

Purchasing policy

Human rights in the supply chain



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**Our
responsibility** for
human rights in
the supply chain



Our responsibility for human rights in the supply chain

Our CSR culture

Sustainability is one of Lidl's core strategic goals for a brighter future. Wherever our actions impact people and the environment, we are there to take responsibility. This is how we reaffirm our commitment to quality each and every day, thereby ensuring the best possible future for the Company. It is against this backdrop that we have developed our CSR strategy, which gives us clear guidance in fulfilling our commitment to act responsibly. We demonstrate how we at Lidl understand our responsibility for the environment, people and our customers. We have developed six strategic focus areas to put this understanding into practice: We take action aimed at "protecting the climate", "conserving resources", "respecting biodiversity", "acting fairly", "promoting health" and "engaging in dialog".

Our responsibility for human rights

As a commercial enterprise, Lidl markets food, non-food and near-food items produced in global supply chains. We are responsible for ensuring labor law standards and humane conditions along the entire value chain. Our aim is to bring about improvements in our supply chains through targeted intervention, thereby realizing our strategic focus of "acting fairly".



Background to human rights violations



Background to human rights violations

In recent decades, the global division of labor in manufacturing has lifted millions out of poverty and into the middle classes. It has also led to a situation in which 60% of worldwide trade is now captured by global supply chains.¹ As globalization progresses, these supply chains become ever more complex and are shaped by a wide range of legal and social conditions as well as the different actors involved. That also affects how we uphold fundamental human rights.

Human rights are inalienable, inseparable and inviolable. They apply to all human beings from birth, regardless of factors such as origin or nationality, and include social and collective rights and rights to freedom.

In 1948, the member states of the United Nations made a commitment to uphold these fundamental rights by adopting the ≥ Universal Declaration of Human Rights.²

It is incumbent on both sovereign states and businesses to take responsibility for human rights

On the one hand, lawmakers are responsible for enacting and ensuring compliance with minimum social standards. On the other, companies play a key role and can be instrumental in developing, implementing and ensuring compliance with social standards as they do business, both directly and indirectly.

For this reason, the ≥ UN Guiding Principles on Business & Human Rights adopted in 2011 impose direct obligations on businesses.³ Companies thus have a key role to play in protecting human rights. They must respect human rights in every aspect of their business activities – irrespective of the state-based framework – and put in place systems to help observe them.

¹ ILO: Global Supply Chains and CSR, 2018.

² UN: Universal Declaration of Human Rights, 1948.

³ UN Guiding Principles on Business & Human Rights, 2008.

Factors hindering observance of human rights

The global value chains in the retail and foodstuffs sector harbor challenges to upholding human rights. The risks associated with respecting human rights usually have complex underlying causes and often pose a challenge for the sector as a whole. For this reason, systemic solutions are usually the only way to address social risks connected with occupational health and safety, freedom of association, non-discrimination and pay. The same goes for illicit child or forced labor.

Human rights violations in global supply chains are often fueled by **structural poverty, inequality** and **inadequate rule of law** in the countries of manufacture. Those living in poverty have fewer opportunities to free themselves from dependencies. The COVID-19 pandemic has further exacerbated this situation. Overall, the International Labour Organization (ILO) estimates that 8.8% of global working hours were lost to the pandemic in 2020. A further 108 million people were forced into extreme or moderate poverty.⁴ By contrast, breaking free of dependencies and poverty can help ensure prosperity, development and stability for millions of people.

⁴ ILO: World Employment and Social Outlook, 2021.





Inequality

A common form of human rights violation is inequality in the rights and opportunities enjoyed by different groups. In particular, women in developing countries are often at a legal disadvantage – with consequences for those countries' economic development. The Food and Agriculture Organization of the United Nations (FAO) estimates for instance that giving women farmers the same access to productive resources as men would increase agricultural yields by 20–30%.⁵



Poverty

Around the world, smallholder farmers often live in poverty despite working. In turn, this has consequences for fundamental rights such as food, health and economic development. An unequal distribution of value in international trade also impacts these people, since often only a fraction of global value creation remains with the producers.⁶

⁵ FAO: The state of Food and Agriculture, 2011.

⁶ Oxfam: The Inequality Virus, 2021.



Inadequate rule of law

Existing human rights treaties primarily govern the obligation incumbent upon states to protect human rights. In many cases, however, the laws, measures and oversight put in place by individual states are insufficient. In addition, efforts to enforce rule-of-law principles often fail due to the absence of trade unions. This makes it easier for human rights violations such as exploitation to occur in the production chains, thus posing a risk to workers.⁷

⁷ UN: Guiding Principles on Business and Human Rights, 2011.

**Our
commitment** to
protecting
human rights in
the supply chain



Our principles for protecting human rights in the supply chain

At Lidl, we are vigorous in ensuring that duties of care with respect to human rights are fulfilled along our entire value chain. We are well aware that we share responsibility for upholding labor law standards and ensuring decent conditions.

At Lidl, human rights due diligence is based on our commitment to internationally recognized frameworks, including the following:

- Universal Declaration of Human Rights
- UN Convention on the Rights of the Child
- UN Convention on the Elimination of All Forms of Discrimination against Women
- UN Guiding Principles on Business and Human Rights
- UN Women's Empowerment Principles
- OECD Guidelines for Multinational Enterprises
- ILO conventions, core labor standards and recommendations on labor and social standards
- ILO General principles and operational guidelines for fair recruitment and definition of recruitment fees and related costs

We also welcome binding regulations at the political level to ensure fair trading, such as the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*) and the planned European supply chain legislation.

Our Code of Conduct outlines what we require of our business partners

The Schwarz Group, which Lidl Malta is part of, has a [Code of Conduct](#) in place. Since 2006, this has required our business partners to respect human rights and ensure that they are likewise upheld by their own suppliers. The Code of Conduct (CoC) therefore constitutes an integral part of the agreements with our direct business partners. The [Schwarz Group Human Rights Policy Statement](#) forms a further framework for the retail groups.

Our requirements for business partners cover in particular all human rights that are of particular relevance to the supply chain and production, and are based on the ETI Base Code, amongst other things. These include:

1. **Ban on child labor, including requirements for redress and remediation if child labor is discovered**

International conventions prohibit the use of child labor. Lidl and [the Centre for Child Rights and Business](#), a social enterprise belonging to Save The Children, have developed a redress and remediation protocol for situations in which a supplier, we or a third party discover cases of child labor. Once detected, cases must be

reported to Lidl without undue delay and processed in accordance with the protocol.

2. Ban on forced labor

All forms of forced labor are prohibited. This also includes practices that may give rise to forced labor such as excessive overtime, retaining identity documents or withholding wages, and imposing illegal fees to build up a burden of debt.

3. Obligation to respect the right to freedom of association and collective bargaining

We expect our business partners to fully respect their employees' right to freedom of association and not to discriminate against them in any way should they choose to form a workers' representative body.

4. Ban on degrading treatment, including physical punishment and harassment and other forms of violence

Physical violence, threats, sexual harassment and other degrading treatment are not tolerated and are prohibited.

5. Requirement to ensure employee health and safety through compliance with all statutory requirements

Occupational health and safety must be ensured for all employees at all times. This involves taking adequate preventative action, including regular training on the topic for all employees, access to clean drinking water and sanitary facilities, and checking that employer-provided accommodation is clean and safe and meets basic human needs.

6. Timely payment of fair wages and salaries that at least equal national minimum wages

Wages and salaries must always be paid on time and (unless otherwise lawfully agreed) without deductions. The amounts paid must at least correspond to the local minimum wage and/or local collective bargaining agreement.

7. Ban on all forms of discrimination in recruitment, employment and promotion

We work to uphold equal opportunities and equal treatment in the workplace. When it comes to hiring decisions, employment, promotion or terminations, all employees must be treated equally regardless of their sex, religion, skin color, origin or other characteristics. All forms of distinction, exclusion or preference are prohibited.

