

Human Rights in our Supply Chains

Progress Update 2023



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Our **responsibility** for human rights

Our responsibility for human rights

As a discount retailer, Lidl sells food, non-food and near-food products sourced throughout global supply chains. We are responsible for ensuring access to safe, decent working conditions and labour standards for individuals employed throughout the entire value chain. Our aim is to bring about improvements through targeted interventions and meeting the strategic focus of 'Good for People'.

Since publishing our human rights purchasing policy in 2021 with an [update in 2022](#) we have been on a continued journey with our stakeholders to strengthen our approach.

In this year's human rights progress report, we share how we are performing against the goals and objectives we've set ourselves. It is a transparent account, demonstrating alignment of our sustainability purpose with our wider business mission and outlining the progressive actions being taken to increase value in our supply chains.



Table of human rights commitments and progress

	Strategic column	Field of action	Commitment	Timeline	Status
End of fiscal year 2021	Safeguarding standards	General	Access to effective grievance mechanisms in 3 supply chains	2021	●●●○
	Driving change	Non-discrimination/ Gender equality	Encouraging strategic suppliers to sign UN WEPs	2021	●●●●
	Safeguarding standards	Non-discrimination/ Gender equality	Inclusion of women's empowerment in the Way To Go project	2021	●●●●
	Keeping track of impacts	Living wages and incomes	Identify top risk products for Living Wage/ Living Income gaps in our supply chains + report progress annually	2021	●●●●
End of fiscal year 2022	Safeguarding standards	Forced labour	Drafting a strategy on forced labour	2022	●●●●
	Safeguarding standards	General	Establishment of a risk-based approach on social auditing	2022	●●○○
	Safeguarding standards	General	Participation in the ILO Score project of producers in China	2022	●○○○
	Keeping track of impacts	General	Publication of the HRIA action plan berries (Spain)	2022	●●●●
	Keeping track of impacts	General	Conducting HRIA Banana (Colombia)	2022	●●●●
	Keeping track of impacts	General	Publication of the HRIA action plan banana	2022	●●●●
	Keeping track of impacts	General	Conducting the HRIA processed tomato supply chain (Italy)	2022	●●●●
	Keeping track of impacts	General	Publication of HRIA action plan processed tomato supply chain	2022	●●●●
	Safeguarding standards	General	Develop an overarching approach to improving labour standards beyond audits ("Beyond Auditing")	2022	●○○○
	Driving change	Non-discrimination/ Gender equality	Support suppliers in promoting gender equality	2022	●●●●
	Safeguarding standards	Non-discrimination/ Gender equality	Publication an action plan on gender equality	2022	●●●●
	Safeguarding standards	Workplace safety	Strengthen Occupational Health & Safety requirements in our Purchasing Policy	2022	●●●●
End of fiscal year 2023	Expanding fair trade	Freedom of association	Supporting small-scale farmers to form an association	2023	●○○○
	Safeguarding standards	Communication	Informing and training of our business partners on the Lidl Human Rights Strategy	2023	●●●●

