that effective grievance management can help us promptly identify and target problems for investigation. That is why Lidl follows the United Nations Guiding Principles on Business and Human Rights (UNGP) and has adopted a legitimate, freely accessible, legally compliant, transparent, clear and balanced grievance mechanism based on exchange and dialogue, which is also a source of continuous learning for the company. These grievance mechanisms are included in the Code of Conduct.

Lidl offers the possibility to report any human rights, social or environmental violations and has set up a dedicated online system. All data received is managed by the Compliance Officer. The reporting system is an application that can be accessed from any device connected to the Internet, using the link to the [online system](#).

Lidl will introduce additional, specific reporting mechanisms for very high-risk supply chains. For example, Lidl is an active member of a task force of the Bangladesh Accord, which also focuses on developing a suitable reporting system for the country's textile workers.



3.5 Communicating

Through our Sustainability Report, we endeavour to keep internal and external stakeholders fully updated on all our challenges, progress and latest results.

As part of our transparent reporting:

- We regularly conduct risk analyses on the supply chains of our product range. We will continually assess the findings and publish them from 2020 onwards, discussing them with our stakeholders on a yearly basis, too.
- In **2020** we will develop an action plan to promote living wages and incomes within our global supply chains and further reduce wage inequality. We have already started taking measures in this regard in the following supply chains:
 - Orange supply chain in Brazil (as part of the CSR Juice Platform)
 - Cocoa supply chain in Ghana (as part of the WayToGo project)
 - Banana supply chain in Ecuador (as part of the partnership with Fairtrade)
 - Textiles supply chain in Cambodia, Myanmar, Bangladesh and Turkey (within the context of [ACT](#))
- In addition to these large projects, we also continually implement programmes that directly support women, smallholders and labourers in the key supply chains, improving their chances of receiving a living income or wage. To this end, we aim to support the development of a wage benchmark/living wage.
- From May **2020**, we will increase the transparency of our supply chains and provide more information about our tier 1 suppliers. This includes the names and addresses of the producers of our food and non-food own-brand products.
- By the end of **2021**, we will conduct three Human Rights Impact Assessments in our high-risk supply chains. We will focus on the impact our corporate activities have on human rights affecting women, smallholders and labourers in particular. We are starting with studies on tea in Kenya, bananas in South America and berries in Spain. As part of this process, we will work with the stakeholders involved, including civil society organisations, trade unions and the communities. We will publish the findings of the relevant action plans.

- From **2021**, we will conduct them three times a year (until 2025). We will continually review our approach and further develop it using internationally recognised methods.
- By the end of **2021**, we plan to provide anyone potentially involved in the high-risk supply chains with easy access to transparent reporting mechanisms and effective help.
- By the end of **2021**, we will publish a position paper on gender equality within the supply chain.

4. Organisation and responsibility

The Lidl Malta Board of Directors is responsible for due diligence, with operational responsibilities entrusted to the Buying Department. In all countries, there is ongoing dialogue between the various corporate departments, with the involvement of external advisers for the continual development of measures and goals that are useful for the application of corporate due diligence