8. Access to effective grievance mechanisms

Our business partners are required to ensure access to an effective grievance mechanism (GM). In practice this can be challenging – in particular deep within the supply chain – and as such we work together with our suppliers and other stakeholders to develop and put in place effective GMs.

9. Effective redress and remediation in cases of labor law violations

Our business partners are required to notify us of potential labor law violations as soon as they become aware of them. We have specifically developed redress and remediation protocols to investigate reported rights violations and to provide redress and remediation. The focus is always on the interests of those affected.



Our approach to protecting human rights in the supply chain

Lidl has **formulated** a **> [Human Rights Strategy](#)** to systematically improve the living and working conditions of those who work for us. It **comprises four pillars**, ensuring a structured approach to implementing human rights activities within the Company and systematic compliance with standards. The strategy was developed based on those supply chains that **> [our risk analysis](#)** identified as being of particular relevance to us. . As we know that risks concerning rights violations primarily occur in the lower supply chain, we work not only with our direct business partners, but also with their upstream suppliers on a variety of projects to improve labor conditions at the lower supply chain levels. We likewise factored in the expectations of our customers and society, the priorities identified by NGOs, developments in legislation, and academic and scientific insights.

Determining responsibilities for human rights

Our strategic approach is based on clear responsibilities. The strategy is implemented under the supervision of the management, which receives regular reports on incidents and progress in human rights issues in our supply chains.

In addition, routine decision-making exercises take place at Executive Board level to align the human rights strategy. In one example, special targets for living wages and incomes were addressed in 2021. This involved looking at the **> [identified high-risk supply chains](#)**, discussing potential courses of action and partners, and addressing the issues surrounding responsible purchasing practices.

Another key building block in communicating clear responsibilities and targets within Lidl is our CSR Purchasing Manual. This internal document was adopted in 2021 and is intended for all purchasing departments within the Company. Among other things, it illustrates the importance Lidl attaches to upholding human rights and outlines where potential impacts may arise in our supply chains. It also contains guidelines on how Lidl purchasers can minimize these and/or make a positive impact. Scope for action arises for instance in adopting principles for responsible purchasing practice, enhanced transparency requirements for suppliers with standards and certification partners, or by inviting suppliers to take part in specialized development programs.

Openly communicating the challenges we face and the progress we make

Internal communication is one thing, but we also want to keep external stakeholders up to date with the challenges we face and progress we make, and outline the latest insights into human rights along the entire process chain. We also communicate with our customers through advertising. For instance, this sheds light on how certifications or projects such as fair trade or our WayToGo chocolate have a positive impact on the income situation of producers in the countries of production.

This heightens consumer awareness of fair trade products. In the context of our living wage projects, our commitment going forward is to expand the advertising space devoted to items from supply chains where fair wages are paid. As one of the largest Fairtrade partner companies in the world, we also commit to continuing to advertise Fairtrade items prominently, as the Fairtrade system helps to establish fair wages in the supply chain. By publishing a list of our main suppliers in the food and non-food own brand ranges, we are creating additional transparency and making headway in food retail.

Lidl Human Rights Strategy at a glance



The section below outlines our targets and action in greater detail for each pillar.

1

Keeping track of impacts

Our intention is to take decisive action to counter the human rights risks of our business activities. To do so, we continuously review the risks potentially arising in the manufacture of our products. For that reason we are increasing transparency in our supply chains and conducting human rights impact assessments (HRIAs).

2021 onwards We will continue to conduct regular hot spot analyses to identify human rights risks in our product groups.

By 2025 We will be carrying out three human rights impact assessments (HRIAs) per year in high-risk supply chains.

Step 1.1 Increasing transparency

We are increasing transparency in our food supply chains. Our intention is to gradually disclose high-risk supply chains down to the level of the producer or, for fish and meat supply chains, down to the level of animal feed.

Step 1.2 Carrying out risk analyses

For our own brands, we assess them as part of a process that is based on various indices. These include the International Trade Union Council (ITUC) Global Rights Index and the Global Slavery Index, as well as data from the Food and Agriculture Organization of the United Nations (FAO) and the Environmental Performance Index. Within this process we work closely with stakeholder groups, including civil society organizations, trade unions and local communities. Please see the next page for the outcome of the 2020 analysis.

Step 1.3 Conducting human rights impact assessments

As part of refining how we discharge our duty of care in respect of human rights, we carry out regular human rights impact assessments (HRIAs) in accordance with internationally recognized methods. We completed our analyses on tea from Kenya and berries from Spain in 2020. The analysis for bananas from South America will follow in 2021.

Our risk analysis – raw materials, risks and country affiliation

BANANAS



Social risks

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

COTTON



Social risks

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

FLOWERS AND PLANTS



Social risks

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

FISH



Social risks

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

HAZELNUTS



Social risks

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

COFFEE



Social risks

- Child labor: Ethiopia, Columbia
- Forced labor: Ethiopia, Indonesia, Columbia
- Workers' rights: Brazil, Guatemala, Indonesia
- Discrimination: Ethiopia, Honduras, India

COCOA



Social risks

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

PALM OIL



Social risks

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

RICE



Social risks

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

SOY



Social risks

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

TEA



Social risks

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

CELLULOSE



Social risks

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

2

Safeguarding standards

We promote actions to strengthen and comply with the ILO's core labor standards. For this purpose we draw on internationally recognized certification and social audit programs. At Lidl, we also work to ensure that employees in our supply chains have access to grievance mechanisms. In addition, we develop training that enables our suppliers to identify human rights risks effectively, implement remediation and actively prevent human rights risks.

By 2023 We will have implemented a plan for conducting social audits in supply chains.

By 2021 We will give access to effective grievance mechanisms and remediation measures for employees in particularly high-risk supply chains.

Step 2.1 Implementing risk-based social audits

We are continuously expanding systematic risk-based social audits in the supply chains for our food range in order to inspect working conditions, thereby laying the groundwork for improvement. We understand that audits alone are only of limited use in improving working conditions or detecting covert breaches, such as violations of the ban on forced labor. Nevertheless, inspections by independent institutions are a key tool in uncovering potential risk indicators and conducting targeted checks on the situation in the supply chain. During the audits – some of which last several days – independent auditors work on site to assess compliance with health and safety regulations, statutory working hours, workers' rights and other rules. Since we are unable to conduct ad hoc checks at each and every business along complex supply chains, we focus on identifying and reviewing high-risk facilities in high-risk supply chains. In this context, we ran a pilot project in 2020 to analyze the risks in our fish and tomato paste supply chains using the Sedex platform. We have evaluated the results of the pilot project, and the next step will be to extend our approach to risk-based social auditing to five high-risk items and their full supply chains. The project explicitly focuses on supply chain stakeholders in the lower supply chain, as we know that risks are particularly prevalent in the supply chain levels below our direct business partners.

The internationally recognized > SEDEX (Supplier Ethical Data Exchange) online platform gives member companies the opportunity to present detailed information on social and ethical processes to their customers and partners. The tool can be used to enhance transparency throughout the entire supply chain. The Sedex platform can also be used to evaluate audits carried out by independent auditors in accordance with the SMETA (Sedex Members' Ethical Trade Audit) procedure. SMETA audits inspect working conditions, workplace health and safety and hygiene, as well as the environmental management of businesses within supply chains. Lidl is one of more than 60,000 Sedex members worldwide.



In non-food, too, Lidl regularly reviews compliance with human rights standards. Since 2007, we have been carrying out annual social audits at all factories that manufacture textiles and hardware for us in the countries categorized as high-risk in the BSCI Country Risk Index. The objective is to ensure that all manufacturers comply with defined minimum criteria. This then forms the basis for our purchasing decision.