	Strategic column	Field of action	Commitment	Timeline	Status
	Safeguarding standards	General	All Tier-1 producers in Cambodia and Bangladesh are members of ILO Better Work	2023	●●○○
	Safeguarding standards	Non-discrimination/ Gender equality	Publication of gender-specific data for 3 high risk supply chains	2023	●○○○
	Keeping track of impacts	Non-discrimination/ Gender equality	Publication of an action plan on decreasing the gender pay gaps in 3 risk supply chains and annual progress report	2023	●○○○
	Safeguarding standards	Non-discrimination/ Gender equality	Support business partners in the implementation of occupational health and safety guidelines during pregnancy as well as maternity protection guidelines	2023	●●●●
	Safeguarding standards	Non-discrimination/ Gender equality	Publication of a plan against gender-based violence (in accordance with ILO Convention 190)	2023	●○○○
	Safeguarding standards	Living wages and incomes	Empower buyers to identify and address high risk products for Living Wage/ Living Income gaps	2023	●○○○
	Expanding fair trade	Living wages and incomes	Implementation of 3 pilot projects to reduce the Living Income/ Living Wage gap in risk supply chains; consideration of women's wage situation	2023	●●●○
End of fiscal year 2024	Safeguarding standards	General	Access to effective, gender-sensitive grievance mechanisms for workers in high-risk supply chains	2024	●○○○
End of fiscal year 2025	Keeping track of impacts	General	Conduct and publish 3 HRIAs annually	2025	●●○○
	Safeguarding standards	Non-discrimination/ Gender equality	Ensuring access to gender-sensitive health and safety mechanisms	2025	●○○○
	Keeping track of impacts	Communication	Publish all high-risk supply chain tiers starting with 3 supply chains	2025	●○○○
	Safeguarding standards	Child labour	Implementing a training concept in high-risk supply chains for prevention/ remediation of child labor	2025	●○○○
	Expanding fair trade	Non-discrimination/ Gender equality	Encouraging business with women-owned companies	on a continuing basis	●●●●
	Driving change	Freedom of association	Dialogue with labour unions to identify challenges	on a continuing basis	●●●●
	Safeguarding standards	General	Ensuring that purchasing practices are followed beyond Tier 1	on a continuing basis	●●●●

Strategic column	Field of action	Commitment	Timeline	Status
Driving change	General	Actively participating in 3 multi-stakeholder initiatives	on a continuing basis	●●●●
Safeguarding standards	Non-discrimination/ Gender equality	Collaborating with women's rights organisation	on a continuing basis	●○○○
Driving change	Communication	Publication on the planning of grievance mechanisms	on a continuing basis	●●●○
Driving change	Communication	Advertising fair products	on a continuing basis	●●●●
Safeguarding standards	Living wages and incomes	Improvement of workers' wages (fair wages) and reporting on projects	on a continuing basis	●●●●
Expanding fair trade	Living wages and incomes	Implementation of ACT requirements including strengthening the awareness of Freedom of Association/ collective bargaining in our supply chains	on a continuing basis	●●○○
Keeping track of impacts	General	Conducting regular hot spot analyses to identify human rights risks	annual	●●●●
Driving change	Communication	Reporting on the progress of human rights commitments and lessons learned (including grievance mechanisms).	annual	●●●●
Driving change	Communication	Reporting on responsibilities for CSR within Lidl	annual	●●●●
Safeguarding standards	Living wages and incomes	Publishing an action plan to support small-scale farmers towards a living income + annual report on lessons learned	annual	●●●○



Lidl **Human Rights Strategy** in supply chains

Lidl Human Rights Strategy in supply chains

Lidl Human Rights Strategy at a glance

1 Keeping track of impacts

We constantly determine the risks and potential of improvement on the ground.

2 Safeguarding standards

We promote compliance with the ILO's core labor standards.

3 Expanding fair trade

We promote living wages and incomes.

4 Driving change

We are active in development programs, initiatives and projects.
















Keeping track of impacts

1

Keeping track of impacts

We are committed to taking actions to mitigate the (adverse) impacts of our own business activities in relation to human rights. We continuously review the potential and actual risks in the production of our goods through:

- Conducting risk assessments
- Conducting three annual Human Rights Impact Assessments (HRIAs) in high-risk supply chains per year
- Increasing transparency in our supply chains

Action area	Key information		Status
 Risk Assessment	Annually	<ul style="list-style-type: none"> • Scope: all supply chains • Goal: identification of human rights and environmental risks in supply chains 	Complete
From 2020 – 2022 we conducted 6 HRIAs with the goal to identify and mitigate specific Human Rights Risks			
 HRIA Tea	Conducted 2020	<ul style="list-style-type: none"> • Scope: Kenyan tea supply chain 	Published: Link
 HRIA Berries	Conducted 2020	<ul style="list-style-type: none"> • Scope: strawberry supply chain in Spain 	Published: Link
 HRIA Banana	Conducted 2021	<ul style="list-style-type: none"> • Scope: banana supply chain in Columbia 	Published: Link
 HRIA Canned tomatoes	Conducted 2021	<ul style="list-style-type: none"> • Scope: tomato supply chain in Italy 	Published: Link
 HRIA Wine	Conducted 2022	<ul style="list-style-type: none"> • Scope: wine supply chain in South Africa 	In Progress
 HRIA Shrimp	Conducted 2022	<ul style="list-style-type: none"> • Scope: shrimp supply chain in India 	In Progress
 Action Plan Berries	Published 2022	<ul style="list-style-type: none"> • Language: GER, EN, ES • Number of actions: 6 	Published: Link
 Action Plan Banana	Published 2023	<ul style="list-style-type: none"> • Language: EN • Number of actions: 3 	Published
 Action Plan Canned tomatoes	Published 2023	<ul style="list-style-type: none"> • Language: EN • Number of actions: 5 	Published
 Publishing all first-tier food suppliers	Annually	<ul style="list-style-type: none"> • Scope: Food • Goal: increase transparency 	Published: Link

Human Rights Impact Assessments (HRIAs)

In 2020, Lidl became the first German retailer to publish [Human Rights Impact Assessments](#). To date, we have completed six HRIAs in total. By conducting HRIAs, Lidl systematically identifies potential and actual human rights risks in our supply chains. HRIAs are considered an important step in identifying concrete adverse human rights impacts in the supply chain and determining effective measures. Based on the recommendations resulting from the HRIA process, action plans with defined activities and objectives are developed.

Our HRIAs follow a systemic process to identify, prioritise and address the impact of business operations on human rights issues within prioritised supply chains. This includes direct engagement with stakeholders and rights-holders within the scope of the assessment. An important aspect of our approach is the mitigation and remediation plan, which includes time-bound actions to ensure salient human rights risks identified through the process are mitigated and addressed effectively.





Safeguarding standards

2









Safeguarding standards

We promote measures to strengthen and comply with the ILO core labour standards.

We support cross-industry grievance mechanisms as provided by Fairtrade, Cotton made in Africa (CmiA), Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC) and the Partnership for Sustainable Textiles.

Focus Area:

- Implementation of a concept for social auditing
- Access to effective grievance mechanisms
- Sustainability requirements for suppliers

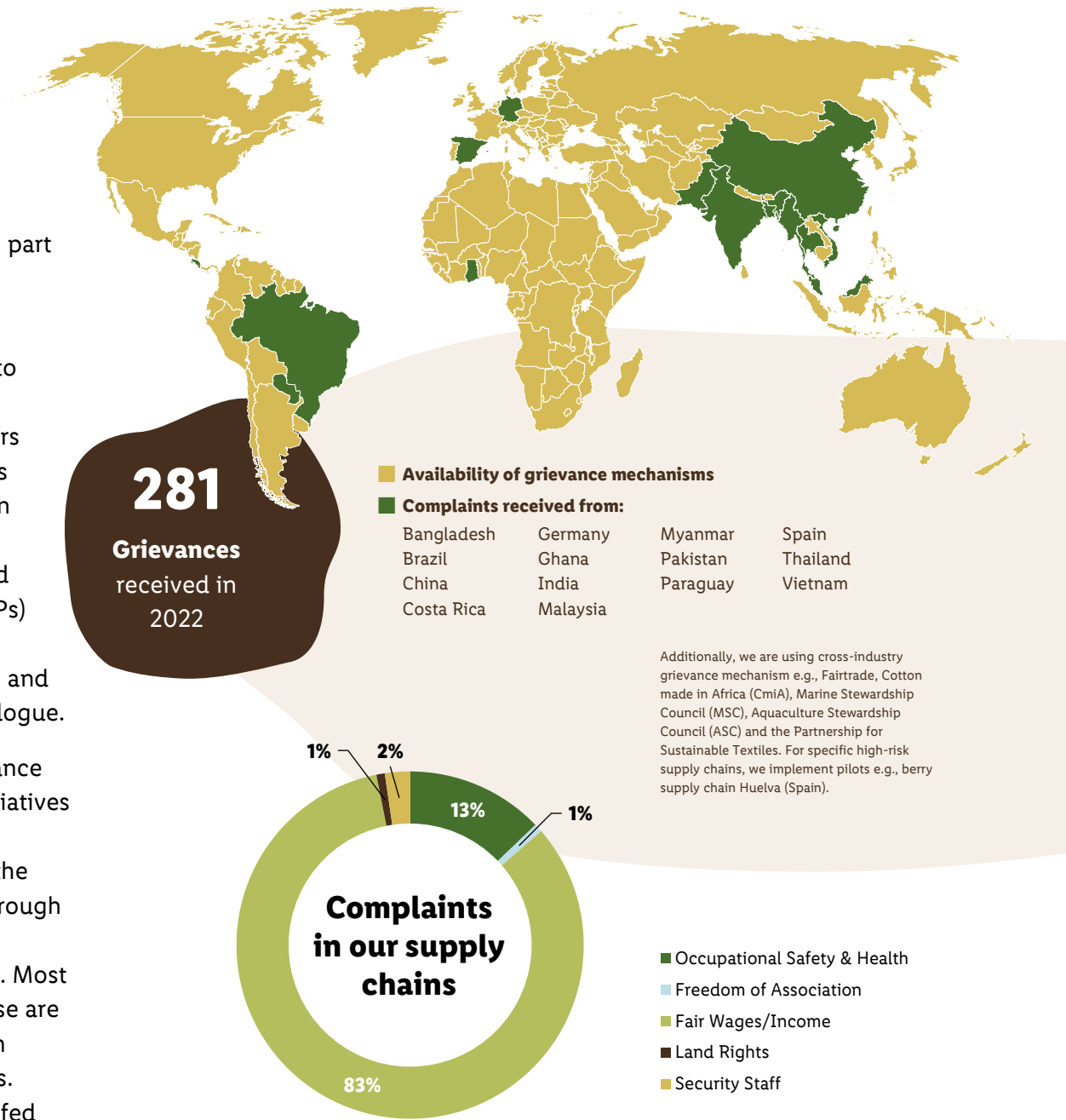
Focus Area	Objective	Status
Pilot projects for setting social standards		
 Pilot Child Rights in the hazelnut supply chain in Turkey (with Save the Children)	Strengthening the rights of children in the hazelnut supply chain in Turkey	Complete LINK
 ILO Better Work Rollout	Enabling of textile factories in Cambodia and Bangladesh to comply with ILO standards	In progress
Grievance mechanisms		
 BKMS	Access to our grievance mechanism for all actors in our supply chains with the security of a structured process towards remedy	In progress
 Nuestra Voz Grievance Mechanism	Implementation of a grievance mechanism pilot in berry supply chain in Spain	