Step 2.2: Developing a beyond auditing approach

In addition, Lidl is working with external partners to develop an approach spanning multiple product groups aimed at improving working conditions in the supply chains. Our intention is not merely to monitor local observance of human rights, but first and foremost to offer proactive support for smallhold farms, women and workers in agriculture. We also support projects offered in cooperation with local NGOs or international organizations. For example, in selected textile supply chains Lidl will be rolling out participation in the ILO's Better Work program, which will partly replace the regular social audits.

Step 2.3: Establishing effective grievance mechanisms

Access to effective grievance mechanisms (GMs) is a key element in detecting human rights violations in our supply chains.

What makes for an effective compliant mechanism?

The key prerequisite for an effective grievance mechanism is for it to be accessible to people in the supply chain. However, there are often multiple obstacles to doing so. These may vary depending on local conditions and the type of grievance mechanism, with examples including:

- insufficient knowledge of the local language in the case of migrant workers
- fears of reprisal
- financial and institutional barriers to accessing public complaints bodies, including a lack of familiarity with existing grievance mechanisms
- social barriers relating to a lack of trust in the legal system and/or existing mechanisms⁸

We have put in place an [> online reporting system](#) based on the BKMS reporting system for those affected by or observing human rights violations. This also offers the opportunity to report grievances, although it too features barriers to access.

⁸ UN Guiding Principles: Reporting Framework, 2015.

In its non-food activities, Lidl is additionally working with initiatives such as ACT or the ILO's Better Work program and in its food activities with partners such as [> RSPO](#) and [> MSC](#) to record and address complaints. In addition, as part of our [> Rainforest Alliance](#), [> Fairtrade](#) and [> GLOBALG.A.P.](#) certifications we verify whether suppliers have functioning grievance mechanisms in place. As an active member of a Bangladesh Accord working group, Lidl has also further developed a suitable grievance mechanism for textile workers in Bangladesh.

Lidl has also set itself the objective of enabling people in its high-risk supply chains to access an effective grievance mechanism in addition to the [> online reporting system](#). Beginning in 2021, we are providing access to grievance mechanisms for workers in three high-risk supply chains. We intend to use the experience gained to apply the existing approaches to other supply chains. This will enable us to provide access to grievance mechanisms for even more people.

Step 2.4: Implementing human rights requirements at our business partners

A healthy and trusting working relationship with our suppliers is crucial to achieving [> our human rights objectives](#). We have to be able to rely on our suppliers and they on us. With this in mind we are committed to preventing and abolishing unfair business practices, for instance by

means of long-term supply relationships, appropriate payment terms and predictable order volumes.

If human rights violations arise in our supply chains, the focus is on clarification and, where possible, remediation. In the case of violations, it is important for us to work together with the supplier concerned to make improvements. After exhausting all efforts to improve the situation together, the last resort is to terminate the business relationship.

Step 2.5: Assessing suppliers in accordance with social criteria

At Lidl Purchasing we assess our business partners in accordance with human rights and ecological criteria. Going forward, we will use the EcoVadis platform to do so. This allows us to precisely capture the commitment of our business partners, including with respect to human rights. It is necessary to identify individual suppliers that either violate human rights on the one hand, or specifically respect or promote them on the other. This process is also supported by our CSR purchasing management, which monitors our supply chains and regularly reports internally to the purchasing managers responsible for those item groups that we have identified as high-risk.

3

Expanding fair trade

We are promoting living wages and incomes and a just distribution of value throughout our entire supply chains. A specific focus here is on smallholder farmers so as to safeguard their livelihoods. We therefore intend to increase the proportion of fair trade certified goods in our product range by the end of 2025. Our focus is on making fair and long-term purchases from smallholder farmers. A stand-out project to safeguard living wages is our ≥ WayToGo fair trade chocolate, which we launched in 2020.

2021

We are developing an approach to promoting living wages and incomes in our global supply chains and thus further narrowing the pay gap. You can find out more information on our “commitment to fair pay and incomes” from pag. 34.

4

Driving change

We are active in development programs, initiatives and projects in our supply chains to proactively drive change, including beyond our Company. At the same time, Lidl maintains a regular dialog with other businesses, governments, suppliers, trade unions and civil society organizations. In doing so, we are making an active contribution to society and helping shape a sustainable future.

2022

We are developing an approach for our supply chains to actively improve working conditions through targeted action. This will span multiple product groups and includes training for suppliers. The training is also intended to empower the people in our supply chains to better enforce their own rights. We are also running projects to indirectly improve their wages and job security. Our approach will focus on smallhold farms, women and workers in agriculture.

Leveraging training to raise awareness of human rights

Going forward, we will also be organizing regular training for our employees and business partners to further increase awareness of human rights. All human rights in the workplace will be addressed in equal measure. We are supporting various educational projects in our supply chains for cocoa, coffee, nuts and soy, helping smallholder farmers in particular to broaden their knowledge and skills. Among other things, this helps them to earn higher incomes and prepare for the effects of climate change. We work on these projects in cooperation with recognized international partners such as Fairtrade, Save the Children, CARE, UTZ, RTRS, GIZ and selected local NGOs.

Focus on workplace-related human rights in the supply chain

In order to discharge our duty of care in respect of human rights, we focus on human rights and labor law violations in those supply chains that are of greater relevance to Lidl. These include in particular those in agriculture and in the textile and hardware sectors.

Our commitment is aimed at protecting people from negative impacts at work and taking a stand to uphold human rights in the workplace.

Based on our strategy and risk analysis, we have identified the following workplace human rights as significant in our supply chains. In cooperation with our partners, we have made a specific commitment to uphold these rights.



No forced labor

All human beings have the right to free choice of employment. Forcing people to work violates a fundamental human right.



No child labor

Children require special care. It is prohibited to employ children at school age and in dangerous conditions. The risk of child labor is particular high in poorer regions and those where there is little access to education.



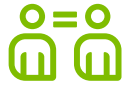
Freedom of association

A key element of workers' rights is the freedom to form workers' representative bodies. In countries that lack strong systemic safeguards for workers' rights, workers are barely able to organize effectively.



Fair pay and incomes

In agriculture and the textile industry in particular, wages and incomes are often barely enough to meet the basic needs of workers and their families, if at all.



No discrimination

Freedom from discrimination based on origin, gender, disability or sexual identity is a fundamental human right. Women and men alike should enjoy equal opportunities in the supply chain.



Safety in the workplace

Workplace safety ensures that workers' health is not endangered or compromised in the workplace. A safe and secure working environment lays the foundations for health and productive work.



Our commitment to combating forced labor

The ILO estimates that there are still around 25 million people worldwide in forced labor.⁹ Forced labor means work performed involuntarily under the menace of a penalty. Examples of forced labor include deception about working conditions or employment under duress. Unwarranted deductions from wages and manipulation of high debt levels may also result in forced labor.

Half of all victims of forced labor are coerced into working to pay off debt accumulated legally or illegally. At the same time, a quarter of those subject to forced labor are estimated to be migrant workers. Thus the majority of existing cases of forced labor in global supply chains are connected with migrant labor and debt bondage. In addition, workers often find themselves subject to forced labor due to precarious employment relationships. Such situations arise primarily in the informal economy and in seasonal, temporary or contract work.

25 million
people worldwide in forced
labor

Lidl has identified the following raw material and product supply chains as critical in relation to forced labor: bananas, fish, cocoa, rice, tea, hazelnuts, coffee, palm oil, soy, flowers and plants, cotton



By 2022 We will develop a cross-border strategy to combat forced labor, including action plans.

Lidl categorically rejects all forms of forced labor. Nevertheless, workers in global supply chains are exposed to a certain risk of forced labor. Lidl adopts a zero-tolerance strategy in instances where our suppliers fail to respond to cases of forced labor. We systematically pursue potential violations as part of our duty of care. One particular focus is on respecting the rights of migrant workers, who are often highly dependent on their employer or employment agency.

⁹ ILO: Modern slavery and child labour, 2017.

Systematically eliminating forced labor

We work in cooperation with other stakeholders in the supply chain, civil society organizations, social partners and our competitors to systematically eliminate forced labor in our supply chains. This includes getting involved in projects and initiatives that address the risks of forced labor, because observing fundamental labor standards – such as the ban on forced labor – is an essential part of our duty of care as a business.