 Grievance Mechanism Amfori	Coordination of rollout of the Amfori grievance mechanism (Speak for change)	
 Grievance Mechanism ACT	Implementation of a grievance mechanism in textile supply chain	
 Bangladesh ACCORD	Providing access to a grievance mechanism in the textile industry in Bangladesh	
CSR Requirements for suppliers		
 Sustainable Purchasing Policy	Contractual determinations for Lidl business partners on social and environmental conditions	Roll out in progress

Grievance mechanism

Access to effective grievance mechanisms is a key element in identifying human rights violations in our supply chain and forms part of [Lidl's Human Rights Strategy](#).

Ensuring access to effective grievance mechanisms is part of the [company's code of conduct](#), which all business partners commit to when entering into business relationships. We are working collaboratively with our suppliers and further external stakeholders to develop and support access to effective grievance mechanisms throughout our direct operations and global supply chains. Within indirect supply chains, ensuring access to grievance mechanisms can be challenging. We are guided by and comply with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and recognise effective grievance mechanisms to be legitimate, freely accessible, legally compliant, transparent, comprehensible, and through a balanced process, which is based on exchange and dialogue.

By assuming its responsibility to ensure access to effective grievance mechanisms, Lidl has not only organised in multi-stakeholder initiatives to establish an industry-wide grievance mechanism but also implemented an [online grievance mechanism](#) which is based on the [BKMS Reporting system](#). This applies across all supply chains. Through BKMS, stakeholders are able to report grievances, as well as find information about the procedure and confidential data treatment. Most grievances raised are related to late payments and overtime. These are carefully investigated. If we notice a high number of violations on similar topics, we check whether we can prevent those grievances. Identified measures are being tested in pilot projects and, if proofed



successfully, included as a requirement in our Sustainable Purchasing Policy, which is defining all CSR requirements towards our suppliers.