We strive to continually improve our processes to detect cases of forced labor and offer effective remediation and redress to its victims. The existing [grievance mechanisms](#) are aimed at helping us do so. One challenge for market participants is that many cases of forced labor go unnoticed and are often not detected by traditional social audits. For this reason we will pilot new approaches as we work on developing a cross-border strategy to combat forced labor. We are also endeavoring to leverage tried and tested approaches to identify and eliminate the risks of forced labor.



Our commitment to combating child labor

The ILO and the United Nations Children's Fund (UNICEF) estimate that worldwide, 160 million children aged between 5 and 17 are currently in child labor.¹⁰

More than 70% of these children are employed illegally in agriculture, including arable farming, fisheries, aquaculture, forestry and livestock farming, and just under a third do not attend school.¹¹ This situation is all the more worrying given that agriculture is one of the three most dangerous sectors for work-related deaths, non-fatal accidents and occupational illnesses.

In their joint report, the ILO and UNICEF warn that working children are exposed to a higher risk of physical and psychological harm and that child labor restricts their educational opportunities and future prospects. The ILO blames this state of affairs on a lack of statutory social and labor standards in place at international level. Our greatest efforts are thus needed to safeguard children in our agricultural supply chain.

160 million
children affected by child labor

Lidl has identified the following raw material and product supply chains as critical in relation to child labor: bananas, fish, cocoa, rice, tea, hazelnuts, coffee, palm oil, soy, flowers and plants, cotton, and production stages in the manufacture of textiles and hardware



By 2025

We are striving to implement a training policy for high-risk supply chains aimed at preventing child labor and providing remediation.

For supply chains that often reach into countries stricken by poverty, it cannot be ruled out that children may have to help 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 therefore Lidl's intention to prevent child labor at its producers and their suppliers.

¹⁰ ILO, UNICEF: Child labour – Global estimates 2020, trends and the road forward, 2021.

¹¹ ILO, UNICEF: Child labour – Global estimates 2020, trends and the road forward, 2021.

Our policy to prevent child labor

Lidl requires its suppliers to refrain from employing children under 15 years of age (or 14 years of age if permitted by national law pursuant to ILO Convention 138) or who are legally required to attend school. We also expect them to abide by international and national law in their hiring policies and their terms and conditions of employment. In order to prevent child labor, we are working on having our suppliers verify the age of applicants before they start work.

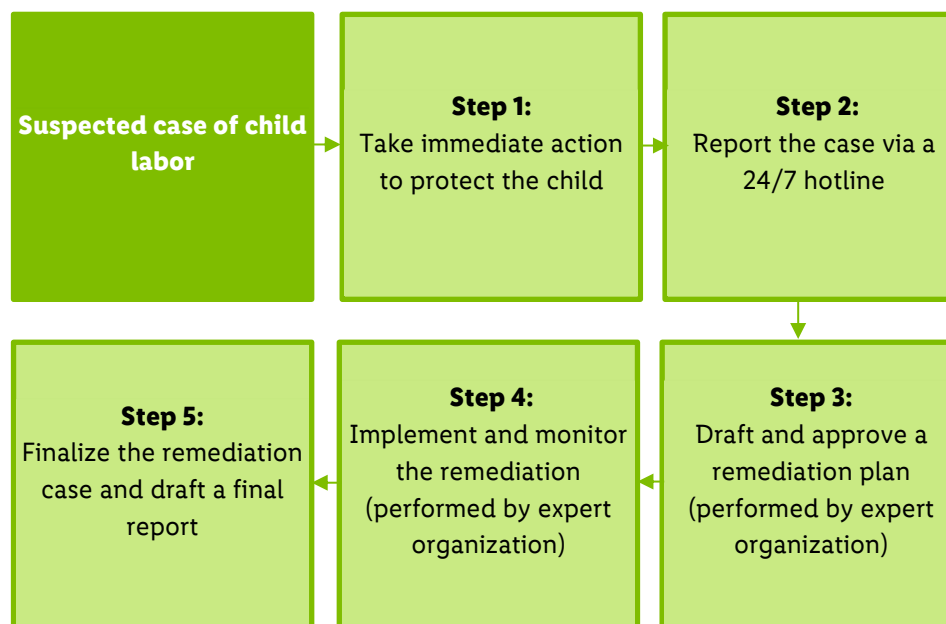
If young people are employed, they are entitled to specific protection. For this reason what we expect from our suppliers – in relation to younger workers in particular – is that they provide them with a safe working environment that at a minimum complies with local law, and offer them opportunities for continuing education. They should also be given access to effective grievance mechanisms.

How we respond to suspected cases of child labor

As with forced labor, Lidl adopts a zero-tolerance strategy in instances where suppliers fail to respond to identified cases of child labor. 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. As part of the remediation, affected families receive financial assistance equal to the standard minimum wage in the respective country. This is aimed at ensuring that the children are not forced back to work out of economic necessity. Save the Children assists and supports the families in seeking out suitable educational

opportunities tailored to the individual needs of the children in question.

Lidl expects its suppliers to put in place effective remediation measures covering situations in which they detect child labor or learn that young people are performing hazardous work. In such circumstances, direct suppliers must notify Lidl and the respective expert organization on a proactive basis and manage the subsequent remediation process.



Pilot project to combat child labor in cooperation with Save the Children

Until the end of 2021, Lidl is working with [Save the Children](#) and Germany's Federal Ministry for Economic Cooperation and Development on a project to protect children's rights in the hazelnut supply chain in Turkey. This is the first time that the entire supply chain – from hazelnut cultivation through harvesting down to processing – has been audited on site for observance of children's rights.



In specific terms, the aim is to protect children's rights, put in place care and education opportunities and provide access to safe work for young people. Another aim of the pilot project is to serve as a basis for applying the approach to other agricultural supply chains.

Since 2017, we have been working with Save the Children to conduct child labor prevention and remediation training for suppliers in our non-food production facilities. The NGO trained suppliers in Bangladesh, Turkey, Myanmar and China on behalf of Lidl, and in 2020 the program was expanded to include Pakistan and Vietnam.

Further action to combat child labor in cooperation with Save the Children

- Training for external auditors to verify standards at the factories
- Taking specific action in operating workflows and good risk management, for instance a secure system to verify age during the hiring process
- Better protection for legally employed young people to protect them from hazardous activities
- Remediation in cases of child labor

925 A large green number "925" followed by a green icon of two hands shaking, symbolizing a partnership or agreement.

importers, factory workers and auditors
trained on the topic of child labor between
2017 and 2021

Our commitment to freedom of association

Freedom of association and the right to collective bargaining are basic human rights and two of the core labour standards of the ILO. Nevertheless, not all of the 187 ILO member states have yet enshrined the right to freedom of association into law.

In addition, some 40% of countries worldwide lack (unrestricted) rights to collective bargaining.¹² Agricultural and textile workers in particular often face restrictions on joining or taking part in a trade union or are only able to do so at high personal risk. To exercise their fundamental rights as workers, it is crucial that they have a voice and are represented in relations with their employers. This is vital to effective labor markets.

These two rights are the building blocks of civil liberties; they offer protection against discrimination and harassment. In particular in countries that lack strong systemic safeguards for workers' rights, it is important for workers to be able to organize effectively since the chance to earn a living wage is often closely linked with the opportunity to organize in trade unions and engage in collective bargaining.

¹² OGP: Freedom of Association, Global Report, 2018.

Lidl has identified the following raw material and product supply chains as critical in relation to freedom of association:
fruit and vegetables, hardware and electronics, textiles, tea, cocoa, coffee, nuts



-
- Ongoing** We will engage in dialog and draw on the expertise of trade unions to determine the remaining obstacles to upholding human rights, including freedom of association.
-
- 2021 onwards** As part of our membership of ACT, we will work together with our business partners to raise awareness of freedom of association and collective bargaining within our supply chains.
-
- 2022** We will provide targeted assistance to smallholder farmers to organize as a collective.
-
- 2023** 100% of our tier 1 supplier facilities in Bangladesh and Cambodia will join the ILO Better Work program, which among other things aims to strengthen social dialog.

Lidl undertakes to respect the right to freedom of association and collective bargaining. We expect the same from our business partners, for instance if workers form a representative body and want to exercise their right to collective bargaining. In our Sustainable Purchasing Policy, which forms part of our purchasing agreements, we undertake not to interfere in efforts to form workers' representative bodies and prohibit attempts to influence such bodies.

A particular focus here is on smallholder farmers as an integral part of our food supply chains. Lidl helps them to organize, because we know that their interests can be advanced most effectively as part of a collective. With that in mind, we develop approaches to favor items purchased from smallholders who have already formerly organized to form collectives. Furthermore, we provide smallholder farmers the knowledge they need to successfully organize.

We maintain a constant dialog with our stakeholders – suppliers, experts, civil society organizations and trade unions, etc. – to promote freedom of association. Together, we work out what obstacles remain to upholding freedom of association. In 2021, we initiated a dialog with the global union federation IUF (International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations) concerning regions and food supply chains where the risk to freedom of association is high. We also discussed resources and assistance that we provide to our suppliers in order to effectively protect freedom of association in supply chains. As a token of our commitment, all Lidl national companies sign the Women

Empowerment Principles (WEP), first and foremost to also promote women's right to freedom of association.

In both food and non-food, Lidl also regularly participates in various development programs and works together with Fairtrade, the German Agency for International Cooperation (GIZ) and the Better Work program run by the International Labour Organization (ILO).

Improving working conditions with the ILO Better Work program

The Better Work program is a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC). It was launched in August 2006 to improve working conditions and competition in global supply chains.



Lidl has been an ILO Better Work program partner since 2021. In a first step, Lidl will place the obligation on its importers to ensure that all tier 1 supplier facilities in Bangladesh and Cambodia are covered by the ILO Better Work program. In line with program capacities, this will be completed by the end of 2023.

In doing so, Lidl is strengthening the partnership between workers and management to improve working conditions and employee satisfaction and thus boost productivity. Lidl also focuses on achieving a long-term improvement in the living and working conditions of workers on the ground. We have committed not to terminate supply relationships when violations are identified, but to work in partnership to bring about improvements in the interest of the workers.

As part of the program, advisors from the ILO routinely visit tier 1 supplier facilities and provide employees with training on wage negotiations and collective bargaining. The intention is to help workers

influence the decisions that shape their working lives, such as negotiating higher wages or better social benefits.

Commitment to freedom of association together with Fairtrade

As a long-term > [Fairtrade](#) partner, we have signed up to and observe the principles on freedom of association and thus support wage negotiations and collective bargaining.

Beyond the Fairtrade standards, Fairtrade also runs special programs. These focus in particular on empowering people at the bottom of supply chains to organize and engage in wage negotiations. In this context Lidl has signed the > [Freedom of Association Protocol](#), a Fairtrade partnership with the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF).

At Lidl, we want to do our bit to ensure that workers have enough negotiating power to exert a positive influence on their working lives, such as by negotiating higher wages or better social benefits. Beyond conducting audits and inspections, Lidl also works in partnership with Fairtrade, trade unions and other employers to engage in dialog with workers on an equal footing.



The Fairtrade Standard also stipulates the following:

- employers must demonstrate to Fairtrade that they guarantee freedom of association
- union representatives must be able to freely meet with employers on request Fairtrade requires that this be communicated to both Fairtrade and workers prior to certification
- Fairtrade requires proof that dispute resolution mechanisms are in place that can be invoked by both the employer and trade unions

Empowering workers under the Ethical Trading Initiative

In 2021, Lidl made an application to become a member of the multi-stakeholder > [Ethical Trading Initiative](#) (ETI).

The ETI's mission is to leverage the collective strength of businesses, trade unions and NGOs to realize the vision of a world in which all workers benefit from labor rights that are respected by companies and protected by the state.



ETI focuses on cooperating with various players to identify solutions to systemic problems. In 2020 and 2021, Lidl was already actively involved in ETI activities, including a working group on human rights violations in avocado cultivation as well as in discussions on the responsible sourcing of cotton.

As part of this membership, Lidl's efforts include striving to further develop action focus points including forced labor and living wages, as well as helping smallholders to organize as a collective.

Our commitment to fair pay and incomes

A living wage or living income must be enough to cover the costs of food, water, housing, education, health care, transportation, clothing and other essential needs including provision for unexpected events.

More than 10% of the world's population still live in extreme poverty, two-thirds of them work in agriculture. In food production, too, there is an increase in precarious forms of employment such as contract work and temporary or marginal employment.¹³ Women in particular are affected by low wages and exploitation, with female workers in seasonal fruit and vegetable production earning some 20–30% less than men.¹⁴

The COVID-19 pandemic threatens to fuel poverty in many parts of the world, with hundreds of millions facing hunger and poverty after losing their livelihoods. Oxfam estimates that it may take upwards of a decade before the world's poorest overcome the effects of the pandemic.¹⁵

10%

of the world's population live in extreme poverty

¹³ ILO: World Employment and Social Outlook – Trends 2018.

¹⁴ Oxfam: *Gerechtigkeit schaffen – Supermärkte*, 2021.

Lidl has identified the following raw material and product supply chains as particularly critical in relation to fair pay: textiles, cocoa, coffee, tea, nuts, fish, fruit and vegetables



-
- 2021** We are identifying the highest-risk products for living wage/living income disparity in our supply chains.
-
- 2021 onwards** For the highest-risk products we will consistently track the current living wage/living income benchmarks and/or help calculate them where needed
-
- 2022** We will give our purchasers the means to identify and address high-risk products for wage/income disparity
-
- 2023** We will run three pilot projects to reduce living wage/living income disparity in three supply chains. Among other things, these will focus on empowering smallholder farmers to secure a living income.

¹⁵ Oxfam: *The Inequality Virus*, 2021.

Lidl recognizes fair pay as a fundamental human right. It should enable workers to secure a dignified standard of living for themselves and their families. Lidl was already advocating fair pay in its Code of Conduct in 2006, and since then has taken a stand on the issue, for instance by opting for Fairtrade certified products such as cocoa, coffee or bananas. We work together with external partners to identify products and supply chains with the greatest wage/income disparity. On this basis, Lidl will further refine its risk-based approach to fair pay.

One particular existing focus of our commitment to fair pay is smallholder farms. These are the starting point for many of Lidl's agricultural value chains, but often only a fraction of the profit trickles down to them. Lidl recognizes how important it is to ensure a fair system of profit distribution within the supply chain and is committed to entering into long-term, fair and transparent supply relationships with agricultural producers. As part of this, Lidl is also looking into a means of ensuring that a greater share of value creation remains with the producers.



"In the years to come it will be crucial to support the world's smallholder farmers, to help them earn a living wage and to strive for a fair distribution of value."