Following significant progress in the non-food sector, Lidl is now focusing on extending this approach to the food, fruit & vegetables, and flowers supply chains. An initial step is to engage in industry-wide working groups as well as initiating pilots within high-risk supply chains. In 2021, we started to provide access to grievance mechanisms for workers in three high-risk supply chains. We intend to take the experiences gained from these projects, to support approaches in other supply chains, enabling an increased number of supply chain actors to access grievance mechanisms and lead change.



Compliance case example - processing and remediation:

We received a complaint from a trade union about a workers strike because of missing wage payments. A first screening on social media revealed further grave allegations against the factory e.g., workers had to pay for the access to fresh water.

In line with our internal Standard Operating Procedure (SOP) the factory was temporarily blocked for new orders and non-finished orders were reallocated whilst the compliance case was investigated.

We initiated immediate audits to investigate the allegations, many of which were not validated in this process. For these investigations we worked closely with our direct business partner, who supported the factory through the process. An action plan was defined to remediate the issues. One of them was establishing a new drinking water treatment plant to increase the quality of the freely accessible fresh water.

After the successful implementation of the action plan, we carried out worker interviews with direct feedback on the conditions. The result of the survey showed that all complaints had been resolved. We were able to unblock the factory for new orders and continue our business relationship.







Expanding **fair trade**

3

Expanding fair trade

We promote living wages and living incomes as well as a fair distribution of value throughout our supply chains.

We continuously develop our projects to promote living incomes and wages in our global supply chains and thereby further reduce wage and income gaps.

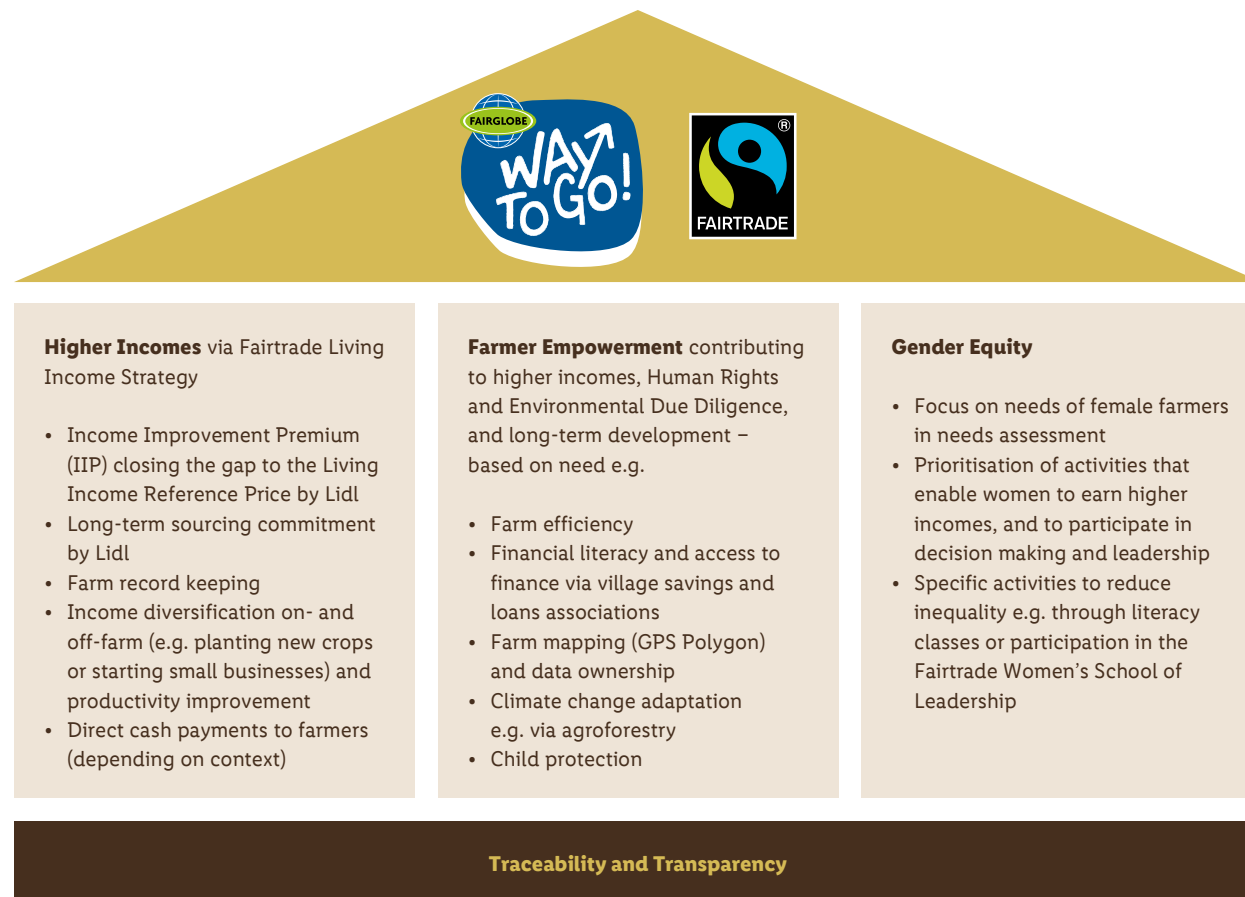
Program	Supporting ...
 Living Wage Banana Project (GER, NL)	... workers in the Lidl banana supply chain towards a living wage
 ACT	... workers in the textile supply chain towards a living wage
 Way To Go	... small-scale farmers towards a living income
 Cotton made in Africa	... small-scale farmers towards a living income