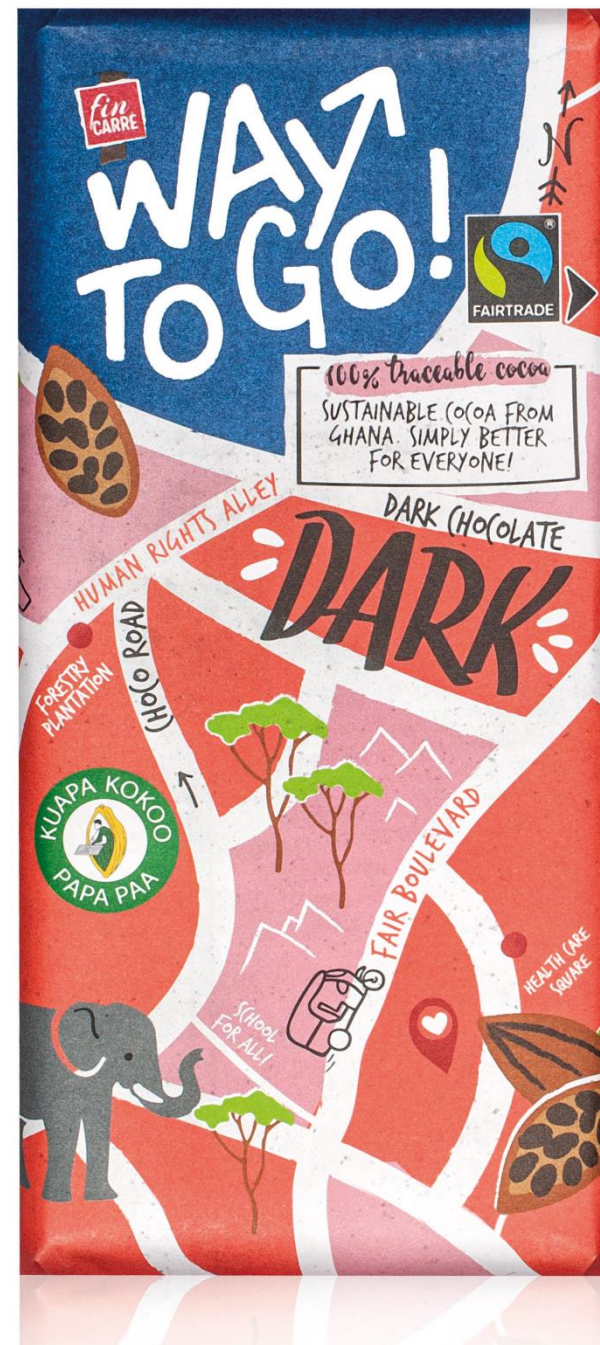
**Eduardo Tursi | Chief Purchasing & Marketing Officer
Lidl Malta**

Flagship project: "WayToGo" fair trade chocolate

In 2018, cocoa farmers in Ghana were only earning roughly 52% of what was considered a living wage. By developing WayToGo chocolate, Lidl is directly contributing to higher wages for Ghanaian cocoa farmers. Specific action plans with binding milestones were developed in order to support smallholders in earning a living income.

In partnership with Fairtrade, the Kuapa Kokoo farmers' cooperative and NGO Rikolto, since 2019 Lidl has paid a premium exceeding the Fairtrade Premium for each tonne of cocoa used in WayToGo chocolate. This money funds projects that make an additional and permanent improvement in the income situation for agricultural producers. In 2020, a total of 870 farmers (60% men/40% women) from ten Ghanaian communities benefited from the various initiatives and succeeded in raising their incomes.

Training and start-up kits helped 173 farmers secure an additional source of income from rice, honey, yam and soap production. In addition, 308 people gained access to cheaper financing opportunities. A further 398 raised the quality and yield of their cocoa bean harvests thanks to pruning and spraying services.



Going forward, the WayToGo concept will be expanded to include an additional product. With WayToGo cashews as an own brand product, Lidl wishes to contribute to generating a higher income for cashew farmers and to strengthen its collaboration with smallholders.

Most of the cashews farmed in Africa are processed outside Africa, often in South-East Asia. This means only a small proportion of the added value from this popular product remains in the regions where it is farmed, which are often low-income. With WayToGo cashews, the product is entirely manufactured in Tanzania, from farming through to the fully processed cashews. Around 400 Tanzanian smallholders are supported thanks to our collaboration with our partners, the UWAMI (Umoja Wa Wakulima Mikoma) cooperative in the Lindi region and Fairtrade. UWAMI trains the farmers in sustainable cultivation and processing techniques. As part of the partnership, Lidl already pays a premium exceeding the Fairtrade Premium for the cashew nuts. In the future, this additional premium will be aligned with the Living Income Reference Price and will therefore support the smallholders in earning a living income. WayToGo cashews will initially be available in the Netherlands.

In future, gender equality will represent a second strong pillar of the WayToGo cocoa and cashew projects. Find out more about our commitment to fighting discrimination [> here](#).

Lidl is in constant contact with its WayToGo local partner organizations and posts regular project updates on its website.

Commitment to living wages as part of the Initiative for Sustainable Agricultural Supply Chains

Since 2020, Lidl has taken an active part in the > [Initiative for Sustainable Agricultural Supply Chains \(INA\)](#) to promote social and ecological standards across the industry.



This partnership between the private sector, civil society and politics is aimed at achieving greater sustainability in global agricultural supply chains, and in particular at improving the living conditions of smallholder farmers around the world.

We joined the INA living wage working group in 2020 to work in partnership and dialog with other retailers on developing projects and initiatives to ensure living wages and living incomes for producers in selected agricultural supply chains.

Together with the working group, we are currently developing a pilot project in the banana supply chain in Ecuador and other producer countries. The project has four strategic goals to promote living wages and living incomes in the banana supply chain:

- establishing responsible procurement practices in retail
- promoting active and strong worker representation to support in negotiating wages
- leveraging and refining monitoring mechanisms to ensure transparency
- creating adequate framework conditions by setting agendas together with the relevant players and stakeholders

Living wages in the orange supply chain in partnership with the Fruit Juice CSR Platform

As a member of the [Fruit Juice CSR Platform](#), Lidl is advocating for workers in the orange supply chain in Brazil to be able to earn a living wage.



As part of our membership, we supported a [Living Wage Report](#) published in Brazil in 2020, which determined wage and income disparity in orange cultivation. On this basis it was possible to identify the actual gap between living wages and the existing local wages. In a further step, Lidl now intends to determine the wages actually paid on the supplier farms. With the help of community projects, we are also setting the goal of gradually bringing pay into line with living wages.

ACT for higher wages in the textile industry

Lidl is the first German retailer to join the > Action Collaboration Transformation (ACT) initiative. ACT is the first global agreement to strive for collective bargaining at industry level in the countries of production. The wages negotiated in this context will be backed up by responsible purchasing practices from the participating businesses.

ACT has also developed a mechanism to evaluate the impact of the initiative: textile manufacturers and workers' representatives assess how effectively the company has met its obligations and facilitated higher wages accordingly. ACT's initial focus countries are Cambodia, Myanmar, Bangladesh and Turkey.



Together with our competent purchasing department, we have developed a strategy to fully implement the principles of the initiative – responsible purchasing practices – by 2025. This involves among other things working together with our business partners to put in place mechanisms to enable wage increases in textile production. The strategy is based on an anonymized assessment of our purchasing practices by our producers, as organized by ACT. A total of 3,000+ production facilities were surveyed. Lidl emerged above-average in comparison with its industry peers.

At the same time, the textile industry is currently wrestling with the effects of the COVID-19 pandemic. Temporary store closures around

the world caused the order situation in sourcing countries to deteriorate, in some cases drastically.

As part of our ACT membership, we remain committed to the working situation of employees on the ground in the textile industry. As an example, even in the current situation it goes without saying that we will fulfill and accept all orders that have been agreed.

Our commitment to fighting discrimination

The current rate of workforce participation for women is just under 49%, while the figure for men is 75%. That is a difference of 26 percentage points, which rises to as much as 50 percentage points in some regions.¹⁶

While the position of women in agriculture is improving, women farmers still lack access to resources such as land, loans and education. Female workers are also exposed to specific risks such as unequal pay, termination of employment if they become pregnant, and violence and sexual abuse in the workplace.

Nevertheless, sex is not the only thing that singles people out for discrimination. Surveys show that discrimination, attacks on minorities and hate speech remain everyday occurrences worldwide, and have even increased over the course of the pandemic.¹⁷ Seasonal and migrant workers are often subject to discriminatory working conditions and pay. A current study by the ILO shows that they earn an average of 13% less than local workers. According to Oxfam, migrant workers perform more than a quarter of the world's agricultural work.¹⁸

Lidl has identified the following raw material and product supply chains as particularly critical in relation to discrimination: cotton, coffee, cocoa, fruit and vegetables, palm (kernel) oil, rice, soy, tea, fish and textiles



2021 We are publishing a position paper on gender equality.

2022 We will publish a cross-border action plan for gender equality including targets with deadlines for implementation.

2022 We will use gender-specific risk analyses including HRIAs to reinforce how we approach our duty of care.

2023 We will ensure access to gender-sensitive grievance mechanisms in high-risk supply chains.

¹⁶ ILO: The gender gap in employment: What's holding women back?, 2018.

¹⁷ ILO: Labour migration, 2020.

¹⁸ Oxfam: Positionspapier Welternährung 2030.

2023 onwards We will take the earnings situation of women into particular consideration when developing our approach to promote living wages, and will report on the progress made. We will also strive to increase the share of products we purchase from women-managed growers and processors, where economically feasible, and report on our progress.

At Lidl we are vehemently opposed to all forms of discrimination, including with respect to our supply chains. This stance is a key component of our purchasing policy on gender equality in the supply chain.

At Lidl, we understand discrimination as any distinction, exclusion or preference, including those made on the basis of sex, religion, skin color or origin, that leads to unequal treatment or causes detriment.

We know that it is mainly women who work in many of our high-risk supply chains. A variety of reasons – including those specific to the country or sector – mean that they are at particular risk of potentially falling victim to human rights violations.

In order to embed the principle of equal opportunities and promotion of gender equality in our supply chains, it is necessary to design targeted action to advance women. As a basis for deciding what action to take, we began by conducting a risk analysis and consequently identified high-risk supply chains in the food segment in which women's rights were being abused and women were being discriminated against. This includes for example unequal access to work, unequal pay or violence against women.

The UN Women's Empowerment Principles (WEPs)

As one of the first actions, Lidl Malta signed the Women's Empowerment Principles in 2019. To implement the WEPs, by the end of 2021 we will have developed a purchasing policy on gender equality in the supply chain. We will use this to formulate specific targets and report on the action we are taking, including projects to advance women.

The WEPs are a joint initiative between UN Women and the UN Global Compact. It is the first global initiative to target the advancement and empowerment of women in supply chains and businesses.

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the
UN Global Compact Office

The WEPs are aimed at companies and corporate groups and cover the following seven principles aimed at empowering women in business:

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.

WayToGo and Fairtrade for gender equality

From 2021 onwards, we will be expanding our WayToGo concept for living wages to include a second pillar. This explicitly addresses gender equality so as to actively prioritize the needs and skills of women and other vulnerable groups in all WayToGo activities.

This includes taking action to diversify incomes and factor in the specific situation of women. We also want to improve women's access to funding. Last but not least is the Fairtrade "Gender Module", which is used to support married couples in making joint decisions within their households. This is how Lidl is making good on its desire to support women, in particular to secure living wages and living incomes.



"We need to play an active role across the entire food sector to promote the economic prospects of women in supply chains and address the reasons for the lack of equality."

**Eduardo Tursi | Chief Purchasing & Marketing Officer
Lidl Malta**

Our commitment to safety in the workplace

Health and safety in the workplace is a fundamental right of all workers. Effective workplace safety protects employees' health and lays the groundwork for a productive workforce.

Global estimates on workplace safety are clear: according to the ILO, 365,000 people die in occupational accidents each year, 374 million suffer the effects of occupational accidents and some 2.37 million are affected by work-related diseases. Together, fatal occupational accidents account for 5–7% of deaths globally.¹⁹ In economic terms, the working days lost as a consequence of occupational accidents and work-related diseases corresponds to up to 4% of global GDP.

The most dangerous sectors include in particular agriculture and the textile industry. Health risks arise due to factors including a lack of protection or training in handling harmful pesticides or textile dyes and dangerous tools. Some 25 million people per year suffer acute poisoning due to pesticides used in the workplace.²⁰

The COVID-19 pandemic poses further risks to human health. Workers in supply chains often lack sufficient PPE, disinfectants and detergents, and there are no health and safety protocols in place.

Lidl has identified the following raw material and product supply chains as particularly critical in relation to workplace safety: textiles, cotton, cellulose, hardware and electronics, fruit and vegetables, fish



2022 We will publish a revised supplier policy with stricter requirements for occupational health and safety.

2023 We will put in place a risk-based and scalable approach to social auditing in high-risk supply chains, which will feature a focal point on occupational health and safety.

2025 We will be carrying out three human rights impact assessments (HRIAs) per year in high-risk supply chains with the aim of capturing potential occupational health and safety risks for workers and taking suitable action to address them.

¹⁹ ILO: Vision Zero Fund. Strategy 2019-2023, 2019.

²⁰ Oxfam: Positionspapier Welternährung 2030.

At Lidl, our intention is to leverage effective worker protection to ensure the health and safety of all employees at our suppliers and thus lay the groundwork for a safe working environment.

Lidl has policy of zero tolerance for occupational health and safety violations. We carry out regular social audits to review workplace safety and our Code of Conduct obligates suppliers to ensure occupational health and safety. Lidl is also active in a number of initiatives to improve workplace safety in its supply chains.

Bangladesh Accord – ensuring occupational and fire safety in the garment and textile industry

Lidl has signed up to the Accord on Fire and Building Safety in Bangladesh to achieve a long-term improvement in safety and fire protection standards at textile producers in the key sourcing country of Bangladesh.



In addition, we were one of the first signatories to the follow-on accord under the auspices of the [RMG Sustainability Council \(RSC\)](#), in force from 2018 to 2021. The aim of the accord is to improve occupational and fire safety and leverage infrastructure measures and training to get workers involved.

More than two million people have completed training since 2013. In addition, more than 1,600 textile factories in Bangladesh have signed up to the accord and are regularly inspected for their fire and building safety standards. The textile factories make improvements as part of this.

ILO SCORE program: training for better work

> Sustaining Competitive and Responsible Enterprises (SCORE) is an ILO global program that improves productivity and working conditions. The goal of the initiative is the effective implementation of SCORE Training – which combines practical classroom training for managers and workers with in-factory consulting.

Sustaining Competitive and Responsible Enterprises (SCORE) is a training and consulting project developed by the International Labour Organization (ILO). Its aim is to work with global purchasing managers in training suppliers to make improvements in their working conditions, productivity and competitiveness.

By participating in SCORE training from 2022 onwards, Lidl will be active in forming cooperative relationships in its supplier factories in selected high-risk supply chains in the following specific areas:



- workplace cooperation
- clean production
- human resource management
- occupational health and safety

Our goals for a robust approach to human rights

We have set ourselves the goal of improving the living and working conditions of the people who work for us by the end of 2025.

1 Goals to keep track of impacts

2021 We will continue conducting regular hot spot analyses to **onwards** identify human rights risks in our product groups.

By 2025 We will be carrying out three human rights impact assessments (HRIAs) per year in high-risk supply chains. We will publish the results and associated action plans.

2 Goals to safeguard standards

2021 We are providing access to effective grievance mechanisms for workers in three high-risk supply chains.

2023 We will establish a risk-based and scalable approach to social auditing in high-risk supply chains.

3 Goals to expand fair trade

2021 We are developing an approach to promoting living wages and incomes in our global supply chains and thus further narrowing the pay gap. You can find further goals [> here](#).

4 Goals to drive change

2022 We are developing an approach for our supply chains spanning multiple product groups to actively improve working conditions through targeted action. These actions include for instance supplier training. The training is also intended to empower the people in our supply chains to better enforce their own rights. We are also running projects to indirectly improve their wages and job security. Our approach will focus on smallhold farms, women and workers in agriculture.

Our goals to uphold human rights in the workplace



Goals to combat forced labor

2022 We will develop a cross-border strategy to combat forced labor, including action plans.

Find out more about our commitment to combating forced labor [>](#)



Goals to combat child labor

2025 We are striving to implement a training policy for high-risk supply chains aimed at preventing child labor and providing remediation.