Way To Go: A way towards a living income for small-scale farmers

The Way To Go concept has been jointly developed by Lidl and Fairtrade in order to improve incomes for small-scale farmers in Lidl's food supply chains. The starting point for each project is a thorough needs assessment with the farmers. Selected representatives of the producer's organisation then accompany the project during the implementation of the activities. Fairtrade, Lidl and the representatives engage in quarterly meetings to ensure close cooperation, working carefully to ensure balanced decisions in the best interest of all stakeholders. Annual reporting is in place to monitor progress on the project activities.

The Way To Go concept has so far been implemented in three supply chains: cocoa, cashew and coffee. Lidl plans to expand the concept to other supply chains to achieve an even greater impact.

The Way To Go Concept is built upon 3 pillars:





Higher incomes

The concept contributes to higher incomes for farmers through an additional volume-based differential payment on top of the Fairtrade minimum price and the Fairtrade premium in combination with a long-term sourcing commitment by Lidl. Based on a thorough needs assessment, priorities of the farmers and their cooperative, the additional differential is used for further activities on the basis of the holistically designed Fairtrade Living Income Strategy. This is designed to have a longer-term impact (e.g. income diversification, farm efficiency and cost reduction through record keeping, productivity and quality) and/or can also be paid partly or fully in cash to the farming families.



Farmer empowerment

Education and training on Fairtrade's well-established methods for strengthening small-scale farmers and their cooperatives and enabling long-term development. Depending on the local context this can include farm management and efficiency, financial literacy, strengthening of cooperative services to members, human rights and compliance issues like child protection or protection from forced labour, environmental issues and climate change adaptation methods like trainings on agroforestry, biodiversity action plans, etc. – re-enforcing also the higher incomes pillar.



Gender equality and women's empowerment

This means, the needs and capacities of women and vulnerable groups will be actively prioritised in all Way To Go activities based on the assessment of the local context, and specific activities will be designed to actively tackle the root causes of inequality.

Way To Go Cocoa

The first Way To Go project was initiated in September 2019 in collaboration with the cocoa cooperative Kuapa Kokoo Farmers Union (KKFU), Fairtrade and Rikolto. The aim of the project was to improve the socioeconomic conditions of Kuapa Kokoo farmers within the Konongo area of the Ashanti region of Ghana by improving the income of farmers from cocoa production and other income generating opportunities in the area.

Key facts about the project

- **100% physically traceable cocoa:** from Kuapa Kokoo Farmers Union (KKFU) – Konongo Society for the Way To Go Chocolate bars. As volumes increase, an additional cooperative will be added.
- **Income Improvement Premium:** Lidl pays an additional “Income Improvement Premium” (IIP) for each ton of raw cocoa sourced for the Way To Go Chocolate bar, on top of Fairtrade Minimum Price and Fairtrade Premium.
- **Increasing resilience:** The IIP is used to implement activities in the KKFU and, in the future, in a second cooperative that aims to achieve long-term income improvement for the farmers targeted specifically at women, youth and low-income members. An important part of raising farmers’ incomes and increasing their resilience against price shocks, effects of climate change or any other challenges with their

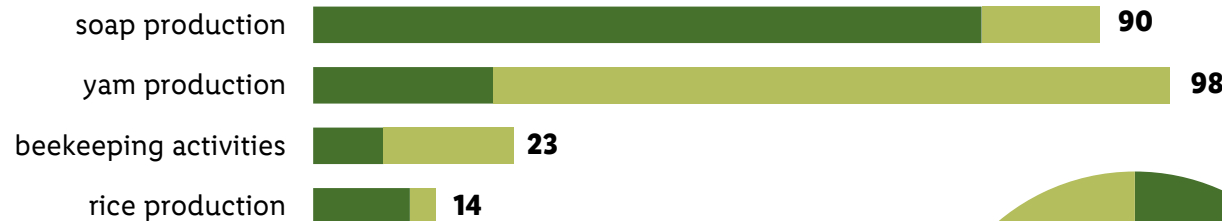


cocoa harvests, is the diversification of their income sources, thereby reducing their dependency on cocoa.

- **Gender inclusive:** Roll-out of farm record keeping and village savings and loan associations carefully considering male and female farmers.
- **Gender sensitive from the beginning:** The needs assessment has been conducted prior to defining the project activities with the support of the Konongo Society board (three men and two women). Additionally, a ‘gender specialist’ has accompanied the process and helped to define programs that specifically include a gender perspective regarding root causes and the needs of female farmers.

Key achievements since project start

Farmers involved in / started ...



2,100 farmers

benefitted from spraying and pruning services

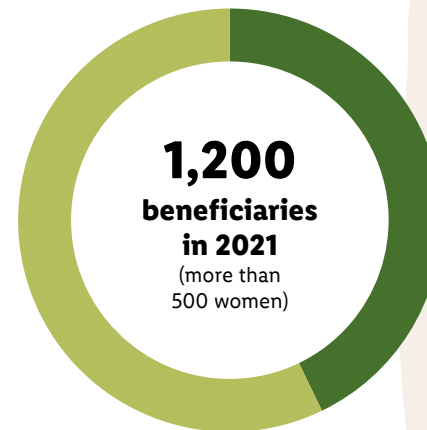
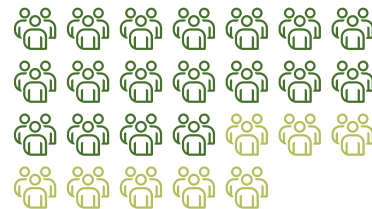
Data collection, validation and analysis conducted for

203 children between the ages of 5-17

from 5 identified high risk communities regarding child labour

598 farmers

participated in the village saving and loan associations (43% are women) with the aim to improve access to finance for cocoa farmers



18/26 communities with **GPS mapping of farms** (1,094 farmers)

Women
Men



134,921 cocoa seedlings

distributed to 702 farmers to facilitate rehabilitation of old and diseased cocoa farms to increase productivity and efficiency of cocoa farms



20,630 tree seedlings

of different local varieties **distributed to 393 farmers** to initiate afforestation in the cocoa producing regions

Way To Go Coffee

Based on the learnings from the Way To Go cocoa project, Lidl and Fairtrade extended the concept to their Coffee (Germany, Belgium and Netherlands) and Cashew (Netherlands) supply chains. The Way To Go Coffee project is implemented since August 2022 in collaboration with the COMSA coffee producer organisation in Honduras. This project aims to improve the incomes for female coffee farmers in the Marcala region of Honduras. Lidl has committed to sourcing coffee from this group.