Find out more about our commitment to combating child labor [> here](#).



Goals to protect freedom of association

Ongoing

We are engaging in dialog and drawing on the expertise of trade unions. In doing so, we are identifying the remaining obstacles to upholding human rights, including freedom of association.

2021 onwards

As part of our membership of ACT, we will work together with our business partners to raise awareness of freedom of association and collective bargaining within our supply chains.

2022

We will provide targeted assistance to smallholder farmers to organize as a collective.

2023

100% of our tier 1 supplier facilities in Bangladesh and Cambodia will join the ILO Better Work program, which among other things aims to strengthen social dialog.

Find out more about our commitment to freedom of association [> here](#).



Goals to ensure fair pay and incomes

- 2021** We are identifying the highest-risk products for living wage/living income disparity in our supply chains.
- 2021 onwards** For the highest-risk products we will consistently track the current living wage/living income benchmarks and/or help calculate them where needed
- 2022** We will give our purchasers the means to identify and address high-risk products for wage/income disparity
- 2023** We will run three pilot projects to reduce living wage/living income disparity in three supply chains. These relate in particular to our purchasing practices and focus among other things on giving smallholder farmers the means to secure a living income.

You can find out more about our commitment to fair pay and incomes [> here](#).



Goals to fight discrimination

- 2021** We are publishing a position paper on gender equality.
- 2022** We will publish a cross-border action plan for gender equality including targets with deadlines for implementation.
- 2022** We will use gender-specific risk analysis including HRIAs to reinforce how we approach our duty of care.
- 2023** We will ensure access to gender-sensitive grievance mechanisms in high-risk supply chains.
- 2023 onwards** We will take the earnings situation of women into particular consideration when developing our approach to promote living wages, and will report on the progress made.

We will also strive to increase the share of products we purchase from women-managed growers and processors, where economically feasible, and report on our progress.

Find out more about our commitment to fighting discrimination [> here](#).



Goals to improve safety in the workplace

- 2022** We will publish a revised supplier policy with stricter requirements for occupational health and safety.
- 2023** We will put in place a risk-based and scalable approach to social auditing in high-risk supply chains, which will feature a focal point on occupational health and safety.
- 2025** We will be carrying out three human rights impact assessments (HRIAs) per year in high-risk supply chains with the aim of capturing potential occupational health and safety risks for workers and taking suitable action to address them.

Find out more about our commitment to safety in the workplace [> here](#).

Glossary

Glossary

Child labor

In accordance with the United Nations Convention on the Rights of the Child, "a child means every human being below the age of eighteen years unless under the law applicable to the child, majority is attained earlier". The ILO defines child labor as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. Child labor refers to one or more of the following points:

- 1) work performed by a child who is younger than the minimum age permitted for that specific type of work
- 2) work that interferes with schooling
- 3) work that is likely to harm the health, safety or morals of children (referred to as hazardous work)

The ILO defines "hazardous child labor" as "work which is likely to jeopardize the health, safety or morals of young persons" – and which should thus not be performed by anyone under 18 years of age. Lidl bases its definition of hazardous work on both the international standards (ILO Conventions Nos. 138 and 182 and Recommendation No. 189) and on national legislation.

Code of conduct

A code of conduct is a collection of policies and/or rules that businesses set themselves as part of a voluntary commitment. The instructions they contain serve as a (basic) guide for employees to encourage desired conduct and avoid misconduct. The topics covered can be very broad, ranging from corruption through dealings with customers down to working hours.

Discrimination in the workplace

ILO Convention No. 111 defines discrimination as any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation.²¹

Effective grievance mechanism

A grievance system is a complaint processes that enables individuals or groups of people to complain and seek remedy in cases where businesses potentially have adverse impacts on human rights. The UN Guiding Principles of Business and Human Rights²² call on states and businesses to provide those affected with access to effective grievance mechanisms.

For businesses, this means putting in place operative grievance mechanisms that are accessible to persons potentially affected inside and outside of the business, and/or requesting that suppliers or business partners do the same.

The UN Guiding Principles define eight criteria that a human rights grievance system must fulfill in order to be effective, namely for it to be legitimate, accessible, predictable, equitable, transparent, rights-compatible, based on engagement and dialog, and a source of continuous learning.

Fair recruitment

According to the ILO, fair recruitment should take place in a way that respects, protects and fulfills internationally recognized human rights, including those expressed in international labor standards, and in particular the right to freedom of association and collective bargaining, and prevention and elimination of forced labor, child labor and discrimination in respect of employment and occupation. The ILO has defined a total of 13 general principles for fair recruitment.²³

²¹ ILO: Fundamental Principles of the ILO, 2021.

²² UN: Guiding Principles on Business and Human Rights, 2011.

²³ ILO: General principles and operational and guidelines for fair recruitment, 2019.

Forced labor

According to the ILO, "forced or compulsory labor" is all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily. In accordance with Convention No. 105, each member of the ILO undertakes to suppress and not make use of any form of forced or compulsory labor. This includes forced labor:

- 1) as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system
- 2) as a method of mobilizing and using labor for purposes of economic development
- 3) as a means of labor discipline
- 4) as a punishment for having participated in strikes
- 5) as a means of racial, social, national or religious discrimination

Freedom of association

ILO Convention No. 87 lays down the following principles to uphold freedom of association:

- 1) Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization.
- 2) Workers' and employers' organizations shall have the right to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs.
- 3) The public authorities shall refrain from any interference which would restrict this right or impede the lawful exercise thereof.
- 4) Workers' and employers' organizations shall not be liable to be dissolved or suspended by administrative authority.
- 5) Workers' and employers' organizations shall have the right to establish and join federations and confederations and any such organization, federation or confederation shall have the right to affiliate with international organizations of workers and employers.

Human rights impact assessment (HRIA)

A human rights impact assessment (HRIA) is a process applied to systematically identify, predict and respond to the potential human rights implications of a business operation, government policy or trade agreement.

International Labour Organization (ILO)

Headquartered in Geneva, the International Labour Organization (ILO) is the oldest specialized agency of the United Nations. It is responsible for developing, formulating and implementing binding international labor and social standards. The main aims of the ILO are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen social dialog.

Living wage

The Global Living Wage Coalition (GLWC) describes a living wage as the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.²⁴

In its Convention No. 100, the ILO also defines principles stipulating equal remuneration for men and women workers for work of equal value. According to the ILO, this principle should be applied by:

- 1) national laws or regulations
- 2) legally established or recognized machinery for wage determination
- 3) collective agreements between employers and workers

Migrant worker

The ILO describes migrant workers as a foreign nationals who are accepted into a host country for the specific purpose of performing an economic activity for which they receive remuneration within the host country. The length of their residence is usually limited in the same way as the work they perform. Their family members (where permitted to join them) are likewise included in this category. According to the ILO, crossing national borders to work is one of the key motivations for international migration, whether due to economic inequality, seeking work or a combination of the two.²⁵

UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights were endorsed by the UN Human Rights Council in 2011. They constitute a global instrument to rectify and prevent human rights violations in business contexts. Companies thus have a key role to play in protecting human rights. They must recognize human rights throughout their entire activities – irrespective of the state-based framework – and put in place systems that help observe them.

Universal Declaration of Human Rights (UDHR)

Non-binding resolution of the United Nations adopted in 1948 that enshrines the fundamental rights and freedoms of all human beings. It comprises a total of 30 articles that for the first time in history are intended to guarantee universal protection for all people, including social rights, freedoms and collective rights. The member states of the United Nations undertook to uphold these rights "by progressive measures, national and international". It is the world's most-translated document, underscoring the aspiration for it to be of worldwide significance.

²⁴ GLWC: What is a Living Wage?, 2021.

²⁵ ILO: Global estimates on migrant workers, 2015.

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