August 2022

Lidl Germany, Netherlands, and Belgium have launched the WayToGo coffee



Key facts about the project

- **100% physically traceable coffee** from COMSA cooperative in Honduras
- **Income Improvement Premium:** Direct payment of income improvement premium (IIP) to farmers (on top of Fairtrade minimum price and Fairtrade premium paid to the cooperative).
- **Living income:** Calculation of Living Income Reference Price (LIRP) for coffee production in Honduras (ongoing)
- **Increasing resilience:** Project activities focus on income diversification, productivity increase through improved coffee varieties, improved production methods and providing trainings to address gender specific issues.
- **Gender sensitive from the beginning:** The needs assessment was conducted prior to defining the project activities with the support of the COMSA women committee.

Key achievements since project start

Fairtrade coffee sourced from female farmers of COMSA producer organisation:



57

female coffee farmers from COMSA

have participated in the project to date, sold their coffee to Lidl and have received the **income improvement premium**



Female farmer members of COMSA have organised as a group and **intensified communication and exchange of ideas**



90%

of the women have participated in the **training to improve crop diversification** within their farms



41%

of the women have started **seedling production with more resistant coffee** varieties for planting and field renovation in 2023

Way To Go Cashew

The Way To Go cashew project was launched in 2022. It has been implemented with the UWAMI cooperative in Tanzania. The project aims to improve the incomes for cashew farmers.

Some key facts

- **100% physically traceable cashews** from UWAMI cooperative in Tanzania
- **Income Improvement Premium:** Direct payment of the income improvement premium to farmers (on top of Fairtrade minimum price and Fairtrade premium paid to the cooperative)
- **Living Income:** [Calculation of LIRP](#) for cashew production in Tanzania
- **Empowerment:** Farmers became qualified to meet the ambitious Fairtrade standards including training for safe pesticide use as well as preparing for Fairtrade certification e.g. construction of storage for pesticides and construction of an office

Key achievements since project start

The cashew cooperative (UWAMI)

2022 registered as an Agricultural Marketing Cooperative Society (AMCOS)



improved to collect cashew nuts



improved to enter into trade contracts on behalf of its members

30%
women

400
members



Training on **Fairtrade standards** from Fairtrade Africa has enhanced the understanding of Fairtrade standards and requirements among the cooperative leaders and selected farmers.

Training on **premium use and management**. This enables the UWAMI management to handle the Fairtrade premium processes from planning to implementation in a democratic way and practices the proper and accountable use of the funds.

4

Driving change

Driving change

We engage in development programs, initiatives, and projects within our supply chains to proactively drive change beyond our organisation.

Program	Goal
 GRASP Technical Committee	Improving workers' health, safety, and welfare
 Ethical Trading Initiative (ETI)	Improving the lives of workers worldwide
 Ethical Tea Partnership (ETP)	Creating a fairer, better, more sustainable tea industry for workers, farmers, and the environment
 ACT on living wages	Creating better working conditions for textile workers and working towards living wages
 Cotton made in Africa	Improving the living conditions of small-scale farmers in the cotton sector
 World Banana Forum	MSI promoting an open dialogue on the challenges in the banana sector

Living Wage Banana Project

Lidl in Germany launched its Living Wage banana project in 2022. Through this it has expanded its Living Wage/ Income engagement beyond the Way To Go program. This project applies to all bananas sourced from 119 plantations in Colombia, Ecuador, Dominican Republic and Guatemala (including organic and conventional bananas from Fairtrade, as well as conventional Rainforest Alliance certified bananas).

To understand where in the supply chain living wages are being paid and where there are gaps, Lidl developed a system with its suppliers, Fairtrade and the global Fairtrade certification company FLOCERT to ensure that the wage gap between the wages paid and the living wage could be determined. Lidl uses the IDH salary matrix to document the wage level and to compare it with the current living wage benchmark in the region. In addition to this, the result of the IDH salary matrix is audited and verified by FLOCERT on site in the plantations. Wherever a living wage has not yet been reached, Fairtrade calculates the price surcharge required by Lidl to close the wage gap.

More information about the partnership with Fairtrade can be found here: [Link](#)



